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8/13/42

TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, August 14, 1942.
8/13/42

Press Service
No. 32-88

Secretary of the Treasury Morgenthau announced last night that reports from the Federal Reserve Banks indicate that subscriptions for the additional issue of 2-1/2 percent Treasury Bonds of 1962-67 aggregated \$1,143,085,200, through August 13, divided among the several Federal Reserve Districts and the Treasury as follows:

<u>Federal Reserve District</u>	<u>Total Subscriptions Received & Allotted</u>
Boston	\$ 74,894,200
New York	716,411,500
Philadelphia	71,662,200
Cleveland	23,945,700
Richmond	17,713,800
Atlanta	4,871,200
Chicago	45,844,200
St. Louis	4,596,800
Minneapolis	14,867,900
Kansas City	9,356,800
Dallas	13,024,700
San Francisco	19,624,200
Treasury	402,700
Government Investment Accounts	125,869,300
TOTAL	\$1,143,085,200

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TREASURY DEPARTMENT

Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, August 14, 1942.
8/13/42

Press Service
No. 32-86

Secretary of the Treasury Morgenthau today announced that the subscription books for the current offering of 2-1/2 percent Treasury Bonds of 1962-67 will close at the close of business Saturday, August 15.

Subscriptions addressed to a Federal Reserve Bank or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight Saturday, August 15, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and allotments and their division among the several Federal Reserve Districts will be made when final reports are received from the Federal Reserve Banks.

-oOo-

August 14, 1942.
9:45 a.m.

Daniel
Bell: Hello.

HMJr: Hello, Bell?

B: Good morning.

HMJr: Can you hear me now on the loud-speaker?

B: Very well, yes.

HMJr: What?

B: Very well.

HMJr: You can.

B: There's Herbert, Randolph, Harry White, and Bernstein in the room....

HMJr: Good.

B:and Mrs. McHugh.

HMJr: All right.

B: Bernie has redrafted the order.....

HMJr: Yeah.

B:made a good many changes, and he set up - proposes a committee instead of an authority....

HMJr: Yeah.

B:and instead of indicating that the President could go outside and appoint a chairman, he has said the chairman of the committee shall be appointed by the President, which leaves it so the President can appoint somebody within the committee....

HMJr: Yes.

B:or go outside, either one.

HMJr: Yeah.

B: Regarding that part concerning the Treasury, there's this provision: "With respect to taxation and public finance, the committee shall make such recommendations as it deems desirable to the Secretary of the Treasury, recognizing at all times in the discharge of the functions of the committee the primary responsibility and position under the President...."

HMJr: Wait a minute - "the primary responsibility" - what's the next word?

B: "and position."

HMJr: "and prohibition"?

B: Position.

HMJr: Position.

B: Yeah, job (Laughs) - "under the President of the Secretary of the Treasury in the formulation and conduct of executive policy with respect to taxation and public finance." In other words, that's entirely left in your hands because you are Secretary of the Treasury, and under the law you have that responsibility.

HMJr: Yeah, well....

B: And we've just been going over it here as a group, and we think that that's what we ought to recommend.

HMJr: Well, the only thing that I am thinking - I talked with Bernie last night - you don't say just what you say, that under the law that that is my responsibility.

B: We don't say that in the order.

HMJr: Well, I wondered if that couldn't be added.

B: (Talks aside) What do you think of that, Bernie? Yeah. Bernie thinks it might be a little difficult. This takes both the law and the practice, and a long-standing custom....

HMJr: I see.

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B:and it takes....

HMJr: Well, isn't - isn't this, from what Bernie told me, the exact word of what was in the letter to Hull?

B: This is the exact words, he says.

HMJr: What?

B: This represents the exact words as in the letter to Hull.

HMJr: Well, what's the matter with that? Hello?

B: Yes.

HMJr: Can anybody - does anybody think that this isn't all right?

B: Now wait a minute. (Talks aside) Does everybody think this is all right. They all think it's fine if we can get it.

HMJr: Well, let - let me ask Herbert. He was the most vehement yesterday.

B: Yeah, just a moment.

Herbert
Gaston:

Well, I think this about it, that - ah - with the powers of the chairman and of the committee, changing it from an authority to committee, and with the powers - the plenary powers taken away from the chairman, that this paragraph is not really necessary, and....

HMJr: Oh, no. No, no, I differ with you. Herbert?

G: Yes.

HMJr: I differ with you because if - if Rosenman says, "Well, I'm not going to change the committee, but I'll put this in," you see?

G: Well, I....

B: Wait a minute, wait a minute, Mr. Secretary. Herbert's on the other phone, and I understand that doesn't record. Wait a minute.

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G: I'll switch phones.

HMJr: Hello.

B: Just a moment.

G: I came over....

HMJr: Leave it the way it is, Herbert, because Rosenman might say, "Well, I'm going to have the draft the way it was at first because...."

G: That was - that's just - I agree with you entirely. That's just what I was starting to say.

HMJr: Oh, I'm....

G: We've got it doubly covered.

HMJr: Yeah.

G: With this paragraph in, we're protected even if he goes back to the plenary powers of the chairman.

HMJr: Yeah.

G: We're still protected.

HMJr: Yeah, I see.

G: You see, if he throws out one, we've got the other. Unless he throws out both, we're protected. We've got double protection there.

HMJr: Anybody, Paul or anybody - anybody got any doubts?

G: Uh....

HMJr: White - anybody?

G: Uh - Harry wants to talk - Harry wants to talk to you here.

HMJr: All right.

Harry White: Hello.

HMJr: Yes.

W: The only slight - uh - difference of view that I might have -- and we haven't talked it over thoroughly here -- is that it seems to me as long as there's going to be a fight on this issue, we might as well go the whole hog. I should like to see that the senior officer of the committee be the - be the chairman. That would be the logical thing in this, and that would prevent the possibility of some outsider being made the chairman or anybody - any junior officer, and I think it's the logical thing that the senior officer of a committee is always chairman, and besides that....

HMJr: Well, I don't want to make that fight.

W: Huh? What's that, sir?

HMJr: I don't want to make that fight.

W: Right. Okay. Outside of that - this is all right.

HMJr: No, because that then looks as though I either want to be king or I won't play.

W: Uh huh.

HMJr: See?

W: All right, yeah.

HMJr: And I don't want to do that.

W: Okay.

HMJr: Now let me talk to Dan again a minute.

W: Yeah.

HMJr: Hello.

B: Hello.

HMJr: Dan, when are you going to see the Judge?

B: Well, I haven't called him yet. He doesn't get down until late, but I thought after we got through with this document, I'd call him. I

(cont.)

B: was going to try to see him around eleven-thirty
(cont.) or twelve, because I wanted to give you plenty
of time to call. I didn't know you were going to
call this early.

HMJr: On second thought, after you've seen him I want
to talk to you....

B: All right.

HMJr:because I don't want to seem to him to be worrying
too much, in view of what the President said.

B: Yes.

HMJr: You see?

B: I see.

HMJr: And if I'd call him up, he'd say, "Well, it's a
sign of weakness." Hello?

B: Yes, I see.

HMJr: So what I thought I'd do is to wait and - oh, I
could call you people - I can't tell - it's so
peculiar hours here - sometime I could call you
between two and three.

B: That would be fine.

HMJr: Hello?

B: Yes, that's all right.

HMJr: Unless you found out that the Judge was going to
leave town. Hello?

B: Well, the Judge said he was leaving town this after-
noon to go to New York. We don't know the hour but
he said this afternoon.

HMJr: Well, if he's going to leave town, and you've got
to talk - I should talk - supposing you got an
unfavorable reaction....

B: Yes.

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HMJr:I'd want to talk to him, do you see?

B: Yes.

HMJr: I tell you what I'll do, I'll - you - I'll have a man sitting at the phone and the number is Malone 17F6.

B: Malone 17F6.

HMJr: "F" like in Frank.

B: Yeah.

HMJr: Malone 17F6.

B: I have it.

HMJr: Now if you want me, there'll be somebody sitting here, and they can come down and get me.

B: All right.

HMJr: But if I don't hear from you, I'll call between two and three.

B: That will be fine.

HMJr: If Mrs. McHugh is there, I'd like to dictate - I can - if I do it now, she could take it down, couldn't she?

B: Yes. Do you want her on the phone or do you want her on the loud-speaker.

HMJr: I want her on the loud-speaker. Then she's got both hands free.

B: All right.

HMJr: Hello.

B: Go ahead, she's - she's taking it.

HMJr: All right, now - "My dear Mr. President: Wednesday evening Sam Rosenman sent over to the Treasury a draft of a proposed Executive Order, which would have torpedoed and sunk the Treasury. Paragraph.

(cont.)

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HMJr:
(cont.)

"Thursday afternoon, through the courtesy of Mrs. Brady, I received the following verbal message from you - quote - 'Tell Henry this order has nothing to do with the Treasury, and he should go ahead and make his inspection trip' - unquote. To say I was relieved would be an understatement. Paragraph. I will be on the farm Saturday afternoon and evening. Period. If you should want to reach me there or later, the Treasury telephone operator will know where I am at all times. Best regards, signed Henry." Hello?

B: Yes.

HMJr: Has she got it?

B: Yes, she's got it. Should that go....

HMJr:in case she wants to check it?

B: Do you want to read it?

HMJr: No, is - isn't there a record on this?

B: Yes, there's a record on it. But she's got it - she's got it all.

HMJr: What I thought was this, that I - I'll wait - I wouldn't send a telegram until after I got a report from you on Rosenman.

B: Now - oh, you want this to be in the form of a telegram?

HMJr: Well, I'll explain it to you. Send it over the White House wires.

B: Oh, I see. All right.

HMJr: I mean, I don't want her to send it yet.

B: Until after we've had our conversation with Rosenman and then with you.

HMJr: Yeah, I'll tell her when to send it and too, how to send it.

B: All right.

HMJr: Well, what - what do you men think of that telegram? A lot of thought went into that.

B: (Laughs) Well, I think it's all right. I thought last night there should have been some kind of a record that - over your signature, and I think this - I think this does it.

HMJr: What?

B: I think this is all right. Wait till I ask the rest of them. (Talks aside) All right? Everybody says "okay." Harry has a cynical grin on his face.

HMJr: It's full of psychology, innuendoes, etc.

B: Yeah, it certainly is. (Laughs)

HMJr: What?

B: I think it's all right.

HMJr: I did it about four o'clock this morning.

B: Four o'clock!

HMJr: Yeah.

B: Gosh, can't you sleep up there?

HMJr: Not when I've got this on my mind.

B: (Laughs) Well, that's too bad it's disturbed you. It disturbed us all.

HMJr: Well, what's Paul doing? Has he got anything to say for himself?

B: Wait a minute. (Talks aside) Here, talk to him.

Randolph
Paul: Hello, hello.

HMJr: Hello.

- 10 -

P: Harry says that's why they do it when you're out of town, so as to wear you down.

HMJr: (Laughs) Believe me, I don't - I could stand some building up.

P: (Laughs)

HMJr: Well....

P: Well, I think this order is fine if we can - if we can get away with it. I think we're going to have a battle with Rosenman, because he's going to argue that nothing will be done under it. But we'll just have to battle that out and report to you.

HMJr: Well, the part that you've got to battle on is what I call "the Hull letter."

P: Well, of course, we've got almost the exact language of that in here, and....

HMJr: But the point is that - that with the President having said what he has and then he gets this telegram from me - hello....

P: Yeah.

HMJr:he can't change his mind without communicating with me.

P: No, I don't see how he can do that.

HMJr: Huh?

P: I don't see how he can do that.

HMJr: And - so that's the purpose of the telegram.

P: Yeah.

HMJr: But I don't want to go out on this trip and have this on my mind all the time.

P: I don't blame you. Well, we'll - we'll go over it and see what we can do.

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HMJr: Okay.

P: Right.

HMJr: If I could have my operator, please.

P: Just a minute. (Talks aside) He wants his operator.

Operator: Operator.

P: All right.

HMJr: May I have Mr. Kuhn?

Operator: Mr. Kuhn. All right.

WALLACE KINGSTON, Editor, May 26, 1942

[illegible]

100-443887-100

The survey was made in 1942, by the Section of Surveys, Office Engineering Division, The Panama Canal.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE
May 21, 1942.

[P. R. Doc. 43-4781; Filed, May 25, 1943;
11:41 a. m.]

CLARIFICATION AND DETERMINATION OF EXECUTIVE ORDER NO. 2100 OF APRIL 13, 1942, IN RESPECT OF CERTAIN FUNCTIONS OF THE DEPARTMENT OF STATE AND THE BOARD OF ECONOMIC WARFARE

The following will clarify certain regions and functions of the Department of State and the Board of Economic Warfare in the administration of the President's Executive Order No. 9122 regarding the Board and provide for cooperative action between them.

It is contemplated that meetings of the Board will be held at least every two weeks. An agenda for each meeting will be circulated in advance, and each member of the Board is free to raise questions upon his own initiative.

upon his own initiative.

In the making of decisions, the Board and its officers will continue to recognize the primary responsibility and position, under the President, of the Secretary of State in the formulation and conduct of our foreign policy and our relations with foreign nations. In matters of business judgment connected with providing for the production and procurement of materials to be imported into this country for the war effort, including civilian supply, the Department will recognize the primary responsibility and position of the Board. In many cases a decision may involve both matters of foreign policy and business judgment in varying degrees. No clear-cut separation is here possible. Accordingly, if occasions arise in which proposed action of the Board or its officers is thought by officials of the State Department to be at variance with essential considerations of foreign policy, the Secretary of State and the Chairman of the Board will discuss such matters and reach a joint decision, in matters of sufficient importance obtaining direction from the President.

The Board will continue to recognize that it is the Secretary of the Department of Marine and Fisheries who is the exponent of all negotiations with foreign governments in Washington and abroad. In negotiations relating to the protection and procurement of commodities included for import in accordance with the President's Executive Order, the State Department will recognize the necessity for the participation of representatives of the Board in order that the latter may adequately discharge its responsibilities. In short, for the effective exercise of the functions both of the Board and the Department, it is essential that from the inception of any project there be complete exchange of information, mutual consultation and mutual confidence.

In negotiations regarding loan-lease master agreements, subsidiary agreements, and arrangements for their implementation, including reciprocal aid to the United States, the Department will obtain the advice, and with respect to the importation of materials and commodities (other than arms and munitions) will obtain the participation of the Board and keep it fully informed.

Missions and individuals desired by the Board to be sent to the field shall be agreed upon by the State Department and the Board in the light of their common desire to increase to the maximum the war effort. The Board will recognize that all functions which are being or can be performed through the regular or auxiliary Foreign Services of the Department should be so performed. The persons and missions which the Board contemplates being sent to the field, other than through the services mentioned, are those needed for the specialized technical and operational functions connected with production and procurement. The Department of State will recognize the need for sending such persons. In exceptional circumstances the Board and the State Department will collaborate in sending joint missions on problems arising from expert control of the general economic warfare activities of the Government.

The Board will recognize that persons sent abroad, as provided above, shall be authorized by the Secretary of State, shall assume the status directed by the Secretary of State, and in this respect be subject to the jurisdiction of the Secretary of State. The Chief of the United States Diplomatic Mission in a foreign country is the officer of the United States in charge in that country under whose supervision are coordinated the activities there of all the official representatives of the United States. All negotiations abroad with foreign governments or officials should be conducted by or under the direction of the Chief of the Diplomatic Mission in the manner described above applicable to negotiations in which the Department and the Board participate. All activities should be fully reported to the Chief of the Diplomatic Mission and be conducted under his advice and instructions. He will respect the position

of the Board's representatives in matters of technical and business judgment and advice. While questions arise that cannot be settled by agreement in the field, which should rarely be the case, they will be reported through the State Department and settled by the Secretary of State and the Chairman of the Board.

All communications to and from persons or missions sent abroad shall be through the facilities of the Department of State and diplomatic missions unless other means are agreed upon between the Board and the Department of State. The Department will do its utmost to provide expeditious means for such communications.

Both the Department of State and the Board of Economic Warfare and their officers recognise in the present emergency this need for speed in action and the importance of avoiding all delay in the decision of important matters.

FRANKLIN D. ROOSEVELT,
President of the United States.

MAY 20, 1943

[F. B. Doc. 42-4700; Filed, May 21, 1942;
3:18 p. m.]

Regulations

TITLE 9—ANIMALS AND ANIMAL PRODUCTS

Chapter II—Agricultural Marketing Administration

PART 204—POSTED STOCKYARDS AND LIVESTOCK
POULTRY MARKETS

NOTICE RELATIVE TO COLUMBUS SALES
PAVILION, COLUMBUS, NEBRASKA

MAY 21, 1943.

Whereas, in accordance with the provisions of section 302 (b) of the Packers and Stockyards Act, 1921 (7 U.S.C. § 302 (b)), the Secretary of Agriculture posted the stockyard known as the Columbus Livestock Sales Pavilion, Columbus, Nebraska, as being subject to the provisions of said Act; and

Whereas, it appears that said stockyard is now known as Columbus Sales Pavilion, and is being operated by M. H. Van Berg, doing business as the Columbus Sales Pavilion:

Therefore, it is ordered, That the notice of the posting of said stockyard be, and it hereby is, amended to show that the correct name of the stockyard is the Columbus Sales Pavilion, Columbus, Nebraska.

[REAL] **THOMAS J. FLAVIN,**
Assistant to the Secretary
of Agriculture.

[P. R. Doc. 42-4730; Filed May 22, 1941;
11:14 a. m.]

¹ Modified list posted stockyards @ CPM
204.1.

*Acting pursuant to authority delegated by the Secretary of Agriculture under the Act of April 4, 1940 (54 Stat. 81; 7 F.S. 2856).

Tracy
August 14, 1942

Regraded Unclassified

EXECUTIVE ORDER

- - - - -

ESTABLISHING AN ECONOMIC STABILIZATION
BOARD AND DEFINING ITS FUNCTIONS
AND DUTIES

By virtue of the powers vested in me by the Constitution and the Statutes, as Commander-in-Chief of the Army and Navy, and for the purpose of developing and coordinating policies, plans, and programs to stabilize the cost of living and the purchasing power of the dollar, maintain and increase labor productivity, promote peaceful industrial relations, minimize the migration of labor from one business or industry or region to another, forestall the inflationary effect of uncontrolled wage and price increases, including the prices of agricultural commodities, and generally to insure the more effective prosecution of the war and safeguard the general welfare, it is hereby ordered:

1. There is hereby established an Economic Stabilization Board consisting of the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Chairman of the Board of Governors of the Federal Reserve System, the Price Administrator, the Chairman of the War Production Board, the Chairman of the War Manpower Commission, the Chairman of the War Labor Board, and the Director of the Bureau of the Budget. The Chairman of the Board shall be appointed by the President. Each member of the Board, other than the Chairman, may designate an alternate from among the officials of his department or agency and such alternate may act for such member in all matters relating to the Board.

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2. The Board shall formulate and develop a comprehensive national economic stabilization policy relating to taxation, public finance, savings and borrowings, credit and repayment of debt, prices (including farm prices), rationing, subsidies, wage and salary stabilization, and all related fiscal and economic matters for the purpose of stabilizing the cost of living and the value of the dollar, avoiding inflated cost of materials, preventing or minimizing the migration of labor from one business or industry or region to another, and facilitating generally the prosecution of the war in its economic aspects on the domestic front. To give effect to this comprehensive national economic stabilization policy, the Board shall:

(a) Prepare a program of coordinated action relating to national economic stabilization policy in order to assure unity and balance in the application of such measures.

(b) Develop integrated plans and programs for coordinated action by the departments and agencies concerned and use all appropriate means to assure that such plans and programs are carried into effect by such departments and agencies.

(c) Review and advise upon existing or proposed legislation affecting the national economic stabilization policy and recommend to, or with the approval of, the President such additional legislation as may in its judgment be necessary or desirable.

(d) Study continually the efforts on our national economy of programs and actions currently existing or which may from time to time be adopted with a view to recommending from time to time or taking other appropriate action to bring about necessary modifications and adjustments deemed necessary or desirable to carry out a sound national economic stabilization policy, report from time to time to the President on the progress of its activities, and perform such other functions relating to a national economic stabilization policy as the President may from time to time assign.

3. The Board, which shall hold periodic meetings at least once a week on the basis of an agenda prepared in advance, shall be charged with the responsibility for obtaining cooperative and intensive study and analysis of policies and measures by the officials most concerned with the development of our nation's basic fiscal and economic policy, and for the prompt crystallization and development of coordinated programs of action necessary for carrying out a sound national economic policy. The existing functions of the departments and agencies having membership on the Board shall remain with the departments and agencies now responsible for such activities. However, the departments and agencies concerned are directed to cooperate with the Board in arranging for appropriate clearance for proposed policies and measures involving economic stabilization policy. With respect to taxation and public finance, the Board shall make such recommendations as it deems desirable to the Secretary of the Treasury, recognizing at all times in the discharge of the functions of the Board, the primary responsibility and position, under the President, of the Secretary of the Treasury in the formulation and conduct of executive policy with respect to taxation and public finance.

- 4 -

4. The Board is authorized to establish and appoint committees and subcommittees to advise and assist in the formulation of all phases of a comprehensive national economic stabilization program. In particular, the Board shall appoint a wage and salary stabilization committee to advise and assist the Board in the formulation of policy with reference to wages and salaries and there shall be included on such committee appropriate representatives of labor and industry as well as government officials. The Board shall also appoint a committee on agricultural prices to advise and assist the Board in the formulation of policy with reference to agricultural prices, and there shall be included on such committee appropriate representatives of agriculture and consumers as well as government officials. Members of the Board and of the committees or subcommittees established as provided in this Order shall receive no compensation as such, but shall be entitled to necessary subsistence, travel, and other expenses incidental to the performance of their duties as members of such committees or subcommittees.

5. The Board shall, so far as possible, utilize the information, data, and services of other Federal departments and agencies which have activities or functions related to the national economic stabilization policy. The Board may from time to time call upon such departments and agencies for advisers to sit with it and for such assistance as may be necessary in connection with the activities of the Board. All such Federal departments and agencies shall supply available information, data, services, and assistance required by the Board in discharging its responsibilities. The Chairman of the Board, within the limits of funds which may be available, may employ necessary personnel including an executive secretary and make provision for supplies, facilities, and services necessary to discharge the responsibilities of the Board.

THE WHITE HOUSE,

August , 1942.

The Board will continue to recognize that it is the function of the Department of State to conduct or authorize the conduct of all negotiations with foreign governments in Washington and abroad. In negotiations relating to the production and procurement of commodities intended for import in accordance with the President's Executive Order, the State Department will recognize the necessity for the participation of representatives of the Board in order that the latter may adequately discharge its responsibilities. In short, for the effective exercise of the functions both of the Board and the Department, it is essential that from the inception of any project there be complete exchange of information, mutual consultation and mutual confidence.

In negotiations regarding lend-lease master agreements, subsidiary agreements, and arrangements for their implementation, including reciprocal aid to the United States, the Department will obtain the advice, and with respect to the importation of materials and commodities (other than arms and munitions) will obtain the participation of the Board and keep it fully informed.

Missions and individuals desired by the Board to be sent to the field shall be agreed upon by the State Department and the Board in the light of their common desire to increase to the maximum the war effort. The Board will recognize that all functions which are being or can be performed through the regular or auxiliary Foreign Services of the Department should be so performed. The persons and missions which the Board contemplates being sent to the field, other than through the services mentioned, are those needed for the specialized technical and operational functions connected with production and procurement. The Department of State will recognize the need for sending such persons. In exceptional circumstances the Board and the State Department will collaborate in sending joint missions on problems arising from export control or the general economic warfare activities of this Government.

The Board will recognize that persons sent abroad, as provided above, shall be authorized by the Secretary of State, shall assume the status directed by the Secretary of State, and in this respect be subject to the jurisdiction of the Secretary of State. The Chief of the United States Diplomatic Mission in a foreign country is the officer of the United States in charge in that country under whose supervision are coordinated the activities there of all the official representatives of the United States. All negotiations abroad with foreign governments or officials should be conducted by or under the direction of the Chief of the Diplomatic Mission in the manner described above applicable to negotiations in which the Department and the Board participate. All activities should be fully reported to the Chief of the Diplomatic Mission and be conducted under his advice and instructions. He will respect the position

of the Board's representatives in matters of technical and business judgment and, should questions arise that cannot be settled by agreement in the field, which should rarely be the case, they will be reported through the State Department and settled by the Secretary of State and the Chairman of the Board.

All communications to and from persons or missions sent abroad shall be through the facilities of the Department of State and diplomatic missions unless other means are agreed upon between the Board and the Department of State. The Department will do its utmost to provide expeditious means for such communications.

Both the Department of State and the Board of Economic Warfare and their officers recognize in the present emergency the need for speed in action and the importance of avoiding all delay in the decision of important matters.

FRANKLIN D. ROOSEVELT,
President of the United States.

MAY 20, 1942.

[F. R. Doc. 43-4702; Filed, May 21, 1942;
8:15 p. m.]

CLARIFICATION AND INTERPRETATION OF EXECUTIVE ORDER NO. 9128 OF APRIL 13, 1942, IN RESPECT OF CERTAIN FUNCTIONS OF THE DEPARTMENT OF STATE AND THE BOARD OF ECONOMIC WARFARE

The following will clarify certain relations and functions of the Department of State and the Board of Economic Warfare in the administration of the President's Executive Order No. 9128 regarding the Board and provide for cooperative action between them.

It is contemplated that meetings of the Board will be held at least every two weeks. An agenda for each meeting will be circulated in advance, and each member of the Board is free to raise questions upon his own initiative.

In the making of decisions, the Board and its officers will continue to recognize the primary responsibility and position, under the President, of the Secretary of State in the formulation and conduct of our foreign policy and our relations with foreign nations. In matters of business judgment concerned with providing for the production and procurement of materials to be imported into this country for the war effort, including civilian supply, the Department will recognize the primary responsibility and position of the Board. In many cases a decision may involve both matters of foreign policy and business judgment in varying degrees. No clear-cut separation is here possible. Accordingly, if occasions arise in which proposed action of the Board or its officers is thought by officials of the State Department to be at variance with essential considerations of foreign policy, the Secretary of State and the Chairman of the Board will discuss such matters and reach a joint decision, in matters of sufficient importance obtaining direction from the President.

COPY

August 12, 1942.

EXECUTIVE ORDER

ESTABLISHING AN ECONOMIC STABILIZATION
AUTHORITY AND DEFINING ITS FUNCTIONS
AND DUTIES

By virtue of the powers vested in me by the Constitution and the Statutes, as Commander-in-Chief of the Army and Navy, to maintain and increase labor productivity, promote peaceful industrial relations, stabilize the cost of living, minimize the migration of labor from one business or industry to another, forestall the inflationary effect of uncontrolled wage increases, and generally to insure the more effective prosecution of the war and safeguard the general welfare, it is hereby ordered:

1. There is established an Economic Stabilization Authority (hereafter referred to as the "Authority") consisting of one member named by the President who shall serve as Chairman, and of the following officio members: the Secretary of the Treasury, the Secretary of Agriculture, the Chairman of the Board of Governors of the Federal Reserve System, the Secretary of Labor, the Director of the Bureau of the Budget, the Chairman of the War Production Board, the Price Administrator, the Chairman of the War Manpower Commission, and the Chairman of the War Labor Board. The powers, functions, and duties hereby conferred upon the Authority shall be exercised by the Chairman thereof, after consultation with the members of the Authority and the Committees of the Authority hereinafter provided for.

2. The Authority shall formulate and develop a comprehensive national stabilization policy relating to taxation, prices (including farm prices), wage and salary stabilization, savings and borrowing, rationing, subsidies, credit and repayment of debt, and all related fiscal and economic matters, for the purpose of stabilizing the cost

- 2 -

of living, providing for equality of sacrifice, avoiding inflated costs of materials, preventing or minimizing the migration of labor from one business or industry or region to another, and facilitating generally the prosecution of the war in its economic aspects. To give effect to this comprehensive national stabilization policy the Authority shall:

- a. Prepare for the President a program of coordinated action to be undertaken by the appropriate Federal departments and agencies.
- b. Review proposed or existing legislation affecting the national economic stabilization policy and recommend such additional legislation as may in its judgment be needed.
- c. Issue with the approval of the President stabilization policy directives and instructions to the Federal departments and agencies concerned.

3. The administration of activities related to the national stabilization policy shall remain with the departments and agencies now responsible for such activities, but such administration shall conform to the policies formulated and the policy directives or instructions issued by the Authority. U. S.

4. There is established within the Economic Stabilization Authority a Wage and Salary Stabilization Committee to advise and assist the Authority in the formulation of policy with reference to wages and salaries. The Committee shall be appointed by the Chairman of the Authority, with the approval of the President, and shall consist of the Chairman of the Authority who shall serve as Chairman of the Committee, the Price Administrator, and of the Chairman of the War Labor Board and four of the members of the War Labor Board, two representing labor and two industry.

- 3 -

5. Until and unless otherwise determined by the Authority the following wage policy shall prevail: (State policy)

A. There shall be no increase in wage rates prevailing on the effective date of this Order (other than rates established by Federal or State law) as a result of voluntary agreement, conciliation or arbitration, or otherwise, except that:

(1) To correct maledjustments in compensation of workers in industries in which wage increases heretofore effected (appraised in relation to average industry straight time hourly earnings) since January 1, 1941 have lagged behind increases in living costs computed as of May 1, 1942, wage rates may be increased by an amount sufficient to restore real wage rates as of January 1, 1941, provided, however, that the said increase will not cause any advance in existing price ceilings of the commodities produced or services rendered.

(2) To eliminate substandards of living, wage rates under 47¢ per hour may be increased to provide a wage consistent with the health and efficiency of the workers.

(3) To correct serious inequalities appropriate wage adjustments may be made. The term "inequalities" means any extraordinary or unreasonable discriminations in wages between comparable jobs in the same plant or in the same or different industries in the same region, or variations in the conditions of work or living, which have caused or threaten to cause an excessive volume of labor migration and turnover.

B. Where an employer represents that a proposed voluntary wage increase will require a change in the price ceiling for the commodity manufactured by him, or where the National War Labor Board or

- 4 -

the Wage and Salary Stabilization Committee shall have reason to believe that a proposed wage increase, voluntary or otherwise, will require such a change, the proposed increase or any part thereof shall not be approved by the National War Labor Board or the Wage and Salary Stabilization Committee unless first submitted to and approved by the Authority.

6. In exercising its power under this Order, the Authority may direct that increases in wages or salaries made in contravention of directives or regulations issued under this Order shall not be taken into account for the purpose of determining costs or expenses under any contract made by or on behalf of the United States, under the Emergency Price Control Act of 1942 or any maximum price regulation issued pursuant thereto, or, for the purpose of calculating deductions under the revenue laws of the United States; and it may direct that its directives, policies and regulations shall be enforced by any other department or agency under any of the laws of the United States.

7. Except to the extent permitted by the directives or regulations of the Authority, no further voluntary increases in salaries or wages for established classifications of jobs made by any employer in an amount aggregating more than \$1,000 in any one calendar year (except increases heretofore authorized or agreed to) shall be authorized or recognized under paragraph 6 hereof, unless notice of the proposed increase shall have been filed with the Wage and Salary Stabilization Committee more than thirty days prior to the date on which such increases are to become effective and approved by it. The Chairman shall make provision for determining whether such proposed increases are in accordance with directives or regulations issued under this Order.

8. The term "salaries and wages" includes all forms of direct or indirect remuneration to an employee for work or personal services performed for an employer, including, but without limitation, bonuses, gifts, commissions, fees, and any other remuneration in any other form or medium whatsoever.

- 5 -

9. There is established within the Economic Stabilization Authority a Committee on Agricultural Prices to advise and assist the Authority in formulation of policy with reference to agricultural prices. The Committee shall be appointed by the Chairman of the Authority, with the approval of the President, and shall consist of the Chairman of the Authority, who shall serve as Chairman of the Committee, and of the Secretary of Agriculture and the Price Administrator and four additional members, two representing agriculture and two representing consumers.

10. The Chairman of the Authority may, with the approval of the President, establish and appoint other committees to advise and assist in the formulation of other phases of the comprehensive national stabilization policy. The Chairman of the Authority shall act as chairman of each such committee. Members of the Wage and Salary Stabilization Committee, of the Committee on Agricultural Prices, and of other committees established as provided in this Order, shall receive no compensation as such but shall be entitled to necessary subsistence, travel, and other expenses incidental to the performance of their duties as committee members.

11. The Authority shall, so far as possible, utilize the information, data, and services of other Federal departments and agencies which have activities or functions related to national economic policy. All such Federal departments and agencies shall supply available information, data, and services required by the Authority in discharging its responsibilities.

12. The Chairman of the Authority shall receive such compensation as the President shall provide, and within the limits of funds which may be available, may employ necessary personnel and make provision for supplies, facilities, and services necessary to discharge the responsibilities of the Authority.

THE WHITE HOUSE,

August , 1942.

8-14-42

My dear Mr. President: 25-A

Wednesday evening ~~Judge~~ Sam Rosenman sent over to the Treasury a draft of a proposed executive order, ~~which if you had sign~~ which would have torpedoed and sunk the Treasury.

Thursday afternoon through the courtesy of Mrs Brady I received the following verbal message from you quote Tell Henry this order has nothing

to do with the

25-B

Treasury and he should
go ahead and make
his inspection trip enroute

To say I was relieved
would be an understatement.

I will be on the farm
Saturday afternoon and
evening. If you should
~~there or later~~ want to reach me ~~after that~~
the Treasury telephone operator
will know where I am
at all times.

I will be back in
Washington the night of the
twentieth and would appreciate your
saving me some

time on the twenty first ²⁵⁻⁶
and twenty second as
I would like to ^{see you and} tell you
about my trip.

Am. J.

Endicott } Sam. R. 25-D
 2-8866 }
 135 Central Park West

Miss Brady said this
 was second half of sentence

"and the Treas. will be
 adequately taken care of."

she also added the
 two parts of sentence
 seemed to be in
 conflict.

Miss Brady she would telephone
 this message at once to
 have Sullivan

(Dictated by HM Jr to Mrs. Brady at the White House)

STANDARD FORM NO. 14A
APPROVED BY THE PRESIDENT
MARCH 10, 1928

FROM

The White House 26
Washington

August 14, 1942.

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

MEMORANDUM FOR THE PRESIDENT:

My dear Mr. President:

Wednesday afternoon Sam Rosenman sent over to the Treasury a draft of a proposed executive order which would have torpedoed and sunk the Treasury.

Thursday afternoon, through the courtesy of Mrs. Brady, I received the following verbal message from you: "Tell Henry this order has nothing to do with the Treasury and he should go ahead and make his inspection trip." To say I was relieved, would be an understatement.

I will be on the farm Saturday afternoon and evening if you should want to reach me there or later the Treasury telephone operator will be able to reach me at all times.

Best regards.

Henry Morgenthau, Jr.

(Dictated by HM Jr to Mrs. Brady at the White House)

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I will be on the farm Saturday afternoon and evening if you should want to reach me there or later the Treasury telephone operator will be able to reach me at all times.

Best regards.

Henry Morgenthau, Jr.

Treasury Draft given to Judge Rosenman 2
August 14th at 12:00.

EXECUTIVE ORDER

ESTABLISHING AN ECONOMIC STABILIZATION
BOARD AND DEFINING ITS FUNCTIONS
AND DUTIES

By virtue of the powers vested in me by the Constitution and the Statutes, as Commander-in-Chief of the Army and Navy, and for the purpose of developing and coordinating policies, plans, and programs to stabilize the cost of living and the purchasing power of the dollar, maintain and increase labor productivity, promote peaceful industrial relations, minimize the migration of labor from one business or industry or region to another, forestall the inflationary effect of uncontrolled wage and price increases, including the prices of agricultural commodities, and generally to insure the more effective prosecution of the war and safeguard the general welfare, it is hereby ordered:

1. There is hereby established an Economic Stabilization Board consisting of the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Chairman of the Board of Governors of the Federal Reserve System, the Price Administrator, the Chairman of the War Production Board, the Chairman of the War Relocation Commission, the Chairman of the War Labor Board, and the Director of the Bureau of the Budget. The Chairman of the Board shall be appointed by the President. Each member of the Board, other than the Chairman, may designate an alternate from among the officials of his department or agency and such alternate may act for such member in all matters relating to the Board.

- 2 -

2. The Board shall formulate and develop a comprehensive national economic stabilization policy relating to taxation, public finance, savings and borrowings, credit and repayment of debt, prices (including farm prices), rationing, subsidies, wage and salary stabilization, and all related fiscal and economic matters for the purpose of stabilizing the cost of living and the value of the dollar, avoiding inflated cost of materials, preventing or minimizing the migration of labor from one business or industry or region to another, and facilitating generally the prosecution of the war in its economic aspects on the domestic front. To give effect to this comprehensive national economic stabilization policy, the Board shall:

(a) Prepare a program of coordinated action relating to national economic stabilization policy in order to assure unity and balance in the application of such measures.

(b) Develop integrated plans and programs for coordinated action by the departments and agencies concerned and use all appropriate means to assure that such plans and programs are carried into effect by such departments and agencies.

(c) Review and advise upon existing or proposed legislation affecting the national economic stabilization policy and recommend to, or with the approval of, the President such additional legislation as may in its judgment be necessary or desirable.

(d) Study continually the effects on our national economy of programs and actions currently existing or which may from time to time be adopted with a view to recommending from time to time or taking other appropriate action to bring about necessary modifications and adjustments deemed necessary or desirable to carry out a sound national economic stabilization policy, report from time to time to the President on the progress of its activities, and perform such other functions relating to a national economic stabilization policy as the President may from time to time assign.

3. The Board, which shall hold periodic meetings at least once a week on the basis of an agenda prepared in advance, shall be charged with the responsibility for obtaining cooperative and intensive study and analysis of policies and measures by the officials most concerned with the development of our nation's basic fiscal and economic policy, and for the prompt crystallization and development of coordinated programs of action necessary for carrying out a sound national economic policy. The existing functions of the departments and agencies having membership on the Board shall remain with the departments and agencies now responsible for such activities. However, the departments and agencies concerned are directed to cooperate with the Board in arranging for appropriate clearance for proposed policies and measures involving economic stabilization policy. With respect to taxation and public finance, the Board shall make such recommendations as it deems desirable to the Secretary of the Treasury, recognizing at all times in the discharge of the functions of the Board, the primary responsibility and position, under the President, of the Secretary of the Treasury in the formulation and conduct of executive policy with respect to taxation and public finance.

- 4 -

4. The Board is authorized to establish and appoint committees and subcommittees to advise and assist in the formulation of all phases of a comprehensive national economic stabilization program. In particular, the Board shall appoint a wage and salary stabilization committee to advise and assist the Board in the formulation of policy with reference to wages and salaries and there shall be included on such committee appropriate representatives of labor and industry as well as government officials. The Board shall also appoint a committee on agricultural prices to advise and assist the Board in the formulation of policy with reference to agricultural prices, and there shall be included on such committee appropriate representatives of agriculture and consumers as well as government officials. Members of the Board and of the committees or subcommittees established as provided in this Order shall receive no compensation as such, but shall be entitled to necessary subsistence, travel, and other expenses incidental to the performance of their duties as members of such committees or subcommittees.

5. The Board shall, so far as possible, utilize the information, data, and services of other Federal departments and agencies which have activities or functions related to the national economic stabilization policy. The Board may from time to time call upon such departments and agencies for advisers to sit with it and for such assistance as may be necessary in connection with the activities of the Board. All such Federal departments and agencies shall supply available information, data, services, and assistance required by the Board in discharging its responsibilities. The Chairman of the Board, within the limits of funds which may be available, may employ necessary personnel including an executive secretary and make provision for supplies, facilities, and services necessary to discharge the responsibilities of the Board.

THE WHITE HOUSE,

August , 1942.

August 14, 1942.
3:18 p.m.

HMJr: Dan?

Daniel
Bell: Yes, sir.

HMJr: Is the machine working?

B: Yes, sir, it's working.

HMJr: All right. Now what's the news?

B: Well, we went over to see the Judge....

HMJr: Yeah.

B:at the appointed time, and we told him that we had talked to you last night and again this morning and gone over the whole matter. You hadn't changed your views on it, but we all have felt that he couldn't very well eliminate these Treasury matters from any discussion of an inflation subject....

HMJr: Yeah.

B:and, therefore, we felt that something should be done while leaving them in, to protect the Treasury's position, and showed him this amended draft.

HMJr: Yeah.

B: He didn't like it. He said that it would do the trick, of course, but he thought it stood out, and while he had nothing to do with the B. E. W. Order, he didn't agree with it.

HMJr: May I interrupt you a minute?

B: Yeah.

HMJr: Is - is the Judge leaving this afternoon? Do I have to call him?

B: He's leaving at six o'clock, and he suggested that if you wanted to talk to him, to do it, say, tomorrow in New York where you would have better connections....

- 2 -

HMJr: Oh.

B:than you would, say, this afternoon, from where you are now located....

HMJr: Oh.

B:and we'll give you his number if you haven't got it.

HMJr: All right.

B: Ah - he said that he would deliver to the President our views on the matter, and if the President asked him, why, he would say that he didn't agree with us but that was a matter for him to decide. I think that maybe we made one impression on him, and that was that this is a thing that concerned the public credit....

HMJr: Yes.

B:that the Treasury had a reputation, and the people were looking to the Treasury to maintain the public credit, and if it were taken away - if these matters were taken away from the Treasury, why, I think that some doubt would be raised....

HMJr: Yes.

B:and as we went out the door, he said, well, that is one matter that disturbed him a little on it. But he said....

HMJr: The most important thing - when I went in there in November '33, look where the bond market was.

B: That's right.

HMJr: It was busted.

B: Well, it - I think it made an impression on him, and he said to tell you that he would do his best to present as fairly as - as fairly as he could, your views to the President, and....

HMJr: When's he going to see him?

- 3 -

B: He didn't say. He said that he would not go to Hyde Park over the week-end....

HMJr: Yeah.

B:and he said that he'd be back here on Tuesday. He wanted Paul to give him some information on the tax end of the message which he's proposing to submit to Congress or make a public statement on this....

HMJr: Yeah.

B:and he said he need not have that until Tuesday.

HMJr: In connection with this?

B: Yes. What he proposes is if they issue the Executive Order, is to send a message to Congress. At least that's what he wants the President to do. The President hasn't made up his mind yet. But he will either do that or make a public statement on it, and in that public statement he wanted to go pretty strong on the tax end.

HMJr: Well, now am I going to have anything with me to read?

B: We thought that we would send to the farm this evening this draft that we sent - gave to him this morning.

HMJr: Well, I don't know that it will get there.

B: Ah....

HMJr: Better give it - well, you could two things, you could send it to the farm - hello....

B: Yeah.

HMJr:to Fishkill....

B: Yeah.

HMJr:to Fishkill in my name.

- 4 -

B: Yes.

HMJr: Just address it "Henry Morgenthau, Jr., Fishkill," and put a Special Delivery Stamp on it....

B: All right.

HMJr:and then give one tomorrow to Kuhn, who's coming up to meet me Sunday.

B: All right.

HMJr: In case that one shouldn't get there.

B: All right, we can do that.

HMJr: Now - just a minute. I haven't got the Judge's telephone.

B: Ah - it's Endicott....

HMJr: Just a minute - Endicott, yeah....

B:2....

HMJr:2....

B:dash 8866.

HMJr: 2-88....

B: 66.

HMJr: Hello?

B: Yes.

HMJr: 2-8866?

B: That's right.

HMJr: Endicott.

B: Yeah, that's it.

HMJr: He said he'd rather have me call him there tomorrow.

- 5 -

B: Yes, he said that he thought you talking from up there where you are, that connections would not be so good and maybe the secrecy wouldn't be so good either, that he'd rather you call him tomorrow at his home in New York.

HMJr: Well, I'll ask him where he's going to be, because I'm not going to get there until late, but I'll see if he's there now.

B: All right.

HMJr: Endicott 2-8866.

B: Yeah, that's 135 - 135 Central Park....

HMJr: West.

B:West.

HMJr: Yeah. You - but you couldn't tell whether you - well, I'm going to send that telegram now.

B: All right. We think you should.

HMJr: What?

B: We think you should.

HMJr: You think we should.

B: Yes. We're all agreed upon that, I think.

HMJr: On the - well, makes a record.

B: How's that?

HMJr: That makes a record.

B: Yes, sir.

HMJr: Well, I....

B: No, we couldn't tell - we couldn't say how strong the Judge is going against this....

HMJr: Yeah.

- 6 -

B:but he was pretty frank, as Randolph says, to tell us that he was against it....

HMJr: Yeah.

B:and, on the other hand, I think we did make an impression upon him in this public credit end, and....

HMJr: Well....

B:and he said when he went out - when we went out the door that that was one thing that worried him a little.

HMJr: Well, all right, now what else?

B: That's all. (Talks aside) Anybody else got anything? Got anything, Randolph? Randolph wants to know if there's any objection to him going to New York tonight. He's....

HMJr: No.

B:been delaying it now - (laughs) - he says his appointment is to get his eyes examined.

HMJr: Sure.

B: Okay.

HMJr: Now I get back on the night of the twentieth - hello?

B: Yes.

HMJr: Then you are going to take two weeks, Dan.

B: That's the plan.

HMJr: What?

B: That's the plan.

HMJr: Good. Well, do you leave on the twenty-first?

B: Yes, I was going on Saturday, the twenty-first.

HMJr: Well, it's Friday.

- 7 -

B: Friday?

HMJr: Isn't Friday the twenty-first?

B: I don't know. I've kind of lost all....

HMJr: Well, anyway, Friday....

B: Saturday would be the day I would...._{1/2}

HMJr: What?

B: Saturday is when I'd go. I wouldn't have to go Saturday. I could go Sunday or any time around there.

HMJr: No, I - well, I suggested Friday, the twenty-first.

B: Well, I'd like to be here when you come back to discuss the matter.

HMJr: I'll be there Friday.

B: Well, that'll be all right. That will be my last day then.

HMJr: Yeah.

B: Did you get my memorandum?

HMJr: No.

B: You didn't?

HMJr: No.

B: I sent you one last night on refunding.

HMJr: Well, you better - you better give Kuhn a copy.

B: Well, you ought to get it today.

HMJr: No, if it misses it, I won't get it tomorrow and I won't get the mail tomorrow.

B: I see. Well, in brief, I'm suggesting that we pay off the September maturities in cash, and raise the money.

HMJr: I - you've got the money?

B: No, and raise the money through the September financing, add it to the....

HMJr: Well, you better - you better give a copy of it to Kuhn.

B: All right, I will.

HMJr: And - well, there's no use in arguing whether we made an impression.

B: No, I guess not. I think that it's really up to the President. By the way, I might add this, that Judge had the same idea in mind that we did here about what would happen, that the President would just let this order go as it was written, and then tell you that "Well, you can always see me about any matter that you're concerned with in this committee." You always have a right to talk to the President, and - but....

HMJr: I don't get that. Say that again.

B: That the order would go out just as it is....

HMJr: Yes.

B:but that if the committee or the authority took action....

HMJr: Yeah.

B:which was contrary to what you - what the Treasury thought that it ought to take, why, you'd always have the right, as Secretary of the Treasury, to go to the President and make your case.

HMJr: Yes.

B: That wouldn't be deprived you, but we tried to impress upon him the public relations end....

HMJr: Yeah.

B:that - yeah, that - that's - the most important thing is that you're being demoted.

HMJr: That's right.

B:and in the public eye, that's the serious thing here in the standpoint of public credit.

HMJr: Yeah.

B: Well, I think that made an impression, but I still think he's (laughs) probably going to say that the order shouldn't be changed.

HMJr: Yes. Well, we'll see.

B: All right.

HMJr: Okay.

B: All right.

HMJr: Thank you....

B: Thanks.

HMJr:and I want my operator, please.

B: All right.

Operator: Operator.

HMJr: Miss Carre....

Aug. 14, 1941

41

1736 S. W. PROSPECT DRIVE
PORTLAND, OREGON

Dear Mr. Secretary,

Your letter of August
the thirteenth has been gratefully
received. It was a gracious
greeting which I shall
prize always.

With all good wishes,
I am,

Sincerely,

Robert C. Meier Jr.

August 3, 1942.

Dear Mr. Mills:

I have for acknowledgment your letter of July 25th, in which you submit your resignation as Technical Assistant in the Office of the Secretary in order to resume your former employment.

I realize the necessity for this decision and therefore accept your resignation, though with considerable regret. The service which you have rendered during the time you have been connected with the Treasury has been of real value, and I wish to express my sincere appreciation.

Sincerely,

(signed) H. Morgenthau, Jr.

Mr. Abbot L. Mills, Jr.,
1736 Southwest Prospect Drive,
Portland, Oregon.

em

WNT DWB

COPY

July 25, 1942.

Dear Mr. Secretary:

In order to return to my usual employment, I am tendering herewith the resignation of my appointment as Technical Assistant in the Office of the Secretary, to be effective July 27. The courtesy and cooperation I have enjoyed while connected with the Treasury will always be remembered with sincere appreciation.

Sincerely yours,

(signed) Abbot L. Mills, Jr.

Abbot L. Mills, Jr.

Resignation was effective August 12, 1942 (on annual leave from July 27th to August 12th).

August 14, 1942.

My dear Mr. Perkins:

In the absence of the Secretary I am acknowledging your letter of August 14, which informs Mr. Morgenthau that a meeting will be held in the office of the Vice President on August 18, in connection with discussions concerning a United Nations Relief Administration.

The Secretary will not be back in Washington by the date you give, and I am sorry to say, therefore, that it will be impossible for him to attend the meeting. However, I shall be very glad to call your letter to his attention as soon as he is back at his desk.

Sincerely yours,

(Signed) H. S. Klotz-

H. S. Klotz,
Private Secretary.

Delivered by Special Messenger 4:15 p.M. 8/14
(Simmons)

Honorable Milo Perkins,
Executive Director,
Board of Economic Warfare,
Washington, D. C.

envelope marked

STRICTLY CONFIDENTIAL

BOARD OF ECONOMIC WARFARE
~~ECONOMIC DEFENSE BOARD~~
WASHINGTON, D. C.

ICE OF THE EXECUTIVE DIRECTOR

SECRET

August 14, 1942

The Honorable

The Secretary of the Treasury

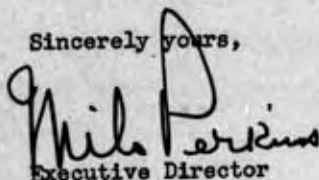
Dear Mr. Secretary:

On May 7 the President authorized the opening of informal conversations with Sir Frederick Leith-Ross, the principal economic adviser to the British Government, with a view to formulating plans for a United Nations Relief Administration.

Since July 2 a series of discussions have been held by an informal committee composed of representatives of the Department of State, the Board of Economic Warfare, Treasury, Agriculture, Lend-Lease Administration and the Red Cross. A plan has been drafted by this Committee for submission to the President, and if the President approves, to other governments. The timing of any announcement of our action on this plan is, of course, a matter for the President to decide.

We shall be glad to have any suggestions you care to make at a special meeting of the Board of Economic Warfare to be held at 10:00 o'clock, August 18, in the office of the Vice President.

Sincerely yours,


Executive Director

Enclosure

STRICTLY CONFIDENTIAL

August 13, 1942

Relief and Rehabilitation AdministrationDraft No. 2

The Governments whose duly-authorized representatives have subscribed hereto,

Having subscribed to a common program of purposes and principles embodied in the Declaration of January 1, 1942, known as the United Nations Declaration and the Joint Declaration of the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland dated August 14, 1941, known as the Atlantic Charter,

Being determined that immediately upon the liberation of any area by their armed forces the population thereof shall receive aid and relief from their sufferings, food, clothing and shelter, aid in the prevention of pestilence and in the recovery of the health of the people, and that preparation and arrangements shall be made for the return of prisoners and exiles to their homes, for the resumption of agricultural and industrial production and the restoration

of

of essential services, to the end that peoples once freed
 may be preserved and restored to health and strength for
 the tasks and opportunities of building anew,

Have agreed as follows:

Article I

There is hereby established the United Nations Relief and Rehabilitation Administration.

1. The Administration shall have power to acquire, hold and convey property, to enter into contracts and undertake obligations, to designate or create agencies and to review the activities of agencies so created, to manage undertakings and in general to perform any legal act appropriate to its objects and purposes.

2. The purposes and functions of the Administration shall be as follows:

(a) To plan, coordinate, administer or arrange for the administration of measures for the relief of victims of war in any area under the control of any of the United Nations through the provision of food, fuel, clothing and other basic necessities, housing facilities, medical and other essential services; and to facilitate in areas receiving relief the production and transportation of these articles and the furnishing of

these

these services so far as necessary to the adequate provision of relief.

(b) To formulate and recommend measures for individual or joint action by any or all of the member governments for the coordination of purchasing, the chartering of ships and other procurement activities in the period following the cessation of hostilities, with a view to integrating the plans and activities of the Administration with the total movement of supplies, and for the purpose of achieving an equitable distribution of available supplies. The Administration may administer such coordination measures as the member governments authorize.

(c) To formulate and recommend for individual or joint action by the United Nations measures with respect to such related matters, arising out of its experience in planning and performing the work of relief and rehabilitation, as may be proposed by any of the member governments and approved by unanimous vote of the Policy Committee.

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Article II

Membership

The members of the United Nations Relief and Rehabilitation Administration shall be the governments or authorities signatory hereto and such other governments or authorities as may upon application for membership be admitted thereto by action of the Council or the Policy Committee thereof.

Article III

The Council

1. Each member government shall name one representative, and such alternates as may be necessary, upon the Council of the United Nations Relief and Rehabilitation Administration, which shall be the policy-making body of the Administration. The Council shall, for each of its sessions, select one of its members to preside at the session.

2. The Council shall be convened in normal session not less than twice a year by the Policy Committee. It may be convened in special session whenever the Policy Committee shall deem necessary, and shall be convened within thirty days after request therefor by a majority of the members of the Council.

3. The Policy Committee of the Council shall consist of the representatives of China, the Union of Soviet Socialist Republics, the United Kingdom, and the United States of America, with the Director General presiding. Between sessions of the Council it shall exercise all the powers and functions thereof. It shall invite the participation of the representative of any member government at those of its

meetings

-7-

meetings at which action of special interest to such government is discussed.

4. The Council may establish such standing committees as it considers desirable to advise it, and, in intervals between sessions of the Council, to advise the Policy Committee. The members of such committees shall be appointed by the Policy Committee, with the approval of the Council if it be in session, and otherwise subject to its ratification, from members of the Council or alternates nominated for the purpose. Among these committees, the Council may establish regional committees to advise it on the making of plans and formulation of policy for the relief and rehabilitation of Europe, the Far East and of any other areas where such committees may be found desirable. The regional committees shall normally meet within the area and shall include members of the Council, or their alternates, representing the member governments directly concerned with the problems of relief and rehabilitation in that area. The Regional Committee on European

Relief

Relief when so constituted shall take over and carry on the work of the Inter-Allied Committee on European Post War Relief established in London on September 24, 1941. For such technical standing committees as may be established, in respect of particular problems such as nutrition, health, agriculture, transport, materials and supplies, repatriation and finance, the members may be members of the Council or alternates nominated because of special competence in their respective fields of work. Should a regional committee so desire, sub-committees of these technical standing committees shall be established to advise the regional committees.

5. The travel and other expenses of members of the Council and its committees shall be borne by the governments which they represent.

The Director General

1. The executive authority of the United Nations Relief and Rehabilitation Administration shall be in the Director General, who shall be appointed by the Council on the nomination of the Policy Committee.
2. The Director General shall have full power and authority for carrying out relief operations contemplated by Article I, section 2(a), within the limits of available resources and the broad policies determined by the Council or its Policy Committee. Immediately upon taking office he shall in conjunction with the military and other appropriate authorities of the United Nations prepare plans for the emergency relief of the civilian population in any area occupied by the armed forces of any of the United Nations, arrange for the procurement and assembly of the necessary supplies and create or select the emergency organization required for this purpose. In arranging for the procurement, transportation, and distribution of supplies and services, he and his representatives

representatives shall consult and collaborate with the appropriate authorities of the United Nations and shall, wherever practicable, use the facilities made available by such authorities. Foreign voluntary relief agencies may not engage in activity in any area receiving relief from the Administration without the consent and unless subject to the regulation of the Director General.

3. The Director General shall also be responsible for the organization and direction of the functions contemplated by Article I, sections 2(b) and 2(c).

4. The Director General shall appoint such Deputy Directors, other officers, expert personnel, and staff, at his headquarters or elsewhere, including the staff of field missions and secretarial and other necessary staff for the Council and its committees, and may delegate to them such of his powers as he may deem appropriate.

5. The Director General shall make periodic reports to the Council covering the progress of the Administration's activities. These reports shall be made public except for

such

such portions as the Director General may consider
it necessary, in the interest of the United Nations,
to keep confidential until the end of the war.

Handwritten notes in the right margin, including the word "Article" and other illegible markings.

[The following text is a mirrored/bleed-through image of the reverse side of the page and is not legible.]

Article VI

Administrative Expenses

The general administrative expenses shall be borne by the member governments in proportion to be determined by the Council. The governmental authority of any territory receiving aid from the Relief and Rehabilitation Administration shall in addition place at the disposal of the Administration any sums required in the currency of that territory for local expenditure in the administration or distribution of such aid.

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Article VII

Amendment

The provisions of this agreement may be amended
by unanimous vote of the Policy Committee and two-thirds
vote of the Council.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Aug. 14, 1942

TO Secretary Morgenthau

FROM H. D. White

Subject: Argentina may be feeding the Axis through neutral European markets.

We have analyzed the statistical tables brought from Buenos Aires by Cochran, and the analysis reveals that Argentina has increased its exports to the European neutral countries in astounding proportions since the outbreak of the war.

1. During the first five months of 1942, Argentina has exported materials to Sweden at an annual rate of 2-1/2 times as much as she did in 1938, to Switzerland 12 times as much, and to Spain 5-1/2 times as much.
2. Argentine exports to these European neutrals is concentrated in particular commodity categories such as oil seeds, wheat, wool, cotton, and quebracho. Germany is suffering from acute shortages in all of these commodities.
3. Argentina has lost only 40 percent of her European markets as a result of the war even though Germany and Italy during peacetime constituted 85 percent of Argentina's Western European market. Exports to the European neutrals were at the annual rate of more than \$40 million during the first five months of 1942.

The following important conclusions can be drawn from this analysis:

1. The British navicert system, which is supposed to control the volume of shipments from South America to Europe, is probably operating with extreme leniency.
2. These trade data give support to the Treasury position that it is necessary to amend the general licenses to further restrict the volume and kind of payments which can be made by the European neutral countries.

MEMORANDUM FOR THE SECRETARY.

August 14, 1942.

Mail Report

A humdrum week of mail, with no new subjects emerging, either of protest, approval, or suggestion. Income taxes still lead in debatable topics, with 2 of them speaking of higher taxes all along the line, half a dozen or so advising an excess profits tax for individuals, and a great many letters protesting proposed corporation taxes imposed in the Bill now before Congress. These letters most nearly resemble a campaign, but are evidently individually written, and come both from stockholders and officials in corporations which will be affected if the Bill goes through.

The usual suggestions for exemptions continue to include insurance premiums, old debt retirement, and expenditures for illness or death, and for educational purposes.

The ratio of letters on the Sales Tax is 2 pro to 3 anti. Car use stamps and gasoline rationing are only occasionally mentioned, although a number of letters urge very high taxation of gasoline, rather than rationing.

Bond "kicks" continue to be in regard to buying them either through offices where there are long delays, or at Post Offices where service is bad. Delays in handling redemption are mentioned in 11 letters, while bond holders failing to receive interest numbered 5. A scattering of reports on abuse of the privilege of cashing bonds continues to come. A Christmas drive, particularly on the sale of Stamps, is already started.

There have been 10 letters praising the report on the Joint Committee on the Reduction in Non-essential Expenditures.



- 1 -

GENERAL COMMENTS

John Gillinder, President, Gillinder Brothers, Inc., (Manufacturers of Glass), Port Jervis, N.Y. May I extend my congratulations and sincere thanks for the splendid work your committee has done on the "Reduction of Non-essential Federal Expenditures". One of the things that drags very heavily on our desire to be patriotic and sacrificing to the limit is the knowledge of the tremendous amount of money that is being wasted and unnecessarily spent at the present time. I hope that this good work will be continued further until we can feel that the waste and foolish expenditures are a thing of the past.

D. M. Bates, Bates, Inc., Packard Building, Philadelphia, Pa. This is my first opportunity on my return to the office to write you in reference to the work of the Joint Committee on Reduction of Non-essential Federal Expenditures, to express my appreciation as a citizen of the remarkable record of accomplishment since the Committee's formation last September. * * * My heartiest congratulations and hopes that the effective work of the Joint Committee may continue.

H. B. Crouse, President, Crouse-Hinds Co., (Manufacturers of Electrical Products), Syracuse, N. Y. I have just had the privilege of reading the second report on the Reduction of Non-essential Federal Expenditures, which was released July 27. I feel that I want to extend to you, as a member of that Committee, my congratulations. The Committee has certainly done a wonderful job on a most important matter. Let's hope that it may be at least partially successful. * * *

- 2 -

M. A. MacMillan, Chairman, The Dayton Rubber Manufacturing Company, Dayton, Ohio. The report of the Committee on Nonessential Federal Expenditures has just been put on my desk, and as you had an important hand in the reduction of those expenditures, I wish to commend you, also venture to express the hope that you will take the initiative in tapping the huge reservoir of "excess profits" in the lower income brackets, and not insist on milking dry the industrial life of America, which has made America great, and which must be preserved intact so that it may help to make America still greater.

Mrs. Mary Elaine Mathis Greene, Stanton, Tenn. Our Annual Celebration of the negro project of F.S.A. here at Stanton is concluded with the mailing to the Secretary of the Treasury a check (\$59.37) which covers the proceeds of our celebration on August 6. The purpose of our organization is to show our great appreciation of what the Government has done for us in the matter of establishing for us good homes, and creating for us a better outlook on life. * * * Each year heretofore our Annual Celebration has been done on a free basis, but with our Country's need so great, we decided this year to make it the means of a free will contribution toward the Victory for which our nation is pledged. * * *

Henry J. Abrahams, Omaha, Nebraska. Endorsed to you, please find check #335,351 (\$18.75) received recently from you in payment of interest on U. S. Savings Bonds. In view of the extraordinary emergency now prevailing, and in the realization that the best efforts and unified action by each one of us is of vital importance in prosecuting this war to complete victory, I wish to return this check to you. I ask only that the proceeds be used for defense, and I am pleased to make this contribution. God Bless America!

- 3 -

Favorable Comments on Bonds

S. H. Harper, North Little Rock, Ark. I am a city letter carrier in the North Little Rock Post Office. As one who has spent the last ten Christmas seasons wrestling with the problem of getting the parcels delivered, I have a plan to offer the Department in regard to the coming season. Instead of mailing packages, let's mail Stamps and Bonds. The Department could issue four denominations of folders for Stamps, \$1.00, \$2.50, \$5.00 and \$10.00, which could be placed at the disposal of the public at Post Offices, between, say the 5th and 20th of December. * * * Christmas, as a season of giving, is deeply imbedded in the hearts of the American people. If we can offer them a chance to give and sock Hitler at the same time, I believe they'll do it, and in a big way! Advertising possibilities of such a campaign are boundless - Santa Claus versus Hitler would be food for enough posters and cartoons to plaster the nation. I have suggestions for some, and others would come from all over the nation. Let's give it a trial and dare the public to drown the Post Office with these folders and Bonds. We have never been drowned yet, although I've been wet a few times. * * *

F. J. Cleary, Commander, U. S. Navy, The Army and Navy Club, Washington, D.C. I quote from a recent number of the MAGAZINE OF WALL STREET: "The Treasury has no intention of continuing its War Bond program on a voluntary basis. Morgenthau is opposing compulsory savings now for the same reason he talks against the Sales Tax -- to kid the voters. Treasury outlook for 1943 definitely contemplates enforced Bond buying." I hold no brief for the phrasing above-quoted. If voluntary Bond purchases will not obtain the desired results, then I am all for compulsory buying in this emergency, and the simplest method of accomplishing that result is by deduction from wages or salaries at the source. In case of necessity, I would advocate such a law.

- 4 -

James Brough, Brooklyn, N. Y. It seems to me that more people would buy War Bonds if papers like the New York Daily News did not print editorials predicting national bankruptcy after the war. It is scare editorials like these which cause people to hoard their cash instead of investing in Government Bonds.

Mrs. Needa Crosbie, Quakertown, Pa. * * * I am the widow of a World War #1 Veteran, and would like to buy more Stamps, etc., than I am doing. In June my daughter, Lois, was 17 years of age. I had a small party of friends for dinner. I bought a birthday cake, and instead of buying candles for the cake, and favors for the guests, I conceived the idea of purchasing 17 ten-cent Stamps. I fastened them on toothpicks with Scotch Tape and placed them on the cake - each guest received a Stamp as a favor. On July 11, my son Robert, an enlisted member of the Army Air Corps, was 21 years of age, and he was home with us on leave from Scott Field, Ill. I did the same for him. On August 6, I was 44, the enclosed snapshot is of my cake -- you will note I have Stamps on both layers. I bought a smaller cake, but needed far more Stamps. If this idea of mine helps in any way, I shall be very glad. My only regret is that I could not buy Stamps of far larger denominations, but several friends said they had no ten-cent Stamps, and would buy some of them also, using those we gave as a starter. * * *

- 4 -

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- 5 -

Unfavorable Comments on Bonds

Louis L. Armistead, Alexandria, Va. On July 27, 1942, I took to the Treasury Building, at Washington, D. C., for redemption a \$1,000 War Savings Bond, Series F. The clerk informed me that it would be necessary for your office to send this Bond to Chicago, Ill., for the purpose of redemption. She further informed me that it would be sent off that day and I could expect a check for the proceeds within a week. This morning, August 7, I called by telephone and the clerk in charge informed me that the Bond left Washington on July 29. She further informed me that it would be necessary for me to write to the Division of Loans and Currency, Merchandise Mart, Chicago, Ill., to obtain any immediate action and information regarding my claim. The proceeds of this Bond is to be used as a down payment on a home that I have purchased. However, the Federal Housing Administration requires that the down payment be actual money in the bank. The delay in the receipt of this check is apt to cause the F.H.A. to disapprove my contract. * * *

Mrs. Rachel F. Salmon, Wichita Falls, Tex. In January, I started negotiations with the Division of Loans and Currency to straighten out the legality of some Bonds which I had purchased prior to and immediately after a marriage, kept secret awhile for professional reasons. Results were so unsatisfactory that I discontinued my regular monthly purchases and decided to cash what Bonds I had already procured. I intended to use the money in buying up my insurance policies. Today I am still awaiting a check for my Bonds, bitter and resentful that some agents of my Government have not acted soon enough to prevent loss of money through changes in interest rates on commuted insurance premiums. * * * I hope this letter may get to you so that an investigation can be instigated and correction effected whereby bondholders might obtain cash without cutting yards of "red tape", and waiting for an unreasonable length of time before attaining

- 6 -

results desired. This service to Government investors is absolutely essential if your efforts to obtain sufficient funds for carrying on the war through a voluntary basis are successful. I'm sorry to say my recent experience in cashing Government Bonds has caused several friends and relatives to discontinue further purchases. No one desires Bonds which cannot be cashed. Please don't classify this letter as one written by a crank, or an unpatriotic American. Nothing would be farther from the truth, because any one hates to have their plans go astray, and especially we free loving, security minded Americans. Besides, my husband is now serving in the armed forces of the U.S.A. * * *

Housewife Eleanor Smith, Tacoma, Washington. While financing a war, you probably have little time to review your Department's War Bond campaign publicity. I am enclosing a news picture printed here July 31, and no doubt released by the NEA syndicate to newspapers throughout the nation. (Girl kissing "hero".) Radio publicity too has treated us like spoiled, not-too-bright children, instead of the products of a sound public school system. Instead of sugar-coating, give us figures on how much money must be raised by a certain date for successful prosecution of the war, and approximately what that means on a per capita basis. If you need more than 10%, just ask for it with directness and dignity. * * * On the opening page of its June 27, 1942, issue, the New Yorker magazine lists twelve recommendations for winning the war, the eighth of which refers to your Department: "Stop circusing heroes for publicity and propaganda purposes. If a hero develops somewhere, decorate him in front of his buddies and leave him there to fight."

A. Hiehle, West Coast Market Company, Downey, Calif. The writer has been receiving and enjoying your various communications and suggestions for the promotion of the sale of War Savings Stamps and Bonds, and is himself quite an enthusiast whose spirits are not easily upset, but this is an occasion where my European blood has been brought

- 7 -

up to the boiling point and needs some letting off of steam! We have been buying regularly from \$50 to \$75 worth of War Stamps weekly for our employees and store customers from the local Downey Post Office. * * * Yet the service through that source has been far from pleasant or desirable. I personally have often to wait as long as 10 to 12 minutes before being waited on. * * * To make things worse, the only ones issuing War Stamps in blocks are the Postmaster and the Assistant Postmaster. They are constantly out of War Stamps, and what irks me is that almost any time I am calling there for my weekly purchase of Stamps, I am informed that the Postmaster is not there, and the Assistant Postmaster is out for lunch. Then when I appear there an hour later they tell me the Assistant Postmaster is again out, with the result that I have to make from two to three trips before I get my Stamps. * * *

Miss Alma A. Paulsen, N.Y.C. Along with thousands of other "minute-men" I have received your certificate in recognition of my service in the recent Bond Pledge campaign. May I protest the expenditure of time and material involved in this gesture which seems to me to be not only useless, but in bad taste for its elaborateness, and something of an insult to the intelligence of the recipients. My copy found its way promptly to the waste-basket, leaving a question in my mind as to the efficiency of a campaign which can afford this totally unwarranted expense. It must appear to any hard-working volunteer that such "overhead" cancels out, to some degree at least, the service willingly given to our common cause, and which in a real sense carries its own reward. * * *

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Ernest Gruening, Governor of Alaska, Juneau, Alaska.
(Telegram) Alaska's fine War Bond purchases have been helped materially by support of Federal employees on entirely voluntary basis. I emphatically protest any new program which puts employees of Federal Agencies in Alaska on Departmental Payroll Savings Plan which would take credit for purchases away from Alaska. Many of these employees have lived in Alaska for years, vote here, own homes here, and are residents in every sense. * * * At least 25% of all white wage earners in Alaska would be involved in payroll plans now being urged by various Departments, such procedure taking purchase credit away from Territory, and obviously curtailing drastically our quota efforts. Would recommend that Departments be advised payroll savings plan in Alaska should encompass procedure of purchasing Bonds within the Territory from nearest local issuing agent. * * * Please advise by wire what consideration will be given this.

Kenneth S. Steed, Quincy, Mass. The other day I went to the Quincy Post Office to exchange some Defense Savings Stamps for a Bond (\$18.75), but when I presented the filled-out application, I was refused the Bond because the name of the co-owner (my wife) was not exactly according to your directions. * * * Since I am the one buying the Bond, I consider I have the right to make the co-owner as I see fit -- "Fido", if I have a mind to -- and since my application read exactly as our joint savings account has read for some years, and the bank has honored all drafts without question, then the form I used must be generally acceptable in banks and therefore probably is legal. It seems to me you have leaned over backward on this one. I hope, however, that the machinery isn't so ponderous or rigid to prevent granting me my right to have the Bond payable to "Kenneth S. Steed or R. Jewel Steed" or "Kenneth S. Steed or Mrs. Kenneth S. Steed". These forms are sanctioned socially, you know.

Favorable Comments on Taxation

Mr. and Mrs. John Smith, Box Elder, S. Dakota. * * * We believe it is only fair that the poor man be taxed as well as the rich. Personally we are among the poor; live on a S. Dakota ranch and have had twelve years of drought, grasshoppers, hail, depression, etc. However, it is still our country and we want to do our share. Too many do not buy Bonds and Stamps, while with a Sales Tax, all would pay. Then we do not like to see our country go deeper and deeper into debt. These Bonds must all be redeemed while a Sales Tax would pay off some of the ever increasing national debt. * * * I know of no isolationists since Pearl Harbor, but still the Administration keeps on talking about them. We have only one child, a son of twenty-one, who goes into service this month. Out here in this country we believe that lack of wage control will cause inflation, we believe that farm prices should be set, we are strongly anti-labor, we believe in a Sales Tax, and while we are not too much in sympathy with many New Deal views, do not believe in political purges, etc. You will find no more loyal and patriotic people anywhere.

Loyd L. Young, Salt Lake City, Utah. It has been my desire to write you in order that I may let you know how much I admire your stand against the general Sales Tax -- an easy but dangerous and unjust method of financing, and, at the same time, supposedly preventing inflation. (The following are comments from a letter addressed by Mr. Young to the Editorial Offices of TIME) * * * Will gladly pay taxes on automobiles, income, etc., but revolt at the thought that a man shall be taxed more as his family increases its numbers. If you want worse and smaller families for America, the Sales Tax is an excellent device for accomplishing the purpose. * * *

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Unfavorable Comments on Taxation

Cornwall Mills, Inc., Holyoke, Mass. (Telegram) We desire to protest respectfully and earnestly the proposed amendment to the Internal Revenue Code which would make the new proposed tax retroactively applicable to fiscal years beginning in 1941 and ending in 1942. We are a small company whose structure requires the most exacting calculation in financing statements issued during the interim upon which credit has been granted, and commitments made are all based on the present law. We feel the proposed amendment would be unbearable to many concerns such as ours, and that it is unfair to change and make retroactive the rules at this time.

Copy of letter addressed to W. A. Thomas, Collector of Internal Revenue, Dallas, Tex., by T. F. McCormick, Treasurer, Brotherhood of Railroad Trainmen Lodge, Palestine, Tex. "This is to advise that I have been receiving insulting letters from your office since December 10, 1941, claiming that I owed \$71 for income tax for 1940. D. R. Bullard, Attorney, Houston, Tex., wrote your office and tried to get a hearing for me relative to the tax claimed, but could not get a reply to any of his letters until April 25, 1942. Then, as he had requested the file in my case be transferred to Technical Staff Division in Houston, he was advised file would be transferred to Houston, but when he tried to make an appointment to discuss the case, they refused to meet him. This transfer was requested because of my being a Railroad Brakeman and was running in to Houston, and it would be more convenient for me than it would be to have to go to Dallas and have to lose time off my job. I paid the \$71 on March 12, 1942. Now for the last two months I have been threatened about what will be done to me if I don't pay \$5.34 more within the next ten days. Their claim is that this is interest. I am sending check for this amount under protest today. I don't think it was the intention of the law to harass people as your office has me. * * * "

- 11 -

Arthur Nichols, Upper Montclair, New Jersey. May I present a subject to you which I feel is very serious from many angles. * * * I am talking principally from my own personal viewpoint, as one who over a fairly long business life has managed to save a very limited amount for the days of "old age", and has put some in Savings Banks, and some in fairly carefully selected stocks of good companies, principally Preferred Stocks for safety. * * * Many companies among the best in the country, and contributing very materially to the Government's war effort, were unable to meet even Preferred Stock dividends during the recent depression years, with the result that they have accumulated very considerable "arrearages". With the present very heavy taxes, and heavier ones proposed, they are unable to reduce or discharge these obligations, and we, the owners of such stocks bought from hard-earned savings and self-denial, to provide against the later life requirements, have received little or no return during the lean years, and have little chance of having the accumulated "arrearages" paid to us now, even though the companies are earning sufficient, prior to Tax Reserves, on the Preferred Stocks. * * * I know the answer to the foregoing is that the Government needs the money and that it is our patriotic duty to accept the necessary taxes with "good cheer". Quite true, but may I suggest that the loss of direct income to the Government would not be as great as the accumulated loss, and hardship is to many of our people through loss of income on which they have every right to depend, and on which, in turn, they would gladly pay the individual income tax rates as determined necessary by Congress. * * * A large part of the direct income through taxation on our large companies lost to the Government would be recovered through the individual income taxpayers who would feel much happier and financially more comfortable, and who would gladly pay more taxes than they do today. * * *

COPY NO. 13BRITISH MOST SECRET
U.S. SECRETOPTEL No. 278

Information received up to 7 A.M., 14th August, 1942.

1. NAVAL

The state of the MALTA convoy is as follows - 3 supply ships totalling more than 29,000 tons have reached MALTA. A fourth ship is expected and another is in tow. 8 ships are lost and one is unaccounted for. H.M.S. MANCHESTER sank on 13th. The anti-aircraft cruiser and destroyer reported torpedoed in OPTEL No. 277 had to be sunk by our own forces. One of H.M. submarines claims two hits on an enemy 8-inch cruiser north of SICILY on 13th.

2. MILITARY

RUSSIA. Northeast and east of KLETSKAYA the Germans are persisting in their efforts to reach the DON and thus occupy the whole of the Middle Don Bend. They are still meeting with strong Russian resistance. German efforts to reach STALINGRAD from the southwest have made little progress and the German advance southward into the CAUCASUS has slowed down. There are indications however that they may be striking eastwards across northern CAUCASIA in the direction of ASTRAKHAN though the territory is lacking in communications.

3. AIR OPERATIONS

WESTERN FRONT. 12th/13th. MAINZ. About 240 tons of H.E. and incendiaries including 29 4,000 pound bombs were dropped. Cloud base was at 6,000 feet but several aircraft attacking from below clearly identified the town. Early arrivals reported the glow of fires from the previous night's attack. Very extensive fires were caused in the town. 13th. Five small offensive operations including one by Mustangs of Army Cooperation Command were carried out over northern FRANCE. Locomotives, rolling stock, electric transformers and an aerodrome were attacked. A small reporting vessel was sunk by a Boston off the Dutch Coast. Two Whitleys, a Sunderland and a Liberator are missing from patrols in the BAY OF BISCAY. 15 F.W.190's crossed the south coast. One JU 88 was destroyed by typhoons off WARMOUTH. 13th/14th. 36 aircraft were sent out sea mining, one Stirling is missing. About 15 enemy aircraft operated over NORFOLK.

EGYPT. 11th/12th. Our bombers attacked TOBRUK HARBOUR and mined MERSA MATRUH HARBOUR.

GREECE. 11th. U.S. Bombers attacked NAVARINO HARBOUR scoring hits on two cruisers and a near miss on another.

- 2 -

MEDITERRANEAN. 12th. Aircraft kept a close watch on movements of the Italian Fleet and carried out protection patrols for our convoy. 12th/13th. Wellingtons and naval aircraft were sent to attack Italian naval units but no hits are claimed. Beaufighters made a low level attack on PANTELLARIA aerodrome. 13th. Convoy protection patrols were continued. Aircraft provided anti-submarine patrols and Sunderlands gave escort to one of our naval forces.

4. HOME SECURITY

13th. EASTBOURNE. Gas works bombed and hit. TEIGNMOUTH. Gas works hit and eleven persons killed. 13th/14th. Some bombs were dropped in the NORWICH neighbourhood.

5. The Turks have recently moved four light bomber squadrons from KUTAHYA in West Central ANATOLIA to ADAPAZARI (just east of the SEA OF MARMORA) and four fighter squadrons from KUTAHYA to MERZIFON (near BLACK SEA coast southwest of SAMSUN). The alleged reason for these moves to allow completion of runways at KUTAHYA, is not repeat not considered valid. It is possible that the Turks wish to base their aircraft nearer the coast to deal with any situation resulting from the Russian Black Sea Fleet being forced out of their own ports.

6. ETHIOPIA

ADDIS ABABA was finally evacuated by troops of the East African Command on 5th August.

August 15, 1942.
9:18 a.m.

Herbert
Gaston:

I just now put it on.

HMJr:

I'm sorry to hear that Bell is sick again.

G:

Yes, I just heard it.

HMJr:

That's too bad.

G:

Yeah, you - you knew what that was, did you?

HMJr:

Well, it's ?

G:

Yes, yes.

HMJr:

What?

G:

Yes.

HMJr:

And, as I understand, it comes from when he was in the war, doesn't it?

G:

Well, I - I don't know about that, but I should think it. I don't know how - I didn't like to press him too much - I didn't know how much of an examination they're having made of him, but I should think it's something that calls for a pretty careful examination.

HMJr:

Yeah. I think it comes when he's very tired.

G:

Yes, yes.

HMJr:

I spoke with Sam last night....

G:

Yes.

HMJr:

....and he said that the three of you never gave him a minute's peace.

G:

Well, uh huh.

HMJr:

He said it laughingly.

G:

Uh huh.

- 2 -

HMJr: He said that I had good representatives, that they were fighting him every inch of the way.

G: Uh huh.

HMJr: All I thought I'd tell you was this, I gave him a little talk but he said, "Your men have told me all that," and then he said, "Well, would you accept the same thing that was in there with the Hull memorandum?" you see?

G: Yes.

HMJr: I said, "Yes, provided it was exactly the same language."

G: Uh huh.

HMJr: And I thought that you men might like to know that.

G: Uh huh, that's fine, and do you want us to do anything more about - suppose we can't unless he lets us know.

HMJr: Well, here's the thing, I sent that message off to the President....

G: Yes.

HMJr:and my strategy's going to be - hello....

G: Yes.

HMJr:to sit tight from now on....

G: Yes.

HMJr:and not to - it's no indication that I'm worried.

G: Uh huh.

HMJr: Don't you think I'm right?

G: I think so, yes.

HMJr: Then after all Sam is not seeing him this week-end.

- 3 -

G: Yeah....

HMJr: And I thought - I had this suggestion, Randolph Paul has to see him, I think, for the tax business on Monday or Tuesday.

G: Tuesday, yes.

HMJr: So then I thought that Paul could do a little pumping....

G: Yes, yes.

HMJr:and if he had anything important....

G: Yes.

HMJr:they'll know along the line where to get me if it's - if it's really important.

G: Yes.

HMJr: But I don't want to be - I won't have time to be hanging on the wire unless....

G: No.

HMJr:it's really a matter of life and death, if you know what I mean.

G: Yes, I know.

HMJr: What?

G: Yes, yes.

HMJr: So - but if you had any good news I could stand it, because this thing's hanging over me like a cloud.

G: Yes, yes.

HMJr: But Sam said the three of you put up a real fight.

G: Well, we argued.

HMJr: And it's - as I say, he said, "Well, would you be willing to take that?" and when he said that, I said, "Yes, provided you kept exactly the same language."

- 4 -

G: Uh huh, uh huh, uh huh.

HMJr: And he said, "That will leave you out entirely," and I said, "Well, that's what I want."

G: Yeah, yeah.

HMJr: I just thought I'd tell you that.

G: Yeah, well, that looks pretty good.

HMJr: Because his attitude was would I be willing to take it.

G: Yeah, yeah, yeah. Well, that's....

HMJr: The other - the other man has that - my telegram. He knows where I am....

G: Yes.

HMJr:and I put it on very heavy with Sam that about not being able to continue to take that responsibility....

G: Uh huh, yeah, yes.

HMJr:and he said that you men had already told him that.

G: Yes, yes, and he seemed to be impressed by the affect on the public credit, a point which Dan raised and we pressed pretty hard. The - the Morning Post, the Washington Post, has a story in the first column about Sam Rosenman working on plans for an economic high command.

HMJr: Oh, it has.

G: Yeah, it - it's interesting because it doesn't go as far as this plan. It doesn't - as they got it, you know, through a leak -- it doesn't include the Treasury and it talks about a majority vote of this authority.

HMJr: Oh, really.

G: Yes. So the interesting thing to me is that this probably represents an earlier phase of the matter which some of the others saw or was discussed with some of the others.

- 5 -

HMJr: Oh, well, I don't think it's the second thought of the thing.

G: No, I don't think so. Well, it's - it's an imperfect story. They got - they got a bit of it here and there. It's - it's nothing that's been from the horse's mouth. It's - it's something that they - that was a leak, somebody that didn't know the full details.

HMJr: Well, of course, I wish it'd be over. I - I think that - well, I won't do it. I was going to tell you that if there was a leak, that - well, I - I - I won't do that.

G: Uh huh, yeah.

HMJr: I have - I never have.

G: Uh huh.

HMJr: But I think Sam talks.

G: Well, he's talked about - it's just the value of it to me is it indicates that the thing has been talked about to a good many people.

HMJr: Yeah.

G: Yeah.

HMJr: You might give that to Kuhn. He's coming up to join me tomorrow morning.

G: The story, yeah.

HMJr: Yeah.

G: Yeah, yeah.

HMJr: What else?

G: That's all only - only I think it's pretty evident that - ah - we've got to be on our toes to....

HMJr: I can't hear. There's a truck going by. Wait a minute.

G: Uh huh.

HMJr: Okay, Herbert.

G: I think it's pretty evident that we've got to be on our toes to dig into all these various subjects, especially our end of it on the - on the financing and - and the question of rationing and - as against compulsory saving and all those things - that we've got to get pretty active in studying those and crystallizing thinking here.

HMJr: Yeah, I agree with you.

G: Yeah.

HMJr: I agree with you. Okay, Herbert.

G: All right. Feeling all right?

HMJr: Yeah.

G: You're leaving there around noon?

HMJr: That's right.

G: Right.

HMJr: Yeah, okay.

G: Goodbye.

HMJr: Goodbye.

August 17, 1942

MEMORANDUM FOR THE FILES:

Conference held in Mr. Acheson's Office,

~~August 15, 1942,~~
August 15, 1942,
11:30 a.m.

Present: Messrs. White, Bernstein, Pable,
Glasser and Dubois of the Treasury;
Messrs. Acheson and Riss of State;
Messrs. Bewley and Stepford of the
British Embassy.

There was a general discussion of the Swiss counter proposal to the British on the financial negotiations now taking place in London, and several interpretations were suggested. It was agreed, however, that a final opinion could not be reached until the full text of the counter proposal is available.

Mr. Acheson then raised the question which he had discussed with Mr. Gentler on July 27, when Mr. Gentler indicated that the total Swiss needs for transference to Spain and Portugal amounted to \$50 million per year but that they probably would be able to get along with a smaller sum. Mr. Acheson said that he thought that through bargaining, in which the United States joined the British, a definite figure could be fixed for transference of free foreign exchange that would be less than the amounts which the Swiss are now acquiring through the present ad hoc procedure in which the British give free gold in Canada and the United States gives free dollars to the extent of the British and American needs for Swiss francs.

The Treasury representatives indicated that they thought the ad hoc procedure was a better arrangement for the United States because:

1. It permitted freedom of action on the part of the United States Government.
2. The general political situation with regard to Switzerland may change and permit this Government to take a stronger attitude toward Switzerland and cut down on the amount of free exchange going to her.
3. The actual difference in the amount of free exchange involved under the two approaches was not large enough to prefer one arrangement as over against the other. However, if any agreement were made, it should be for a relatively short period, preferably a quarter.

Thus, if the British felt that their position needed an agreement, they might best proceed without the United States.

The British indicated that their situation was quite different than that of the United States in that they had urgent needs for Swiss francs which had to be met and they wanted to make an agreement to avoid inflation and to keep the good-will of the country which represents them in Europe. They also said that their bargaining position would be weaker if the United States did not join in the negotiations.

The Treasury indicated that it would prefer to handle the Swiss problem on the broader basis of considering Switzerland as an Axis intermediary and an industrial collaborator with the Nazi War machine, but this suggestion had been raised a month or so ago and proposals to limit Switzerland's freedom to use our banking and monetary facilities were rejected on the grounds of foreign policy. Stopford said he had no authority to discuss any question outside of the present financial negotiations and Mr. Acheson said there had been no change in the political situation since the last discussion.

The British representatives took a strong position that the ad hoc basis was not satisfactory to them and they wished an agreement to be made. Mr. Acheson also said that an agreement was preferable.

Mr. Stopford said that Switzerland had refused to take blocked dollars as well as blocked sterling for Swiss francs; he also said that the Swiss gave them Swiss francs in exchange for gold to cover their urgent and indispensable needs only on the condition that they made transferees to Switzerland for dividends and interests and other payments on the same basis, i.e., in free gold in Canada.

Mr. Acheson had a letter from Mr. Hall of the British Embassy indicating that in the past five months England has made available to Switzerland more than \$13 million in free gold in Canada.

The proposed arrangement, in which Switzerland was to be granted a fixed sum for transference to Spain and Portugal, would provide that England obtain the Swiss francs needed for her urgent payment—imports and diplomatic payments and others—against blocked sterling, and Swiss francs for other payments would be purchased against free gold or free exchange which would be transferred under the agreed upon over-all sum.

Mr. White said, to terminate the meeting, that the Treasury preferred the ad hoc basis but that if, as a matter of foreign policy, the State Department wishes to make an agreement the Treasury would not raise objections. If an agreement were made, however, the Treasury would prefer it to be on a quarterly basis.

H. Glasser

JOINT WAR PRODUCTION COMMITTEE
CANADA AND UNITED STATES
UNITED STATES SECTION
"T" ~~EXHIBIT~~ BUILDING
WASHINGTON, D. C.

Dr. White 78
acted

AUG 15 1942

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

The Joint War Production Committee staff has made inquiries to see whether it could secure for the Treasury the information for which you asked in your letter of August 4.

We expect to be able to provide the Treasury Department with the schedule of aggregate payments to be made to Canada by the Army, the Navy, and the Maritime Commission for Canadian munitions. These estimates will necessarily be very rough.

These data we believe will be available about the beginning of next month and will be sent to you as soon as possible.

Sincerely yours,

Phil Perkins
Chairman

RECEIVED
AUG 15 1942
U.S. VCS 11 WK 8 01
RECEIVED DEPT. OF TREASURY

August 18, 1942.

My dear Mr. Perkins:

The Secretary is away from Washington, and I am therefore acknowledging your letter of August 15. Just as soon as Mr. Mergenthau is back at his desk, this will be brought to his attention.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Wile Perkins,
Chairman, Joint War Production Committee,
Canada and United States,
United States Section
"T" Building,
Washington, D. C.

OKY/abs

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, August 15, 1942.

Press Service
No. 32-90

Secretary of the Treasury Morgenthau today announced the final subscription and allotment figures with respect to the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series B-1943.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

<u>Federal Reserve District</u>	<u>Total Subscriptions Received</u>	<u>Total Subscriptions Allotted</u>
Boston	\$ 159,515,000	\$ 78,454,000
New York	1,448,236,000	698,529,000
Philadelphia	142,119,000	70,408,000
Cleveland	158,627,000	80,633,000
Richmond	100,147,000	49,922,000
Atlanta	117,730,000	59,005,000
Chicago	559,485,000	278,189,000
St. Louis	109,993,000	56,309,000
Minneapolis	48,294,000	26,385,000
Kansas City	94,237,000	47,999,000
Dallas	84,357,000	41,872,000
San Francisco	250,062,000	121,606,000
Treasury	16,000	16,000
 TOTAL	 \$3,272,818,000	 \$1,609,327,000

-oOo-

JULY, 1942 TO JUNE, 1943

(In millions of dollars)

	July, 1942 Actual	August	September	October	November	December	January, 1943	February	March	April	May	June	TOTAL
Balance at beginning of period	1,981	2,318	2,144	2,192	1,699	1,820	1,944	2,110	2,014	2,752	1,874	1,744	1,981
Receipts:													
General revenue	747	539	2,455	579	688	2,472	501	771	4,106	516	520	3,014	16,908
Revenues under new tax program	-	-	-	-	100	100	200	200	3,000	300	300	2,500	6,700
Trust accounts, etc.	56	40	40	40	40	40	40	40	40	40	40	40	496
Federal Old-Age and Survivors Insurance													
Trust Fund (net)	56	178	-10	62	191	-11	61	189	-12	128	456	-6	1,282
Unemployment Trust Fund (net)	41	154	8	84	172	10	89	184	11	88	179	13	1,033
U. S. Savings Bonds	915	815	800	850	800	1,100	1,735	1,000	1,000	1,000	950	950	11,915
U. S. Treasury Notes - Tax Series	388	300	250	250	350	250	250	250	250	250	300	250	3,338
Treasury Bills (additional)	1,150	500	600	100	-	-	-	-	-	-	-	-	2,350
Treasury Bonds, Notes, and Certificates													
of Indebtedness	2,098	2,675	3,000	4,000	4,000	3,750	4,000	4,000	-	4,000	4,000	1,250	36,773
Commodity Credit Corporation financing	27	25	25	-	-	-	-	-	-	-	-	-	87
Depository bonds	2	2	-	-	-	-	-	-	-	-	-	-	4
Total Receipts	5,490	5,228	7,168	5,965	6,341	7,711	6,876	6,634	8,395	6,322	6,745	8,011	80,886
Total Available	7,471	7,546	9,312	8,157	8,040	9,531	8,820	8,744	10,409	9,074	8,619	9,755	82,867
Expenditures:													
General	382	325	300	340	320	360	360	330	310	330	310	300	3,967
War Activities	4,494	4,700	5,000	5,300	5,500	5,700	5,900	6,000	6,100	6,100	6,100	6,100	66,994
Interest	35	8	230	110	30	300	50	20	300	100	30	350	1,563
Trust Accounts, etc.	47	60	60	60	60	60	60	60	60	60	60	60	707
Governmental Corporations (General)	91	250	250	250	250	250	230	230	220	500	300	270	3,091
Governmental Corporations (Debt Redemption) ..	25	6	30	15	2	20	15	25	2	15	10	2	167
U. S. Treasury Notes - Paid in Taxes	45	15	550	15	15	600	50	20	600	50	20	600	2,580
Debt Redemption (Regular)	9	10	30	20	15	30	15	15	30	15	15	15	219
Treasury Bills (Redeemed)	-	-	300	-	-	-	-	-	-	-	-	-	300
U. S. Savings Bonds (Redeemed)	25	28	28	28	28	35	30	30	35	30	30	35	362
Cash redemption of direct and guaranteed													
issues	-	-	342 1/	320 2/	-	232 3/	-	-	-	-	-	-	894
Total Expenditures	5,153	5,402	7,120	6,458	6,220	7,587	6,710	6,730	7,657	7,200	6,875	7,732	80,844
Balance at end of period	2,318	2,144	2,192	1,699	1,820	1,944	2,110	2,014	2,752	1,874	1,744	2,023	2,023
Refunding Operations:													
Treasury bills	450	900	1,150	1,300	1,400	1,750	1,400	1,400	1,750	1,400	1,400	1,750	16,050
Treasury notes and Certificates of													
Indebtedness	-	-	-	-	1,507 O.I.	-	-	1,588 O.I.	66	-	-	629	3,790
Treasury bonds	-	-	-	-	-	-	-	-	-	-	-	454 4/	454
U. S. Housing Authority	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Farm Mortgage Corporation	-	-	-	-	-	-	-	-	-	-	-	-	-
Federal Home Loan Banks	-	-	-	-	-	-	-	-	-	24 (4-1)	-	-	24
Commodity Credit Corporation	-	-	-	-	-	-	-	-	-	-	289 (5-1)	-	289
Reconstruction Finance Corporation	276 6/	-	-	-	-	-	-	-	-	-	-	5/	276
Home Owners Loan Corporation	875 5/	-	-	-	-	-	-	-	-	-	-	-	875
Total Refunding Operations	1,601	900	1,150	1,300	2,907	1,750	1,400	2,988	1,816	1,424	1,689	2,833	21,758

Note: - Estimates based upon weekly bills at \$350,000,000, beginning July 22, 1942, with no staggering of issues at tax dates.

1/ 2 1/2 Treasury Notes, Series B-1942, maturing September 15, 1942.

2/ 7/8% RFC Notes, Series U, maturing October 15, 1942.

3/ 1-3/4% Treasury Notes, Series C-1942, maturing December 15, 1942.

4/ 3-3/8% Treasury bonds of 1943-47, callable June 15, 1943.

5/ \$324,000,000 of 1-1/8% R.F.C. notes, Series V, mature July 15, 1943.

6/ Refunded June 5, 1942.

ESTIMATE

TREASURER'S ACCOUNT IN FEDERAL RESERVE BANKS, FREE GOLD AND SPECIAL DEPOSITORIES
- AUGUST 18 TO SEPTEMBER 30, 1942

(In millions of dollars)

	August										September									
	18	19	20	21	22	23	24	25	26	27	28	29	30	1	2	3	4	5	6	7
Balance at beginning (total)	1,564	1,414	1,366	1,219	1,068	2,920	2,776	2,631	2,590	2,453	2,328	2,233	2,138	2,003	1,953	1,798	1,636	1,498	1,352	
Receipts:																				
General	15	15	15	13	13	13	13	13	13	13	13	20	45	30	23	18	17	15	15	
Income taxes (extra)	5	5	5	3	3	3	4	4	5	6	7	7	7	8	10	12	18	20	30	
Taxes upon carriers and their employees	-	-	-	-	-	-	-	-	1	1	2	3	10	13	10	3	2	1	-	
Railroad Unemployment Insurance Account	-	-	-	-	-	-	-	-	-	-	-	-	1	1	2	2	5	8	1	
Home Owners' Loan Corporation	1	1	2	1	1	2	1	1	2	1	1	2	1	1	2	1	1	2	1	
Unemployment Trust Fund	7	6	4	2	2	2	2	2	1	1	1	1	-	-	-	-	-	-	-	
Sale U. S. Savings Bonds	27	27	27	28	20	32	32	33	35	38	38	24	37	37	37	37	25	37	37	
Sale U. S. Treasury Tax Notes	7	8	10	12	15	15	15	20	20	30	45	80	1	1	2	2	3	4	4	
Sale Treasury Bills (extra)	-	100	-	-	-	-	-	100	-	-	-	-	-	-	100	-	-	-	50	
Sale Treasury Bonds	3	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total Receipts	65	164	63	59	54	67	67	173	77	90	107	137	102	191	86	75	71	87	138	
Total Available	3,629	3,578	3,429	3,278	3,112	2,987	2,843	2,804	2,667	2,543	2,435	2,370	2,240	2,194	2,039	1,873	1,707	1,585	1,490	
Expenditures:																				
General	18	17	10	10	10	8	8	8	8	8	8	17	20	25	25	18	18	13	13	
War activities	180	180	175	175	165	185	185	190	190	190	185	200	200	200	200	200	180	200	200	
Agricultural Adjustment Adm.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
Social Security grants	-	-	10	8	5	3	2	1	1	-	-	-	-	-	-	-	-	-	-	
Reconstruction Finance Corp.	9	7	7	4	4	7	9	7	7	9	4	7	9	7	7	9	4	9	7	
Commodity Credit Corp.	3	3	3	3	2	3	3	3	3	3	2	3	3	3	3	3	2	3	3	
Federal Works Agency	2	2	2	1	2	2	2	2	2	2	1	2	2	2	2	2	1	3	2	
Farm Credit Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury Bills (redeemed)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Debt redemption (regular)	2	2	2	2	1	2	2	2	2	2	1	2	2	2	2	2	1	2	2	
Cash redemption of Treasury notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Treasury Tax Notes paid for income taxes	-	-	-	-	3	-	-	-	-	-	-	-	-	-	1	2	2	2	3	
Total Expenditures	215	212	210	210	192	211	212	214	214	215	202	232	237	241	241	237	209	233	231	
Total Working Balance	3,414	3,366	3,219	3,068	2,920	2,776	2,631	2,590	2,453	2,328	2,233	2,138	2,003	1,953	1,798	1,636	1,498	1,352	1,259	
Actual Balance																				

September

	10	11	12	14	15	16	17	18	19	21	22	23	24	25	26	28	29	30	TOTAL
Balance at beginning (total)	1,299	1,123	999	914	803	250	320	-8	-47	-77	-146	-256	-39	-144	-284	-422	-576	-710	3,564
Receipts:																			
General	25	35	15	15	15	15	15	15	15	14	14	13	13	13	13	13	15	22	997
Income taxes (extra)	40	65	90	110	150	360	220	220	180	150	100	80	60	40	20	15	12	8	2,062
Taxes upon carriers and their employees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44
Railroad Unemployment Insurance Account	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21
Home Owners' Loan Corporation	1	2	1	1	2	1	1	2	1	1	2	1	1	2	1	1	2	1	48
Unemployment Trust Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31
Sale U. S. Savings Bonds	33	32	25	32	30	30	30	32	22	32	32	32	32	32	22	35	35	35	1,161
Sale U. S. Treasury Tax Notes	4	4	4	5	5	6	7	8	8	10	10	12	12	15	18	20	40	65	547
Sale Treasury Bills (extra)	-	-	-	-	-	50	-	-	-	-	-	350	-	-	-	-	-	50	800
Sale Treasury Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5
Total Receipts	94	118	135	163	202	462	273	277	226	207	158	488	118	102	74	84	104	181	5,339
Total Available	1,353	1,241	1,134	1,077	1,005	712	993	269	179	130	12	232	99	-42	-210	-338	-472	-529	9,676
Expenditures:																			
General	10	10	10	10	10	18	18	17	10	10	10	8	8	8	8	8	17	460	
War activities	200	200	180	200	200	200	200	210	180	210	210	210	210	210	190	210	210	210	7,220
Agricultural Adjustment Adm.	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	37
Social Security grants	-	-	-	-	-	-	-	-	-	10	8	5	3	2	1	1	-	-	60
Reconstruction Finance Corp.	7	9	4	7	9	7	7	9	4	7	9	7	7	9	4	7	9	7	267
Commodity Credit Corp.	3	3	3	2	3	3	3	3	2	3	3	3	3	3	2	3	3	3	105
Federal Works Agency	2	2	1	2	2	2	2	2	1	2	2	2	2	2	1	2	2	2	69
Farm Credit Administration	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	153	22	13	9	5	3	2	2	1	1	1	1	1	1	215
Treasury Bills (redeemed)	-	-	-	-	-	-	300	-	-	-	-	-	-	-	-	-	-	-	300
Debt redemption (regular)	2	2	1	2	-	2	2	2	1	2	2	2	2	2	1	2	2	2	68
Cash redemption of Treasury notes	-	-	-	-	315	7	5	3	2	1	1	1	1	1	1	1	1	-	340
Treasury Tax Notes paid for income taxes	5	15	20	50	60	130	60	60	50	27	20	10	5	3	2	2	1	1	535
Total Expenditures	230	242	220	274	755	392	611	316	256	276	268	251	243	242	212	238	238	244	9,676
Total Working Balance	1,123	999	914	803	250	320	-8	-47	-77	-146	-256	-39	-144	-284	-422	-576	-710	-773	-773
Actual Balance																			

TO:

Mrs Kelly⁸⁴

This report is
in response to
an inquiry by
the Secretary.

(WEG)

FROM: MR. GASTON



OFFICE OF THE CHIEF
U. S. SECRET SERVICE
White House

TREASURY DEPARTMENT

WASHINGTON, D. C.

August 15, 1942

RE: Private planes parked at the
New Hackensack, N.Y. airport.

Mr. Frank J. Wilson, Chief,
United States Secret Service,
Treasury Department,
Washington, D. C.

Sir:

Mr. Stanton, Assistant Secretary of Commerce, advises the First Interceptor Command has grounded all civilian planes based near the East Coast Vital Defense Area and as a result of this order thirty private planes were removed from the aforementioned area to the New Hackensack field. These thirty planes are not permitted to leave the field, but were put there because of the lack of other facilities for storage, and quoting Mr. Stanton, will be removed from the field within the next ten days.

Chief is farther advised there is one authorized Civilian Pilot Training instructor at the New Hackensack Airport who has three planes for instruction purposes. The students who fly these planes are enlisted reserve men of the Army and Navy and their flights are under strict control.

I will further advise the Chief when the private planes have been removed.

Very truly yours,

Michael F. Kelly
Michael F. Kelly,
Supervising Agent

MFR/hl

FOR DEFENSE



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 15, 1942

TO Secretary Morgenthau
FROM H. D. White *HDW*

1. There is appended the mimeographed memorandum on Expenditure Rationing which was distributed in the Treasury about two weeks ago for criticism.

2. At the meeting held in the Treasury on Thursday, the Division of Tax Research had numerous suggestions for additions and changes. I asked them to prepare their comments in writing so that we could go over them carefully and incorporate the desired changes in the revised report. They did submit them and the revised report will be completed by Tuesday. The suggested changes submitted were all in the nature of technical details and do not affect either the conclusions or the general structure of the discussion in the report.

3. The Division of Research and Statistics had no specific suggestions to submit but in general supported the views expressed in the mimeographed memorandum; with one important exception. Henry Murphy said that after reading our memorandum he felt the administrative difficulties were greater than he had formerly appreciated. I asked him to submit a memorandum making clear his present view and he did. A copy of this memorandum is appended and it is definitely worth reading.

4. Viner and Stewart have not yet submitted their suggestions.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 14, 1942

TO Mr. White

FROM Mr. Murphy /KCM

STRICTLY CONFIDENTIAL

Subject: Expenditure Rationing

I have read your study of expenditure rationing and have discussed it with several members of my staff. It is a thorough piece of work and a real contribution to the subject.

Expenditure rationing is, of course, one of a number of devices, any one of which -- if applied on an adequate scale and effectively administered -- could solve the problem of excess consumer purchasing power. Other such devices include comprehensive commodity rationing, progressive expenditure taxation, and compulsory saving.

Expenditure rationing is the neatest of all these devices from a theoretical point of view, and presents the fewest fundamental difficulties. It is much simpler than any scheme of commodity rationing of equal comprehensiveness. It is much more effective in restricting consumer purchasing power than a progressive expenditure tax at any rates we may hope to obtain. It avoids the problems of dissaving or the liquidation of other assets, raised by compulsory saving.

Expenditure rationing has the peculiar quality, however, that it is essentially an "all-or-nothing" proposition. Comprehensive commodity rationing can grow up gradually, a commodity or two at a time. Progressive expenditure taxation may be applied first at mild and later at drastic rates. The same is true of forced saving. This is not true of expenditure rationing. It must be a fairly adequate program from the very beginning.

This characteristic of expenditure rationing is an advantage in some respects. In other respects, it is a disadvantage.

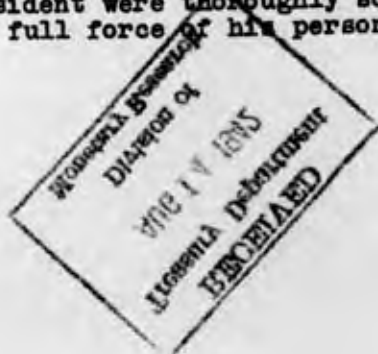
Mr. White - 2

It is an advantage in that it forces a fundamental consideration of the real magnitudes of the problem. Indeed, the outstanding weakness of competing modes of approach is that they lend themselves so easily to mere "token" solutions of the problem.

The "all-or-none" character of expenditure rationing has grave disadvantages, however. The proposal calls for a drastic change in our customary modes of doing business. It has no precedent abroad. Its difficulties (which are principally administrative, rather than fundamental, in character) are of such a nature as to expose it to superficial ridicule. As a consequence of these objections, I believe that it would have less chance of acceptance by Congress than would any of its less theoretically perfect competitors.

Expenditure rationing might be adopted by Executive Order, while progressive expenditure taxation or forced saving would probably require legislation. This is, of course, a legal question.

It is a matter of some doubt whether the public would accept a program as drastic as that of expenditure rationing until shortages have made themselves more keenly felt than they are now. By that time, it may be too late for a scheme of expenditure rationing to be set up. If adopted at the present time, such a scheme would probably face an up-hill battle for popular acceptance. This battle would be worth while, however, and could probably be won if the President were thoroughly sold on the plan and would place the full force of his personality behind it.



PRELIMINARY SURVEY OF EXPENDITURE RATIONING

Division of Monetary Research
U. S. Treasury Department
July 29, 1942

PRELIMINARY SURVEY OF EXPENDITURE RATIONING

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July 29, 1942
Division of Monetary Research
U. S. Treasury Department

PRELIMINARY SURVEY OF EXPENDITURE RATIONING

Section I

Summary Description

I. What is Expenditure Rationing?

Expenditure Rationing is the limitation of total consumer expenditures by fixing the maximum amount that every family or single individual is allowed to spend on rationed goods. In principle, rationed goods should include all consumers' goods that have any current cost in labor, materials, or facilities. However, the following classes of consumption goods and services might well be excluded from Expenditure Rationing, each for separate reasons: rents, tuition, and possibly medical care and several other classes. Under the Expenditure Rationing plan consumers' goods other than these could be bought only with one's ration allowance, but the consumer would be free to spend his ration allowance on any commodities or services that he pleased. Furthermore, no limitation would be imposed on the use of income in non-consumption transactions, i.e., all business transactions other than sales to consumers, and special consumers' transactions as making gifts, paying taxes, paying insurance, buying real estate or securities, or saving in other ways.

II. Why is Expenditure Rationing Desirable?

1. How does Expenditure Rationing solve the problem of inflation?

Under Expenditure Rationing, the total amount allowed to be spent on rationed goods for the whole economy during any period is set at a level equal to the value of the supply of rationed goods expected to be available during that period. In making this computation, supplies would

be valued at the price level which it is desired to maintain. Changes in the total expenditure ration would be made as the supply position changes. Since total purchasing power would be fixed at a level equal to the value of supplies available for purchase, average prices would remain relatively stable.

2. What contribution would expenditure Rationing make to the problem of getting the money needed to pay for the war?

Expenditure Rationing yields no revenue. However, by preventing consumers from spending their incomes on rationed commodities, it forces them to save — in one form or another. Individuals will be most likely to buy larger amounts of Government securities directly or to place their savings with institutions who will in turn buy larger amounts of Government securities. In any event, the Government will be free to borrow from individuals or banks without fear that its actions may be inflationary.

3. Can Expenditure Rationing make an equitable distribution of scarce supplies?

The equity of any Expenditure Rationing program would depend upon the schedule. The plan attacks the problem of excessive consumer purchases directly, and determines the ration allowances from an item (current income) that is in most cases readily determinable, for both of which reasons it is possible to expect greater equity. The plan offers the possibility of determining and periodically changing the rations with speed and without detailed Congressional approval. Furthermore, since the alternative to a larger ration for any individual is additional saving rather than taxation, the administrators may be bold for their mistakes would cause only minor inequities.

- 3 -

It will still be necessary to have specific rationing for any basic necessities that are disproportionately scarce. However, in the measure that people with large incomes will be able to spend less on scarce commodities under Expenditure Rationing than they would otherwise be able to do, the need for specific rationing is reduced.

4. If Expenditure Rationing is a satisfactory solution to the problems of controlling inflation and distributing scarce supplies, why has it not been adopted in other countries?

No comprehensive system of Expenditure Rationing has been adopted in any country, though the British have an expenditure ration for meat. This fact cannot, however, be regarded as a serious reflection on the merits of Expenditure Rationing. In general, rationing as developed in various countries has been not a plan but an expedient — or rather a series of expedients. One commodity after another has been put under a specific scheme as its supply position has aroused particular concern. These schemes range from the specification of physical rations for a single commodity to an elaborate system of point rationing. The point systems do not make an undesired revelation of the degree of inequality sanctioned by the rationing system. In England — where several separate systems of rationing have been improvised — Expenditure rationing has received strong support from able students of the question.

III. How does Expenditure Rationing Work?

1. What will determine the size of the Expenditure Ration for any individual or family?

The magnitude of the individual or family ration can be determined by a simple schedule which takes account both of income and family

status. The schedule should be designed:

- (a) to give a larger ration to those with a larger income, although increases in the ration would be much less than in proportion to increases in income,
- (b) to give a larger ration to large families,
- (c) to effect no reduction in the total consumption of single individuals and families having incomes below selected levels, and
- (d) to limit the aggregate of consumers' expenditures on the basis of the available supply of goods.

Once the basic distribution were determined in this manner, the provision of additional consumption in cases of apparent hardship or inequity could be left to the discretion of local boards.

2. What kind of coupons or licenses to purchase will be used for Expenditure Rationing?

An effective rationing system requires the use of some kind of coupon or license to purchase.

It may be possible to solve this problem without the use of both money and a coupon in every purchase. Since almost all cash expenditures are included in the rationed area, small denomination money (all presently existing coins, \$1 and \$2 notes, and perhaps a new issue of \$2.50 notes) may be used both as money and as a license to purchase in the rationed area. Notes of larger denominations could then be used only in the uses, listed above, that lie outside the scope of Expenditure Rationing.

A similar system could easily be devised to permit the use of checks. A depositor could have two accounts: an ordinary account for

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uses outside the rationed area, and a consumption account established through the deposit of small denomination money.

If there should be any legal obstacle to this differentiation among existing types of money, coupons would have to be issued in the form of licenses to purchase rationed commodities. Such coupons would not be a substitute for money but would have to be used together with money in each purchase of a rationed commodity. In this case, convenience would dictate that purchases not exceeding 10 cents be excluded from the expenditure ration.

3. How will individuals and families receive their Ration?

The distribution of ration money (or of coupons along with ordinary money) could be integrated very closely with the present system of payment of income.

(a) Persons employed for wages or salaries could file a statement with their employers showing their dependency status. On the basis of this return, the employers would distribute to them the correct amount of ration allowances.

(b) Persons receiving non-wage or salary income could report the amount of their income as well as their dependency status to a bank, post office, or local rationing board. The institution to which this information was reported would be authorized to provide the individuals with ration allowance in accordance with the Expenditure Rationing schedule.

(c) Persons with irregular incomes, seasonal incomes, or living by depleting capital, would require special consideration in the determination of their ration allowance. The method of handling such cases is considered fully in Section III.

The distribution of ration allowances could be integrated with the collection of income taxes or the filing of tax returns in order to provide a check of the accuracy of ration allowances paid.

4. How will it be assured that purchases of rationed commodities are made only with Ration allowances?

All business enterprises and individuals selling goods or services directly to consumers for ration allowances would be required to file a quarterly statement of their sales, in conjunction with an income tax return. They would have to establish gross credits to a bank or postal account, in the form of ration money (or coupons), to the extent of their rationed sales. Such a firm would file separately the Expenditure Ration returns for its employees, to justify its payments of ration allowances in salaries and to secure the right to continue to draw ration allowances for its wage and salary bill.

It would be possible to provide a satisfactory check of the accuracy of ration allowances by integrating the payment of ration allowances with the payment of income taxes or the filing of income tax returns. For consumers, such a system would have an internal self-enforcing element, since the exaggeration of income would lead to additional tax liabilities, while the under-statement of income would diminish the size of the ration allowance.

Its external strength, apart from legal enforcement, would be in the sentiment of the public that, in war time especially, scarce goods should be shared equitably. Any evasion of Expenditure Rationing might consequently come to be regarded as an unpatriotic evasion of responsibilities deriving from the war effort. It is possible that inventory control could be used as a supplementary check on evasion.

5. Should rights to make expenditures on rationed commodities be transferable?

If ration coupons are to be used, they may be made either transferable or non-transferable. It is hardly likely that transfer of such coupons could be prevented without heavy administrative expense which would be quite unwarranted in view of the easy possibility of transfer of the rationed goods subsequent to the original purchase. On the other hand, transferable coupons would tend to acquire a scarcity value and would be sold to some extent by less eager buyers to those with more intense desires or larger incomes.

If rationed money is to be used no means of preventing such money being transferred by first holders to other consumers is readily available. Here again it is quite possible that a premium would appear as the pressure of restriction became more burdensome. The total consumption could still be kept at the desired level, though the shift in consumption might provide a less satisfactory use of the limited national resources for the maintenance of health and efficiency of the population.

In any case those who made such voluntary further restrictions of consumption by sale of coupons or rationed money at a premium would be compensated for their privation by money payments which would enable them to consume more at a later date.

Should funds be made available to the Government?

Available

If certain coupons are to be used, they may be used either in whole or in part. It is highly likely that the use of such coupons could be prevented without heavy administrative expenses which would be quite unwarranted in view of the very possibility of the use of the coupons. Goods subsequent to the original purchase. On the other hand, certain coupons would tend to be used as a security against and would be sold to some extent by the Government to those with more income desired or larger income.

If certain money is to be used no means of preventing such money being transferred by first holders to other coupons is readily available. There again it is quite possible that a provision would be made as the purchase of restricted bonds were discontinued. The total amount of coupons could still be kept at the desired level, enough to allow a consumption might provide a fair indication of the total amount of coupons for the maintenance of the level and effect of the population.

In any case those who made such voluntarily further restriction of consumption by sale of coupons or restricted money. A provision would be made for their provision by money payments which would be then to consume more of the total of the

Section II

The Magnitude, Scope, and Distribution of Expenditure Rationing

A. Determination of Total Magnitudes

The dynamic nature of the problem. The first task of the Federal Ration Administration is to determine to what extent total consumption expenditures must be curtailed in order to accomplish the objectives of the Expenditure Rationing program. Having determined what total consumption can be allowed for the economy as a whole, the problem becomes one of distributing the restrictions necessary among individuals and families.

The problem of determining how much total consumption will need to be curtailed breaks down into two principal elements:

- (1) What amount of goods and services will be available for consumption over the period being considered; and
- (2) What amount of these goods and services will be demanded over the same period.

The principal difficulty in obtaining answers to these two questions arises from the dynamic nature of the data involved. They are not questions which can be considered on the basis of data that are given and static. On the contrary, the elements of the problem are continually changing and the relations among them never the same at different moments of time.

The amount of goods and services which will be available for consumption will depend upon the following:

- (1) To what extent existing inventories are drawn upon; and
- (2) The rate of flow of consumer goods and services currently being produced, which in turn depends upon the war production program, the efficiency of productive factors, etc,

The amount of goods and services which will be demanded will depend upon:

- (1) The rate of flow of national income, particularly of income payments;
- (2) The personal distribution of the national income by income size.

It is immediately obvious that all these factors involve elements continuously changing in time. Decisions of the Central Expenditure Rationing Board must therefore involve a continuous balancing of present and future consumer requirements and means of satisfying the requirements. This in turn involves judgment as to the length of the war, the course of the production program, etc.

If it were believed, for example, that the war would be over in a year's time, a more liberal use of existing inventories could be allowed than if it were believed that the war will not be over in less than two years. If it were believed that the consumer supply situation would progressively deteriorate as the war continues, it would be necessary to decide whether some part of current production of consumer goods should be reserved for future consumption and thus even out the necessary restrictions in the present and the future.

As the various elements of the picture change, the degree of consumption restrictions will likewise change. It is a prime advantage of the Expenditure Rationing plan that it is flexible and adaptable to continuously changing circumstances in the demand and supply situation.

Even though the problem is inherently a difficult one and involves responsible judgment in balancing the various elements concerned, there already exist Federal government agencies which gather the basic data

Division of Monetary
Research

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necessary to reach reasonably accurate conclusions as to the magnitude of consumption restrictions which may be necessary.

Estimating Supply. There are two methods which can be used to determine the supply of consumer goods and services which will be available for consumption in any given period. The first method is direct measurement, that is, direct estimation of the production of the main categories of consumer goods and services. The Office of Civilian Supply of the W.P.B. has been established to perform precisely this function. The Research Division and other sections of the Office of Price Administration likewise are engaged in making estimates of consumer supplies currently being produced.

The second method that can be used to estimate the production of consumer goods and services is by regarding such goods and services as the residual remaining after government expenditures and increases in capital goods for any given period are deducted from estimates of the gross national product for that period. The data involved in this procedure are available from the researches of the Department of Commerce and other government agencies.

By either of the above methods it is possible to make a rough but satisfactory estimate of the rate of production of consumer goods and services. To the estimate of production for a given period there can be added the inventory of consumer goods available at the beginning of the period and a figure thus obtained for the total supply of consumer goods and services which will be available for consumption and carry-over during that period.

Determining What Demand can be Satisfied

Having estimated the supply of goods and services which will be available for consumption and carryover during any given period, the Federal Ration Administration has the basis for determining the total amount of consumption expenditures which will be allowed during that period. If it is decided to "save" part of the current production of consumer goods for future periods, the amount of consumption allowed during the current period will correspondingly be reduced.

The actual amount of ration allowances which are to be issued during any period will be determined, of course, by the supply of goods and services which fall in the rationed area, rather than by the total of all consumer goods and services available for consumption.

Illustration of a method

A method which the Federal Ration Administration could follow in determining the total amount of consumption to allow during a given period is illustrated by the following estimate of the amount of consumer goods and services which will become available for consumption during the fiscal year 1943.

National income at factor cost in June, 1942 prices will be approximately \$120 billion in the fiscal year 1943, according to Department of Commerce estimates. This figure measures, however, the net value of current output as the sum of the net returns to the various factors of production in the form of wages, salaries, interest, rents, and net profits earned. In order to convert the national income figure into a measure of the aggregate goods and services entering the market at market prices, it is necessary to add business tax liabilities, for a significant portion of the proceeds realized from the sale of

Division of Monetary
Research

- 5 -

privately-produced goods and services accrues directly to the Government in the form of business taxes and never appears in the income paid to any of the factors of production. It is estimated that for the fiscal year 1943 business tax liabilities will amount to \$24 billion, making national income at market prices equal to \$144 billion.

An additional \$13.5 billion of estimated capital charges must be added to the national income at market prices to obtain the gross national product at market prices — namely \$157.5 billion. To obtain the amount of goods and services available for private use, all Government expenditures, including state and local, must be subtracted from the gross national product. This leaves \$76.5 billion. If from this figure there are subtracted the following: gross private outlays on construction and equipment, the increase in inventories, the increase in claims on foreign countries, and the increase in monetary stocks of gold and silver — there remains the amount of consumer goods and services which will be available for purchase. This figure for the fiscal year 1943 is estimated at \$67.5 billion. Adjustments for increases in factor costs might be necessary at the time expenditure rationing is introduced.

Having determined the amount of goods and services which will be available for consumption, the next task of the Federal Ration Administration is to distribute consumption allowances among individuals in an equitable fashion. A suggested schedule of distribution and a discussion of the problems it raises are contained in a later section.

B. The Scope of Expenditure Rationing.

In principle, in a fully employed and well organized war economy, Expenditure Rationing should apply to all consumers' goods and services, whether currently produced or withdrawn from inventory. All civilian consumers' output (and all depletion of consumers' inventories) should be regarded as subtracting from possible war production. All civilian supply — even a mere vaudeville performance — requires at least labor, and in a fully employed war economy labor is short. The demarcation of a non-rationed area of goods and services is an invitation to draw labor into that field; if food is rationed, and not personal services, people who can afford to do so will employ labor to grow food in their back yards.

It is not a serious argument against the inclusive formulation of expenditure rationing that some consumer's output is always more elastic than others. If there were, in fact, some goods for which an increment of consumption would require no additional resources directly or indirectly, it might be desirable to exclude such a good from expenditure rationing. But, in fact, there are no such goods. Furthermore, by making expenditure rationing fully inclusive, it is possible to avoid injustices based on the established preferences of the community.

On the other hand, insofar as the economy does in fact — even in wartime — produce many non-necessities, the inclusion of these non-necessities in the Expenditure Ration means that individual rations must be more unequal than they would have to be otherwise — for the more prosperous members of the community must be provided with ration coupons with which to buy these non-necessities. To the extent however that, when

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their total expenditures are limited, the rich shift their consumption pattern towards non-luxury articles and qualities, they will bid increasingly for the kinds of articles and qualities formerly bought primarily by people with smaller incomes. There will still be a case for specific rationing. Indeed we may generalize: the more inclusive the Expenditure Ration, the more need there will be to make it unequal, and the more unequal it is the more need there will be for specific rationing of disproportionately scarce necessities. Some attempt is made to take account of these considerations below.

Despite the strong case, in principle, for making Expenditure Rationing all-inclusive, it appears, on examination of the particular facts, that there are three classes of consumers' expenditures which it would be desirable to exclude from Expenditure Rationing. These are expenditures on rents, medical care, and tuition. The value of these expenditures in 1941 was estimated by the Consumer Division of O.P.A. at about \$17.6 billion, or about 24 percent of total civilian consumption. The value of all rents in 1941 was about \$13.4 billion (including \$3.3 billion of imputed rents for owner-occupied housing); consumers' expenditures on medical care were about \$3.4 billion; expenditures on education were \$.9 billion.

Rents

The case for excluding rents from Expenditure Rationing seems irresistibly strong, for the following reasons:

- (a) The inclusion of rents in the Expenditure Ration would make for a less equal distribution of scarce necessities. The supply of housing has not been reduced. The inclusion of an

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allowance for the customary housing expenditures of the rich in the Expenditure Ration would necessarily make the Expenditure Ration very unequal. But as their total consumption expenditures are reduced, the rich will attempt to shift their outlays, to some extent, away from housing. They will then compete with the poor even more for articles whose supply has been reduced.

- (b) The inclusion of rents in the Expenditure Ration would discriminate sharply against those who live in rented premises, as opposed to those who own homes. Renters would find that they had to spend 20 percent or more of their ration on housing, while owner-occupied with the same money income would have their ration to spend entirely on other goods.
- (c) The inclusion of rents in the Expenditure Ration would discriminate against urban consumers and in favor of rural ones with equal money incomes, because of the much higher level of rents in densely populated areas.
- (d) The inclusion of rents in the Expenditure Ration would cause a windfall loss to landlords and would give a windfall profit to tenants. There will be no appreciable reduction in the supply of housing, but Expenditure Rationing will mean a substantial reduction in total demand. There will therefore certainly be some reduction in the total amount spent on rent, giving a windfall profit to tenants and a windfall loss to landlords.

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(e) On the other hand, if rents were excluded from rationing but left uncontrolled, they would rise greatly. Therefore the most equitable solution would seem to be to exclude rents from Expenditure Rationing but to continue the rent freezing regulations now in effect and to extend them to cover the whole country.

(f) The inclusion of rents in the Expenditure Ration would necessitate equivalent treatment for home owners. The rationing administration would be forced to determine in every case, how much of the payment made in buying a house was rent and how much saving, because the one part would be rationed and the other unrationed. This difficulty is avoided by broadening unrationed expenditures to include both paying rent and saving through accumulating an equity in a home.

It is true that the demarcation of rents as unrationed expenditures leaves some administrative problems. These problems center around the demarcation of shelter rents from various services such as light and heat often included in rent but which will have to be distinguished from shelter rents if all consumers of services are to be treated equally. However it seems clear that the balance of advantages is on the side of confronting these relatively minor administrative difficulties, rather than accepting the major administrative problems and major injustices which would result from the inclusion of rents in the Expenditure Ration.

Medical Services

The reasons for making medical services non-rationed items seem also to be strong:

- (a) The need for medical care is very unevenly distributed through time, and requires a large expenditure when urgent need arises. An Expenditure Ration which provided for average needs would miss the extraordinary needs, which are the important ones.
- (b) It would be extremely undesirable to subject the Expenditure Rationing system to the criticism that a person failed to get necessary medical care because he lacked ration allowances, even if his total medical expenditures were merely average and his deficiency of ration allowances due to poverty or improvidence. The inclusion of medical services in Expenditure Rationing would be a particularly great hardship if the Expenditure Ration system were to forbid consumer credit. Doctors might then be confronted with the alternatives of insisting on immediate payment of the ration cost, performing services gratis, or turning away patients who would otherwise have expected to pay later — when able.
- (c) On the other hand, it is important to take account of the fact that medical services will be in short supply. The army will be requiring the services of about one-third of all doctors. "Luxury illness" should not be encouraged as it would tend to be by making medical services an unrationed item. The proper agencies for discouraging the unnecessary use of medical services are the hospitals, doctors, and public health authorities. It should not be the duty of the ration authorities.

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(d) If it were considered desirable to make average medical expenditures a rationed item, on account of the considerations mentioned in (c), an extra-schedule allowance might be set up to cover extraordinary medical expenditures. Under this extra-schedule allowance, any individual who could show that he has spent over, say, 5 percent of his income on medical services might be granted an extra ration allowance to the extent of the excess.

It seems that, on balance, frictions and ill-will might be minimized by making medical services entirely unrationed, but a working compromise with the tight supply position might be made by permitting credit for medical services and adopting an extra-schedule medical allowance as suggested in (d) above.

Tuition

The case for excluding tuition expenditures from Expenditure Rationing is the simplest of all.

- (a) There is no need to foster a decline in the monetary demand for teaching services. The staffs and facilities of the educational system can be made available for war purposes by other means, to the extent that these resources can be used. In large part these educational resources cannot be transferred.
- (b) A large part of the male student body, particularly of colleges and universities, is being drawn away by the draft. If tuition expenditures were made part of the expenditure ration, a large part of the remaining student body would have to forego further education. Tuition might well be the first item to be dropped in many family budgets. It is doubtful whether it would be

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desirable to bring about a further contraction in the number of persons receiving higher education at the present time.

In any case the question should not be decided on financial grounds.

- (c) Tuition fees are not the kind of charges which are likely to rise substantially even if they are left unrationed.

Other Services

These three classes of consumers' expenditures seem to be the only ones in respect to which a strong case can be made for excluding them from Expenditure Rationing. It has been suggested that many recreational facilities, e.g., movies and ball games, should also be excluded from Expenditure Rationing on the ground that their marginal cost of supply is low but that a monopolistic price policy would keep them from lowering their prices and securing full use of their facilities. The arguments against excluding these recreational activities from rationing seem however to be convincing:

- (a) It is not true that the marginal costs in transportation, services, etc., in using these facilities is negligible. On the contrary, they strain the transport system, employ more entertainers and attendants in good times, etc.
- (b) It is possible to secure full use of these facilities under Expenditure Rationing, through a fall in admission prices. Such a fall took place during the depression.
- (c) To exempt some recreational facilities from rationing would discriminate against other forms of leisure. It would give a bonus to the man who likes to go to ball games over the man who likes to buy books.

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(d) To make, e.g., movies, an unrationed commodity just to secure full use of their facilities would be to give a bonus to monopolistic practices of fixing price above the level of marginal cost.

(e) As a compromise with the idea of making certain consumers' expenditures entirely unrationed, it has been suggested that certain goods and services might be sold for a 50 percent ration requirement. In this way, jewelry, furs, ball parks, etc., which were hard hit by Expenditure Rationing might be assisted. This alternative has, however, severe administrative and political disadvantages. If one business is allowed to sell its stock 50 percent for non-ration money, every other depressed business in the country will be camping on the door of the Rationing Administrator. Applications will be made even for individual local exceptions within a major line of business. The broad simplicity and equity of the scheme will be lost in a host of exceptions. The public will become confused. Administration will become complicated by the fact that stores will be selling some items for one kind of money and some for another. Congress will not like the exercise of this kind of discretion by the Administrator. It seems therefore that this device of "percentage rationing" should be used little if at all and then only under the most careful safeguards. However, it may be possible to adopt a ration premium, say the payment of 150 percent of the price in ration allowances, as a substitute for specific rationing of some goods.

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(f) To multiply the number of goods and services outside the rationed area is to make Expenditure Rationing harder to administer. In this respect, specific rationing and Expenditure Rationing are opposites. Specific rationing is easier to administer the more goods are left out; Expenditure Rationing is easiest to handle when the whole flow of consumption must take one form.

Employment of Labor and Personal Services

In general all persons employing labor for personal services will be required to compensate such labor with ration allowances, out of their own personal ration. On the other hand, all persons employing labor in business will receive ration allowances from banks, post offices and other Federal agencies to pay their employees in accordance with the Expenditure Rationing schedule. The line between labor employed for personal service and labor employed in business must be whether the good or service produced is intended to be sold in the market. This rule of thumb will still

make it possible for persons employing labor in business, e.g., on farms, to take some part of the product of such labor directly for their own use.

However, such evasions of the spirit of the Expenditure Rationing plan can be kept to relatively small dimensions. It is doubtful whether anyone receiving a large income would be in a position to get over 10 percent of the income in kind. The fact that farmers receiving a few hundred dollars of income might get most of it in kind, in a way exempt from Expenditure Rationing controls, should cause no great concern.

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Legal Services

All legal services should be treated as business services and should be exempted from Expenditure Rationing. Such services are not properly classifiable as "consumption" whether in civil or in criminal cases.

Second-hand Transactions

All purchases at second-hand by one individual who is not a dealer from another individual who is not a dealer should be non-rationed. Such exchanges do not affect total consumption and they are not readily susceptible to administrative control.

On the other hand, the second-hand stock of dealers should be treated as part of the inventory of goods available for general consumption. Such second-hand goods should be purchasable only against ration allowances to the same extent as any new goods.

Antiques and Works of Art

Any good whose value is substantially analagous to that of a capital asset, depreciating only very slowly through time, might be exempted from Expenditure Rationing. Antiques and works of art are not bought for the services which they render over any short time. Their purchase might be treated as the purchase of a capital asset, substantially analagous to saving.

However, the exemption of antiques and works of art from Expenditure Rationing raises many difficult problems because of the large number of marginal cases. In all these marginal cases it seems desirable that the solution be made in accord with the more inclusive rather than the less inclusive definition of the scope of Expenditure Rationing. To the extent that such antiques and works of art are genuinely capital assets their

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value will not deteriorate sufficiently even for the duration of the war to cause great capital losses to dealers. Therefore an administrative policy which places articles in the Expenditure Rationing area in marginal cases leaves dealers with the alternative of holding their stocks for sale at a later time.

Housing Construction and Maintenance

All expenditures on the construction or maintenance of housing should be treated as business expenditures exempted from Expenditure Rationing. Such construction and maintenance needs to be limited to essential cases at the present time. However the limitation of building and repair operations to cases of need had better continue to operate through control of building permits rather than form a special facet of Expenditure Rationing.

General Area Exempt from Expenditure Rationing

In principle it is clear that Expenditure Rationing is not concerned with the use of money for the purchase of existing capital assets, for making gifts or for paying taxes. Under Expenditure Rationing, no one can increase his own consumption and so bid resources away from war production. No one can increase his consumption beyond the limit set by his individual ration. The individual must save. The particular form in which he holds his savings is no concern of the Expenditure Rationing scheme. He may hold cash, he may buy securities, he may buy land or buildings or bonds, he may give his money to individuals or churches or hospitals. So far as the smooth functioning of Expenditure Rationing is concerned, these things make no difference.

C. The Distribution of the Expenditure Ration
among Individuals

Since rationing is ~~self~~ ^{scarcity} economics, and in a ~~scarc~~ ^{scarcity} it becomes difficult to supply civilians with more than bare necessities, rations tend toward equality. However there are four arguments, of varying weight, in favor of unequal war-time rations. These arguments are:

- (a) differences in needs, (b) necessity of maintaining incentive, (c) desirability of making full use of existing facilities and (d) differences in money-income. In our judgment the first two of these are very strong arguments in favor of unequal rations. The third has some strength. We are unable to assign any weight to the fourth except as a rough measure of the others.

Differences in need are the simplest and most widely recognized basis for unequal rations. The Germans allow the heaviest laborers more than twice as large food rations (by caloric content) as are allowed the normal consumer. Doctors are given a special position with regard to the rationing of automobiles and gasoline in all countries where such rationing prevails. Special rations are provided for expectant mothers and the sick. A general ration, if it were very low, might have to adjust not only for the number of persons in a family, their age and health, but also for the kind of work they did.

Variations in rations for the purpose of maintaining incentive are a more complicated matter. The basic issue is whether, even with the exceptional stimuli of war-time, the will to work long hours of overtime does not need to be sustained by offering the reward of a high marginal increment of current consumption. Where rations are equal or are so low that they can be bought with a

small fraction of income, the only stimuli to extraordinary effort are patriotism and the desire to accumulate savings for use after the war. If at all possible, these stimuli should be supplemented by that of increased current consumption. Therefore it is desirable to keep the ration value of marginal increments of earned income high. From the point of view of maintaining incentive, the ration value of overtime work or extraordinary piece-work performance should be highest of all.

The argument that rations should be unequal to secure full use of existing facilities, merely contends that there is no net gain to the economy if the expenditure ration is set so low that no one can afford to use the existing inventory of large houses, big cars, and other relatively permanent facilities that cannot readily be adapted to more equal sharing among a larger number of consumers. This argument is based on the assumption that the war-time civilian value of the services rendered by such facilities is greater than the current maintenance costs, and this assumption is certainly correct in a large number of cases. Further there is no point in giving windfalls to users, as opposed to owners, of such capital assets. Even a policy directed towards the permanent elimination of such "luxury" facilities would be unwise (from a strictly economic point of view) if it curtailed consumption so much as to render existing facilities unused; all that is desirable is to guarantee that no new ones are built.

The rationale of the argument that inequality of war-time rations should be -- to some extent -- a function of income, must

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be that income is a rough measure of need, effort and other reasonable claims to larger expenditures. Insofar as the measure is accurate, this argument must be accepted. A further reason, of an entirely different order, is that differences in income are sanctioned by long established custom and should not be extinguished as an adjunct of expenditure rationing so long as inequality in consumption does not necessitate inadequate consumption for the public generally.

The Schedule of Expenditure Rationing

A general schedule can be constructed which takes account of need, incentive and established income differences in broad terms. Such a schedule can weight need particularly heavily by (a) giving a rapidly decreasing ration value to successive increments of income and (b) by taking more account of the number of dependents upon a given income than is done currently. Special needs however are not taken account of in such a general schedule; they must be provided for by extra-schedule allowances both general and specific.

In the calendar year 1941 consumers (including non-profit making institutional consumers) purchased goods and services totalling \$75.8 billion. In the first quarter of 1942 consumers' purchases were at an annual rate of \$80.6 billion; in the second quarter they were at an annual rate of \$78.8 billion. We have estimated that at the beginning of the present fiscal year consumers' expenditures on goods and services were running at an annual rate of about \$77 billion and that it will be necessary to achieve an average reduction at an annual rate of \$10 billion in such expenditures during

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the fiscal year 1943 if the war production program is to be accomplished and prices are to remain stable. This means that consumers can be allowed to expend not more than \$67 billion on goods and services during the fiscal year 1943. This estimate is, of course, very rough and will have to be revised after further study.

Of this \$77 billion of expenditures perhaps \$17 billion would be in the non-rationed area as defined above. Rents would account for about \$12 billion; medical services for about \$4 billion; and tuition for perhaps \$1 billion. Therefore the purchasing power which will remain to be distributed by Expenditure Rationing during the fiscal year 1943 will average about \$50 billion.

An Expenditure Rationing system established in October could afford to be somewhat more generous with consumers initially. By January it will need to reach the \$50 billion level. In June it will be substantially below that level.

Merely for illustrative purposes we have constructed below one Expenditure Rationing schedule compatible with a total consumption of about \$67 billion and a rationed area consumption of about \$50 billion. Of course the total of \$67 billion will be roughly accurate only if, as assumed, the prices of the services in the non-rationed area remain substantially unchanged.

This particular schedule was designed in terms of June 1942 prices, (a) to make the distribution of consumption substantially more equal than it is today, (b) to effect no reduction in the total consumption of single individuals having incomes up to \$600 or of families of four having incomes up to \$1800, (c) to give

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some ration value to every increment of income, (d) to reduce total consumers' expenditures to about \$67 billion a year.

We estimate that in the fiscal year 1943 income paid out to individuals will total about \$118 billion. Since there will be only about \$67 billion of goods and services available for purchase, on the average, consumers will be able to spend only 57 cents out of each dollar of income which they receive. Since the total of rationed goods and services available for purchase will be only about \$50 billion, the average ration value of a dollar of income cannot exceed 42 cents. The tables presented below, which are only very rough, take account of these considerations.

To give due consideration to the number of dependents on any income, we have allowed the weight assigned to the family group to determine the width of the bracket on which the successive bracket rates of ration value apply. We have assumed that, for Expenditure Rationing purposes, a single individual has a weight of 1.0; a married couple has a weight of 1.8; a child below age six has a weight of .2; a child from six to twelve has a weight of .3; a child from twelve to eighteen has a weight of .4. Any further adult dependent on the same income is given a weight of .5.

In accordance with this formula, a family of four consisting of two adults, one child below age six and one between the ages of twelve and eighteen would have a weight of 2.4 as compared to a single individual. This means that if the first bracket of income (on which, say, an 80 percent ration value might prevail) was \$500 wide for a single individual, it would be \$1,200 wide for

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this family of four persons. While the bracket rate of 80 percent would apply only on the first \$500 of income for a single individual it would apply on \$1,200 of income for a family of four.

The same formula is used for each of the succeeding brackets.

The schedule given below would reduce expenditures on rationed commodities to approximately the level required in the fiscal year 1943. It would limit the expenditures of all families to under \$40 billion and the expenditures of single consumers to under \$8 billion, thus leaving a small margin for the expenditures of institutional consumers and the expenditures of the armed forces out of supplies normally considered as being available for civilian purchase. The margin left by this schedule, as at present calculated, is still considerably too small, but we have regarded it as unnecessary to attempt further refinement in these rough preliminary calculations.

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Table A

Distribution of population among four consumer groups and aggregate and per capita consumer income of each group in fiscal year 1943, assuming aggregate income payments of \$118 billion

Population group	Persons		Aggregate Consumer income		Per Capita consumer income
	Number (in thousands)	Percent	Amount (in millions)	Percent	
Military personnel	4,500	3.3	\$ 5,500	4.7	\$ 1,220
Civilian population:					
Family members	119,500	88.6	94,100	79.7	790
Single consumers	9,600	7.1	18,000	15.3	1,880
All families and single consumers	129,100	95.7	112,100	95.0	870
Institutional groups	1,400	1.0	400	0.3	290
All civilian groups	130,500	96.7	112,500	95.3	860
All groups	135,000	100.0	118,000	100.0	870

Table B

Number of families and single consumers and average size and average and aggregate consumer income of each group in fiscal year 1943, assuming aggregate income payments of \$118 billion

	Number of consumer units (in thousands)	Number of persons (in thousands)	Average number of persons per consumer unit	Average income per consumer unit	Aggregate consumer income Amount (in millions)	Per- cent
Families of two or more persons	32,750	119,500	3.65	\$ 2,875	\$ 94,100	84.0
Single consumers	9,600	9,600	1.00	1,880	18,000	16.0
All families and single consumers	42,350	129,100	3.03	\$ 2,650	\$112,100	100.0

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Table C

Distribution of families and of aggregate consumer income
received by income level in fiscal year 1943 assuming
aggregate income payments of \$118 billion

Consumer income level	Families Number (in thousands)	Average income per family	Aggregate consumer income	
			Amount	(in millions)
Under \$500	1,500	\$ 380	\$ 570	
\$500 - 750	2,200	655	1,440	
750 - 1,000	2,500	910	2,275	
1,000 - 1,250	2,950	1,160	3,420	
1,250 - 1,500	3,400	1,390	4,725	
1,500 - 1,750	2,900	1,635	4,740	
1,750 - 2,000	2,500	1,870	4,675	
2,000 - 2,500	4,200	2,270	9,435	
2,500 - 3,000	3,000	2,730	8,190	
3,000 - 4,000	3,200	3,430	10,980	
4,000 - 5,000	1,800	4,430	7,975	
5,000 - 10,000	1,650	6,950	11,470	
10,000 and over	950	25,500	24,325	
All levels	32,750	2,855	94,100	

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Table D

Distribution of single consumers and of aggregate
consumer income received, by income level, in fiscal
year 1943, assuming aggregate income payments of
\$118 billion

Consumer income level	Single consumers Number (in thousands)	Average income per single consumer	Aggregate consumer income Amount (In millions)
Under \$500	1,110	\$ 380	\$ 420
\$500 - 750	1,205	670	805
750 - 1,000	1,255	940	1,180
1,000 - 1,250	1,255	1,200	1,510
1,250 - 1,500	1,160	1,440	1,670
1,500 - 1,750	825	1,700	1,405
1,750 - 2,000	580	1,945	1,130
2,000 - 2,500	825	2,355	1,945
2,500 - 3,000	450	2,845	1,280
3,000 - 4,000	450	3,560	1,600
4,000 - 5,000	225	4,600	1,035
5,000 - 10,000	205	7,200	1,475
10,000 and over	105	25,800	2,710
All levels	9,650	\$ 1,880	\$18,000

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Table E

Estimates of possible consumption by income groups
in fiscal 1943

Income	Single Consumer		Family of two adults, one child under six, one child over twelve	
	Total 1941 consumption	Allowed 1943 rationed area consumption 1/	Total 1941 consumption	Allowed 1943 rationed area consumption
\$ 500	\$ 550	\$ 400	\$ 645	\$ 400
750	720	550	820	600
1,000	920	650	1,025	800
1,250	1,100	725	1,225	990
1,500	1,270	790	1,420	1,140
1,750	1,415	850	1,610	1,290
2,000	1,570	900	1,800	1,400
2,500	1,875	1,000	2,155	1,590
3,000	2,130	1,090	2,455	1,740
4,000	2,590	1,240	3,030	1,990
5,000	2,995	1,375	3,505	2,200
10,000	5,140	1,810	6,275	3,020

1/ Consumers will still be free to spend their normal amounts on rent, medical service, and tuition; these items normally total between one-fifth and one-quarter of the consumers' budget.

Schedule of possible ration value of various increments in income

Single Consumer	Standard Family	Percentage of increment in income to be spent in the rationed area
Under \$ 500	Under \$ 1,200	80
\$ 500 - \$ 750	\$ 1,200 - \$ 1,800	60
\$ 750 - \$ 1,000	\$ 1,800 - \$ 2,400	40
\$ 1,000 - \$ 1,250	\$ 2,400 - \$ 3,000	30
\$ 1,250 - \$ 1,750	\$ 3,000 - \$ 4,200	25
\$ 1,750 - \$ 2,750	\$ 4,200 - \$ 6,600	20
\$ 2,750 - \$ 4,750	\$ 6,600 - \$ 11,400	15
\$ 4,750 - \$ 8,750	\$ 11,400 - \$ 21,000	10
\$ 8,750 and over	\$ 21,000 and over	5

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Table E (Notes)

The above table is not intended to be a forecast of the pattern of consumption in fiscal 1943. Its purpose is merely to indicate one of several possible methods of achieving the desired reduction of about \$10 billion in consumers' expenditures in the fiscal year 1943 from the annual rate of consumers' expenditures in July 1942.

The "Rationed area consumption" included all consumption except expenditures on housing, medical services, and education.

The "Total 1941 consumption" figures listed under the family columns refer to the actual 1941 consumption of an average family — i.e., a family of 3.71 persons — at the various income levels. Allowance must be made for the fact that the 1941 consumption of an average family is being compared with the possible 1943 consumption of a family of four persons.

Income Level	1941 Consumption	1943 Consumption
Over \$10,000	\$1,200	\$1,200
\$7,500 - \$10,000	\$800	\$800
\$5,000 - \$7,500	\$600	\$600
\$2,500 - \$5,000	\$400	\$400
Under \$2,500	\$200	\$200
Total	\$3,200	\$3,200

D. Expenditure Rationing, Specific Rationing,
and Price Ceilings

If Expenditure Rationing is adopted there will then be in operation three direct inflation controls regulating prices and the distribution of consumer goods: Expenditure Rationing, specific rationing, and price ceilings. It is worth considering how these will work together and the degree to which Expenditure Rationing could supplement or supplant the others.

1. Expenditure Rationing and Specific Rationing. To the extent that Expenditure Rationing results in a reduction of general purchasing power and in an increase in the equality of consumption expenditures, the severity of all shortages is partially alleviated and the need for specific rationing controls of disproportionately scarce commodities is thereby somewhat diminished. By a slight extension of the Expenditure Rationing technique, however, a means could be provided for the equitable solution through this one mechanism of many of the specific shortages that might otherwise require specific rationing programs. If this could be done, a great simplification of the total rationing picture would be obtained.

The extension proposed for the alleviation of specific shortages is the creation for such commodities of a separate "ration price." For example: if the supply situation of a commodity like tea is sufficiently serious to warrant the establishment of specific tea rationing with registrations, tea coupons, etc., it would be simpler to restrict the demand for tea by requiring a percentage increase in its ration price. That is, if the percentage increase were 20 percent, the consumer would have to pay \$1.20 per pound in ration allowances to buy tea selling for \$1 per pound.

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Ordinarily it is inequitable to restrict the demand for disproportionately scarce commodities through price increases because (a) the price increase does not require that the rich restrict their consumption of that or any other commodity, and (b) the price increase unjustly enriches the producers and sellers of the commodity. The plan proposed is partly free from objection (a) and entirely free from objection (b). The rich may continue to consume the scarce commodity, but only at the expense of other consumption and, to the extent that they forego other consumption, they make available for the rest of the community an increased supply of other consumption goods. On the other hand, the poor may buy the commodity, and in that event the abstinence imposed upon them by the higher ration price is in part compensated with an increase in their money savings. The plan would not in any way enrich the producers or sellers of the commodity. To businesses, what matters is their money receipts and not their receipts of ration allowances. A higher ration price would not increase the money receipts of businesses producing or selling the article and there would be no increase in their profits. (Because of the control system of Expenditure Rationing it would, of course, be necessary for retailers to report their gross sales, which are to be equated with deposits of ration allowances, on the basis of "ration prices.")

It is not contended, of course, that this plan would provide an equitable method of distributing automobile tires, whose proper distribution should be based on factors other than price whether in money or rations, nor of certain essential commodities (perhaps sugar) of which a minimum supply must be assured to everyone. But it should

be sufficiently equitable for the distribution of many goods that would otherwise have to be specifically rationed. The inequity of the plan rests in the unequal distribution of ration allowances, since paying a given extra amount in ration money would represent a smaller sacrifice to a person with a large ration allowance than to a person with a smaller allowance.

It would also be possible to encourage the consumption of disproportionately plentiful commodities through reducing their ration prices, i. e., permitting some fraction of the price to be paid in non-ration money. It is believed, however, that this device should not be used. There will be few commodities whose consumption it will be desirable to encourage, and the existence of this technique will cause every other business man in the country to seek this type of special favor.

This device for specific rationing could be used under a ration money system or under a ration coupon system, although it would be somewhat easier under the latter system.

Some of the advantages and disadvantages of the device are the following:

- (a) It is operationally simple and eliminates the need for separate registration and coupon systems.
- (b) Because of its operational simplicity, it would be possible to undertake many more such individual rationing programs than under existing techniques.
- (c) The plan allows much greater flexibility than is possible under existing techniques. That is, specific rations may be imposed or removed for short periods and on short notice without inconvenience; commodities may be much

more closely defined and their definitions may be changed, and changes in the severity of the ration may be more graduated than under a system requiring the definition of rations in physical units.

(d) On the other hand, an individual ration program of this type would be less certain in its effect, and, in small measure, the certainty of the Expenditure Ration itself would be reduced. The ease with which the "ration price" may be changed, however, permits a desired effect to be approximated by trial and error.

If this device should be adopted the need for many specific rationing programs might be avoided. However, the need will remain for those specific rationing programs determining the allocation of commodities whose distribution must be based upon particular needs and for those whose distribution must be so organized as to assure a minimum supply to everyone.

2. Expenditure Rationing and Price Ceilings. The price ceilings by themselves provide no mechanism for reducing consumer demand nor for increasing the supplies of consumer goods. Expenditure rationing will provide a most effective mechanism for reducing general consumer demand, and if the technique of separate ration prices for disproportionately scarce commodities were to be adopted, expenditure rationing could also provide an effective means of restricting consumer demands for specific commodities. In both of these ways expenditure rationing can remove the pressures that might otherwise break the price ceilings.

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The retention of the existing price ceilings, at least for a time, would be desirable. They would provide assurance that excessive aggregate expenditure, due to an overestimate of supply, would not result in higher prices. They would prevent a general distortion in price relationships that would lead to difficulties of adjustment in the future and that would unduly enrich the fortunate holders or producers of goods now relatively scarce. It would in time be possible to remove some price ceilings where there are indications that at slightly higher prices enlarged production of relatively scarce goods would be undertaken, utilizing the resources that could be shifted from other consumer industries.

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Section III

The Mechanism of Expenditure Rationing

The effectiveness and equity of Expenditure Rationing depend in large part upon the arrangements made for paying out and using ration allowances. This might conveniently be referred to as the circular flow of ration money or ration coupons. A description of the circular flow breaks naturally into ^{Four} parts:

- (a) The form which ration allowances might take;
- (b) How people get ration allowances;
- (c) How ration allowances are spent;
- (d) Administration of accounting controls through retailers, employers, and banks.

In the paragraphs below it is proposed to describe each of these parts, and to discuss some of the special problems that must arise under a system that will effect so many income and expenditure transactions.

A. The Form of the Ration Allowance

An effective rationing system requires the use of some kind of coupon or license to purchase. In this section available alternatives are discussed and compared.

Available Alternatives:

Rationing schemes are ordinarily operated with the use of coupons which must be used together with money in making purchases of the rationed commodity. This alternative is, of course, available for use in Expenditure Rationing. However, because it is planned to include within the scope of Expenditure Rationing nearly all transactions

ordinarily made with cash, it is possible to use a device that combines money and the license to purchase in one physical token.

Identifying the license to purchase with money has the disadvantage of destroying the equality of value of ordinary money and ration money. Ration money would probably exchange for Non-Ration Money at a premium, since Ration Money would be available for all uses while non-ration money would be used only in very restricted spheres. This objection is more apparent than real. Under a coupon system coupons would have a salable value approximately equal to the premium that would otherwise exist upon ration money, and except for numismatic niceties the effect of the two procedures would be the same.

On the other hand, there are a number of positive advantages to the use of a token combining money and the license to purchase that strongly recommend its use:

1. Most important is the factor of convenience. A primary consideration of any system that will involve so many billions of transactions must be that of the convenience of the system to the consumers and retailers who must use it. If coupons were to be used, every consumer would have to carry with him an assortment of ration coupons as well as an assortment of money adequate for all the purchases he would be likely to make, and all retail stores, banks and other institutions would have to keep on hand a full assortment of coupons as well as their normal stocks of money. Each transaction would require searching for, counting, perhaps making change in, and putting away both money and coupons. The inconveniences of such an arrangement would be enormous. For instance: Change would have to be made more frequently since the chance of having both money and coupons in the

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right denominations for any purchase would be much less than when money alone is used. Similarly, existing devices for handling money, such as wallets and particularly cash registers, could not readily be adapted to handle coupons also.

2. The use of ration money also makes it possible to extend the inclusiveness of the ration. If coupons were to be used it would be necessary to exclude purchases made from coin vending machines, and convenience would demand the exclusion of small purchases. These exclusions would represent discrimination amongst different businesses and would provide a means of evading in small measure the intent of the ration.

3. The use of ration money would make it necessary for retailers and other businesses handling licenses to purchase to be more careful of them, since the loss of ration money would be the loss of both the coupon and the money. This consideration would reduce the possibility of retailers permitting evasion of the ration.

Under either a coupon or a ration money system banking facilities in the form of checking accounts for ration uses could be easily provided. A depositor could have two accounts: An ordinary account for uses outside the ration area and a consumption account established through the deposit of ration money or through the deposit of money and ration coupons.

4. Finally the use of ration money, by being less expensive to the Government and more convenient to consumers and businesses, could permit many savings of time, labor, and materials useful for the war effort.

If Coupons are to be used, What Form would they take?

If ration coupons are to be used, the principal problem to be considered is whether they should be one-use coupons or multiple-use coupons. A one-use coupon would present an overwhelming problem. With approximately \$50 billion of coupons distributed annually it would require for each year's use 5 billion books each containing \$10 worth of coupons. The magnitude of this task is so great as to suggest immediately the desirability of multiple-use coupons.

Multiple-use coupons might be confined to denominations of \$1, \$2.50 and \$5 printed on standard currency paper, but, to make them readily distinguishable, printed in a different color and about 1/4 smaller. Coupons for fractions of a dollar, which would be one-use coupons, could be put up in books containing a proper proportion of 5¢, 10¢, 25¢, and 50¢ coupons, the total of such coupons in a book amounting to \$10. Alternatively, they could be printed in perforated sheets of 10 coupons each, the sheets being the same size as large denomination coupons.

This scheme would reduce the printing problem to manageable proportions, although it would still be enormous. The representative family would probably need at least \$10 worth of one-use fractional coupons each week. That is to say, in the case of books, it would be necessary to provide 40 million such books weekly or 2 billion annually. It is doubtful whether a lesser number would provide the community with a satisfactory proportion of ration coupons for fractions of a dollar. In addition to these fractional coupons there would be a need for multiple-use coupons in the larger denominations.

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Assuming an aggregate annual rationing of \$50 billion, of which about 1/2 would be distributed in the form of weekly wages, 1/4 in the form of semi-monthly salaries, and 1/4 in the form of monthly salaries or income drawn at irregular intervals, the amount of ration coupons distributed to the public at the peak of any payment period would be about \$2 billion. Allowing for the accumulation of about \$1 billion of ration coupons in consumers' balances, it would be necessary to have a minimum of about \$3 billion in ration coupons constantly outstanding, or about \$2-1/2 billion in multiple use large denomination coupons and 1/2 billion in one-use fractional coupons. This figure would be increased somewhat by coupons in the process of issue and redemption and reduced somewhat by the use of coupon checking accounts. The \$2 to \$3 billion in multiple-use coupons would probably be replaced between one and two times a year. If they were issued in denominations of \$1, \$5 and \$10, in the same proportions as currency, the total number of such pieces outstanding would be nearly 1 billion, and the total annual provision would be about 1.2 billion pieces.

If Ration Money is to be Used, What Form Should it Take?

A ration money system may be established in either of two ways:

- (1) All existing small denomination money (all coins and \$1 and \$5 notes) and perhaps a new issue of \$2.50 notes may be declared to be ration money. In this case all existing larger denomination notes would be available for non-ration uses, and a small issue of distinctively colored \$1 and \$5 notes might be provided for non-ration uses. Fractional currency might be provided for the few non-ration

transactions in which it would be needed in the form of coupons, or in the form of new metallic 10¢ and 25¢ pieces.

(2) All existing moneys might be declared to be non-ration money, and a new issue of notes printed in a distinctive color from the same plates might be provided for ration uses.

The second alternative would have fewer legal difficulties, but it would require the replacement of a larger proportion of the present circulation, and it would not provide an adequate solution to the problem of fractional currency.

The best compromise would probably be to issue a new series of notes for ration money in denominations of \$1 and over, and to use existing coins as ration money. In this case, it would be necessary to provide coupons or cheap metallic tokens for non-ration transactions requiring denominations of less than \$1. This procedure would require less changes in existing legislation and would also avoid the difficulty that those holding disproportionately large amounts of existing currency at the beginning of the ration program would receive ration allowances to which they were not entitled if the ration privilege were to be given to outstanding currency.

If existing forms of money are to be used as ration money, the problem of supplying this money will not be difficult. Because smaller denominations would be used, a slightly larger supply might be necessary, and it would also be necessary to provide a small amount of small denomination money for non-ration transactions. Even if a new issue of ration money is to be used, there will be little problem in supplying it. Such money can be printed from presently existing plates using a

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distinctive color and bearing the overprint word "ration". It may be assumed that the maximum amount needed would be roughly $2/3$ of the outstanding \$1, \$5 and \$10 notes, or approximately \$3-1/2 billion. This money would take the place of ordinary currency, and its printing would therefore be in lieu of the printing of approximately the same amount of ordinary money. In fact, since Expenditure Rationing will diminish total expenditure, the overall need for money, both ordinary money and ration money, should be diminished. The most serious problem in the use of ration money would be to provide a satisfactory fractional currency for non-ration transactions.

B. How do people get their ration allowances?

There are two basic procedures by which people get their expenditure allowances:

1. Persons receiving a regular income for current services in the form of wages, salaries, commissions, or similar types of payments from a single source may submit to their employer a statement of the number of their dependents. On the basis of such statement the employer will be authorized to obtain from his bank and to pay to his employees in ration money or coupons (or in checks cashable in ration money or coupons) that portion of the earnings of each that is due him in accordance with the Expenditure Rationing schedule.

Such persons who have other sources of small amounts of income may, if they wish, also report to their employer their earnings from these sources during the preceding quarter. Upon the basis of this statement the employer will be authorized to obtain and to pay to the applicant the full amount of ration allowance due him.

For reasons of convenience, many employees will elect this procedure, but the Expenditure Rationing procedure should not require employees to report other sources or income or even dependency status to their employers. Employees who do not choose to make reports to their employers should be free to use procedure 2, below, for obtaining their entire ration allowance or for obtaining the amount of ration allowance due them from supplementary sources.

Most persons would doubtless prefer to obtain all their ration allowances from this source. Probably 80 percent or more of total ration allowances could be distributed through employers.

2. Persons receiving dividends, interest, rents, royalties, or similar more or less regular incomes from one or more sources could make an application to a bank, a post office, a local rationing board, or the Federal Administrator of Expenditure Rationing. This application should show the person's family status and his income in the preceding quarter. On the basis of this application and the Expenditure Rationing schedule, the agency to which the reports were submitted could authorize any bank or post-office designated by the applicant to issue coupons to him or to permit him to exchange non-ration money for ration money up to the schedule amount each month. The simplest procedure would be to authorize a bank to transfer once a month a specified amount from the applicant's non-ration account to his ration account.

One of these two procedures will cover almost all the cases, but there are many special categories as well as individual cases, that require special treatment. These are discussed in the following paragraphs.

3. People who make all or part of their expenditures from sources other than income. There are many persons who live partly or wholly on the proceeds of private insurance or annuity benefits, or the sale of their capital or personal effects. Such persons should be required to submit to their local ration board a statement showing their family status and their customary receipts from these sources. The ration board could then determine their expenditure allowance roughly in accordance with the Expenditure Rationing schedule. The ration boards should be free to impose upon them heavier cuts than those called for by the schedule, and also (because their past rate of capital depletion does not include any savings) to provide in some cases a larger allowance than that called for

in the schedule. In general, boards should not permit the maintenance of present living standards, but should attempt to cut the consumption of such applicants at least as much as that of income receivers with similar pre-ration expenditure standards.

Secondly, there are those living upon receipts from gifts, allowances, charity, pensions, social security benefits, alimony and funds from allied sources. Those receiving gifts and allowances may receive them in ration allowances. If not they should report to their local board for an authorization for a ration allowance. In most such cases the total income of the recipient will probably be below the minimum ration and the whole of it may be allowed. Otherwise the board will have to decide whether the allowance is overly generous.

Those receiving their income exclusively from social security benefits or charity or pensions from recognized organizations probably should not to have to report their affairs to any board. Instead, the organizations concerned might obtain authorizations to make ration allowances in approved amounts. Recipients of alimony or other court awards might be required to treat their receipts as income and file reports under procedure 2, above.

Thirdly, there are those spending funds provided them for specific purposes, i.e., fellowships, travel and research allowances, army and navy officers' food allowances, per diems, etc. The business, government, or institution making such payments could apply to the local board in its area for an authorization to make ration allowances in scheduled amounts.

4. People receiving irregular incomes. Incomes of street vendors, domestic servants, boarding house proprietors, some types of professionals etc., constitute special categories. They might be required to sell their services for ration allowances. Excepting for professionals, few of these

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will have incomes above the minimum ration so that no great injustice will be done by their failure to report. The law might require those receiving more than the minimum ration to report their receipts and surrender that portion of their allowances to which they are not entitled. This provision should take care of most of the professional cases. Street vendors and boarding house proprietors may be prevented from selling their receipts of ration allowances by requiring that dealers sell to them as retailers.

Other irregular or non-market incomes will be received in kind. This case is important only in the case of farmers and farm laborers, who will be discussed below.

5. Lastly, there are an almost limitless number of special cases, of which only a few will be discussed.

(a) Farmers and farm laborers. These could make applications to local farm officials competent to evaluate that part of their incomes received in kind. They may then receive authorizations to acquire enough ration allowances to give them the consumption allowed in the schedule. There would probably be some political objections to this procedure.

(b) Illicit incomes. Persons receiving illicit incomes must report under procedure 2. They may attempt to conceal the source of their incomes as they would an income tax return, but they then would not be able to obtain ration allowances without difficulty.

(c) Institutional consumers. Bona fide institutions should be treated as businesses and their purchases exempted from the ration. Their consumption must, of course, be taken account of in determining ration schedules. Institutional inmates paying fees to the

institution ought not, however, to be exempted.

(d) Remittances from abroad. Persons receiving remittances from abroad must file under procedure 2.

(e) Savings deposit and war bond interest, common forms of supplementary incomes. Presumably this income would be taken care of under procedure 1.

(f) Families with more than one income earner. Separate returns from working husbands, wives and children, and from husbands and wives in the community property states will create injustices under Expenditure Rationing which require special consideration.

6. The general and special procedures by which people will obtain their ration allowances have been discussed above. In many cases local boards have been referred to. The composition and duties of these boards will now be described.

There is already in each community a ration board charged with certain responsibilities in connection with specific rationing program. These boards may also be assigned such duties as are necessary in the administration of Expenditure Rationing, such as making decisions in special cases and granting extra-schedule allowances in cases of hardship and inequity.

The plan of Expenditure Rationing envisages central control. The local boards are not expected to make policies, but to interpret rulings of the Federal Administrator of Expenditure Rationing. The Federal Administrator should provide directives, as specific as possible, to cover as many as possible of the cases that may arise, and his approval or rejection of any local board decision shall be binding upon all other local boards. Control of the ration boards will be discussed in a later section.

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The Federal Administrator should, for instance, provide rule of thumb decisions for extra-schedule allowances in cases of marriage, child birth, unemployment, household fires or air raid damage, theft or loss of ration allowances, and purchases of automobiles permitted under the automobile rationing program.

The boards should have the authority to make ration loans as well as extra -schedule allowances. There will be many cases in which a person must be granted an additional expenditure allowance although he is not entitled to it (for instance, a man who spends his entire ration allowance at the beginning of the period.) The authority to make loans will permit the boards to handle such cases equitably.

C. How Ration Allowances are Spent.

1. All purchases of ration goods and services are to be made with ration money or with money and ration coupons. Retailers will deposit their receipts of ration money or coupons and through a deposit book or other receipt establish evidence of its deposit. The total of such evidenced deposits must agree with gross sales as reported upon income tax returns at the end of the year. This is the basic procedure.

2. Elsewhere in this memorandum it is suggested that the mechanism of Expenditure Rationing might be extended to provide selective controls over some specific commodities that might otherwise require separate rationing. This extension would involve increases in the "Ration Price" of disproportionately scarce commodities. The consumer would then pay the regular price in money and the higher "ration price" in coupons.

If this device were to be adopted, some changes would be required in the procedure described for making purchases with ration money in ration coupons. Retailers' deposits of ration money would then have to agree with gross sales at "ration prices," and some additional bookkeeping would therefore be required upon their part. Also, some form of non-ration small denomination money would have to be provided.

3. There are many types of transactions that require special discussion:

(a) Transactions in which it would be difficult to enforce compliance. These include barter deals in goods or services, second-hand sales by those others than dealers, sales direct from farms and backyards, sales direct from wholesalers, sales by small unincorporated retailers, and consumer services performed by casual workers. For the most part, compliance cannot be enforced in these transactions and no great harm will be done thereby. Wholesalers, however, may be expected to comply for fear of detection either by the government or by retailers. A satisfactory degree of compliance might also be obtained from small unincorporated retailers by field checkers. Such checkers may find evidences of non-compliance not only by making purchases in such stores but by examining its books and bank account.

(b) Transactions partly within and partly without the ration area. Such transactions include apartments rented with utilities and heat, rooms and meals priced jointly, certain types of sanatoria fees when it is doubtful whether the service sold is medicinal or recreational, housing maintenance expenditures, etc. A sufficiently

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equitable solution to most of these problems can be obtained only through clear statements of definitions by the Administrator and a clear understanding that when the corporate income tax returns are checked departures from the definitions will be discovered.

(c) Transactions theoretically exempt from the ration. These include petty business purchases, doctors' bills, church collections, state sales taxes, etc. If ration coupons are to be used church collections will present no problem, but if there is to be no small denomination non-ration money, churches will have to find some other means of taking collections. Businesses and other organizations should be entitled upon application to draw ration money or coupons in limited amounts for petty transactions at retail. If ration money is to be used states having sales taxes without the use of tokens may have to provide tokens.

(d) If ration money is not to be used, vending machine sales and all small sales will have to be exempted from the ration.

(e) Consumer debts. Consumer credit must not be extended by sellers from one ration period to the next — at least so far as the ration money or coupon portion of the debt is concerned. It might be possible to permit stores to sell for coupons and carry the debt. The administration of this element of Expenditure Rationing might be incorporated with Regulation W of the Board of Governors of the Federal Reserve System. There is, of course, no means, nor any great necessity, of preventing consumers from lending ration money or coupons to each other if the ration medium is to be transferable.

D. The Devices for Control of Expenditure Rationing.

1. Consumers. The entire responsibility for determining the accuracy and honesty of statements made in applications for ration allowances probably should rest with the ration administration, and not with the employers, local boards, post offices, or banks receiving the applications. All such agencies would be authorized to act upon the basis of the applicant's statements.

When authorizations have been sent to the bank or post office designated by the applicant, and when employers have established their right to draw ration money for pay rolls, all applications could be sent to the Federal Administrator. The staff of the Federal Administrator could then arrange them for subsequent checking against income tax returns and other available data. Sample checks would probably be sufficient. The law would, of course, provide penalties for those found to have falsified their applications.

2. Retailers. The mechanism for checking retailers was described above. The principle checking device would be a comparison of ration receipts deposited with a bank and reported gross sales for income tax purposes.

3. Employers. Employers could be responsible for paying to their workers the proper amount of ration money in accordance with the statements of their employees, their own knowledge of their total payments to their employees, and the Expenditure Rationing schedule. The employer's corporate income tax return could provide a rough indication of his compliance. A more satisfactory check would be provided by comparison with social security records of the employer.

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4. Local Boards. Local boards could be responsible to the Federal Administrator of Expenditure Rationing and subject to removal by him. Records of their actions should be sent to the Federal Administrator so that he may review a sufficient number of cases to satisfy himself of the board's competence and honesty. In order to avoid misuse of ration money or coupons by the boards, they might make all their awards in the form of authorizations to banks or post offices to exchange certain amounts for their applicants. They would then have no occasion to handle ration money or ration coupons.

The most difficult aspect of control over local boards is that of preventing them from granting too many extra-schedule allowances. To insure that they will husband their authorizations it might be provided that each local board will have available a certain proportion of the total ration of its community. The total of such reserve funds could be taken account of in the determination of the schedule. Local boards could be permitted to exceed the amount of their reserve fund only with the approval of the Administrator. At the time of this request the Administrator would have an opportunity to review the allowances granted by the board.

5. Post offices authorized to make ration money payments might send to the Federal Reserve Bank a list of such authorizations and their total for their ration period. This statement will provide an authorization upon which they may draw ration money in exchange for non-ration money. It may then be provided that the post office must receive a receipt for authorized exchanges made for its customers, but this may be an unnecessary complication. Post offices would be able to make unauthorized exchanges

only to the extent that authorized persons fail to make the amount of exchanges permitted them, and this, together with the general reliability of post office officials, might be considered a sufficient check.

6. Banks would acquire ration money or coupons for distribution by applying to a Federal Reserve Bank. They would receive ration money or coupons from retailers. Banks would account for what they distribute by filing the applications with the Federal, and they would account for what is deposited with them by giving receipts which would be returned to the Federal.

Section E. Should Ration Allowances be Transferable?

Rations granted to individuals are ordinarily not transferable. Sugar ration cards, for instance, are for the use of the individual to whom they were issued, and gasoline ration cards are for use only in the automobile for which they were issued.

In the case of expenditure rationing, however, it would be almost impossible to set up a functioning system that did not permit transfer of ration allowances from one person to another. The attempt to make the ration allowance non-transferable would immediately rule out the use of ration money, and force the use of ration coupons. Furthermore, such coupons would have to be one-use coupons, and the cost of providing a sufficient number would be enormous. The mechanics of non-transferability would require that the coupons be issued in books, detachable only when a purchase was made. Under such circumstances it would not even be possible to make a change in coupons.

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It is almost certain that non-transferability of the ration allowance cannot be enforced. But it is believed that this condition will do no real harm. While most ration coupons are not transferable, there is no means under any ration system to prevent goods being transferred after their purchase. Making expenditure ration coupons ~~or~~ ration money transferable will merely permit such evasions of the spirit of rationing to be made openly and lawfully. Transferring ration money from one person to another will not upset the total ration schedule, for individuals selling ration money will consume as much less as individuals buying it will consume more. Sales will probably take place from the poor to the rich, and amongst some poorer families the sale of ration coupons may provide the means for somewhat more luxurious purchases of housing, medical services, tuition, and other goods outside the ration area.

There is, moreover, a special reason why expenditure ration allowances should be transferable even though specific ration allowances are ordinarily not transferable. Specific ration allowances are ordinarily granted in recognition of need; expenditure ration allowances, on the other hand, are granted as a matter of right in accordance with one's family status and income.

It is almost certain that non-transferability of the ration allowances cannot be enforced. But it is believed that this condition will do no real harm. While most ration coupons are not transferable, there is no means under any ration system to prevent goods being transferred after their purchase. Hence, expenditure ration coupons or ration money transferable will certainly permit such evasion of the spirit of rationing as to be made openly and lawfully. Transferring ration money from one person to another will not upset the total ration schedule for individuals selling ration money will consume as much time as individuals buying it will consume more. Sales will probably take place from the poor to the rich, and amongst some poorer families the sale of ration coupons may provide the means for sometimes very important purchases of housing, medical services, clothing, and other goods outside the ration store. There is, moreover, a special reason why expenditure ration allowances should be transferable even though special ration allowances are ordinarily not transferable. Special ration allowances are ordinarily granted in recognition of need; expenditure ration allowances, on the other hand, are granted as a matter of right in accordance with some family status and income.

Section IV

The Effects of Expenditure Rationing Upon Consumers and Businesses.

1. Consumers

The operation of expenditure rationing will alter not only the spending patterns of all consumers, but many activities in their daily lives as well. Though the aggregate of consumers' goods will be no smaller under rationing than it would be in any case if the desired diversion of non-war production to war production were to take place, the distribution of those goods among various classes of consumers will be changed.

The characteristic change to be most observed will, however, be the drastic curtailment in the consumers' goods and services available to most persons. Most people will, of course, hold the ration system to blame for this change. The expenditure rationing will be responsible for this curtailment only in the sense that it took place simultaneously with the increasing diversion of productive facilities. It will be responsible only in the sense that, without rationing, the same degree of diversion would be less likely to take place. That is exactly one of the virtues of expenditure rationing; the other virtues are, of course, the prevention of higher prices for consumers' goods and the more equitable distribution of such consumers' goods as are produced.

The degree of curtailment of consumers' goods to various consumers will, of course, vary greatly with income. The higher the income group, the greater the curtailment. At the low levels of income, the objective is to make more consumers' goods available than they

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would otherwise obtain. The functioning of expenditure rationing is thus to be recognized as an instrumentality for redistributing real income as well as consumption goods. However, the extent to which real income is redistributed is a minor factor in the plan. Almost all consumers will be left with money incomes that they cannot spend in the ration area, and they will, therefore, attempt to utilize more of their incomes in the non-ration area, namely, for housing, tuition, medical services and especially institutional savings such as war bonds, life insurance, repayment of mortgages, etc.

One peculiar consequence of this redistribution of expenditure rationing will be that a portion of the consumers, those who are just above the exemption levels, will find that they have money which they cannot spend in the ration area, not because their income has been increased nor because their consumption of real goods and services has been decreased, but simply because the real goods and services which they have been accustomed to purchase have, as a consequence of the expenditure rationing system, been reduced in price. They will feel that the expenditure rationing system has curtailed their consumption, but actually it will have resulted in making possible increased expenditure on non-rationed goods or increased saving.

Practically all consumers will shift their pattern of expenditures from expensive or luxurious goods to less expensive and more essential items. The consequence of this shift will have a terrific impact on numerous parts of the economy. This is discussed later. To the man accustomed to filing an income tax report, the requirements of expenditure rationing will not be as new or onerous as to

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the millions who have never filed tax reports. The task of obtaining the necessary coupons and filing the appropriate forms will probably not be much more onerous than has been the task of obtaining one's gas ration, though it will be more difficult than obtaining one's sugar ration. However, there is little doubt that the first few months of expenditure rationing will be accompanied by a clutter of editorials, cartoons, letters, and skits pointing to the confusion, evasion, and delays occasioned by the inauguration of the program.

There is little doubt, however, that the public will take the matter in its stride and treat it in just as matter of fact a way as we now treat gas rationing assuming, of course, a reasonable improvement in the effectiveness of the administration as the months go on.

It is to be remembered that dependents, which include more than one-half of the population, will not be required to make reports.

Finally, the entire community will find it necessary to adopt new habits in the handling of money and bank deposits. If ration money is used, all people must learn the mechanics of its operation and must learn to distinguish it readily from non-ration money, while if ration coupons are used, all persons must become familiar with them and with the manner in which they are to be spent. Similarly, most persons having checking accounts for use in ordinary purchases will find it necessary to open a second account for the deposit of ration money or money and ration coupons.

Were it not for the existence of rationing for some specific commodities, the nuisance of having to have a ration coupon when purchasing goods might be advanced as an argument against the plan. However, before another year has passed, the average citizen may have to deal with sugar rationing, gas rationing, and possibly half a dozen other rationing books, but with expenditure rationing he will have to carry less individual ration books so that the net result of the rationing should be less inconvenience rather than more. This is true for two reasons: firstly, as a result of the limitation of total spending power, there will be less need to ration certain goods, for example, clothing; secondly, as suggested elsewhere in the report, the expenditure rationing system can be combined to a certain extent with specific rationing.

2. Businesses

All businesses will also be affected by expenditure rationing, either as sellers or as employers.

As sellers, all businesses will feel the effects of the community's attempts to shift receipts into uses in the non-ration area and to shift its consumption from more luxurious to less luxurious goods. In addition to this, retailers must adopt new practices in handling money receipts, practices that in most cases will probably involve additional costs. They must make separate deposits of ration money, save the evidences of such deposits, and, at the end of the year, make reports demonstrating the equality of their gross sales and ration money deposits. Retailers granting consumer credit will also be subject to further restrictions, for, under expenditure rationing, consumer credit, at least its coupon portion, may not be granted from one rationing period to the next. Wholesalers must, in their bookkeeping, make more careful distinctions between wholesale sales and those that are more properly retail sales, and to the extent that any of their sales are in fact retail sales, they must follow the procedures established for retailers in selling for, disposing of, and reporting ration receipts.

All businesses will be affected as employers. They must make available to their employees a method by which employees may receive together with their regular pay checks the amount of ration money or coupons due them. To do this employers will have to receive reports of dependency status from their employees, determine the amounts of ration money due each, establish with their bank the rights to draw the necessary amounts of ration money, and account at the end of the year for ration money received from their banks and paid to their employees.

The altered pattern of consumer expenditure will raise some serious problems connected with the earnings and employment of certain types of establishments. Some manufacturers and retailers will be very hard hit. For example, the makers and sellers of high-price jewelry, of high-price clothing, and of expensive leather goods and furs, might find their sales so curtailed that they will have to let some workers go and many of them may become bankrupt. High grade department stores and certain categories of articles in department stores and drug stores will be likewise hard hit. As a consequence, there is bound to be a terrific outcry against the system on the part of a large number of business persons and workers.

In view of the dislocation, that will be caused by the rationing system and the unemployment and monetary losses borne by certain groups, it may be that the Government would wish to consider means of ameliorating the situation. In this connection, however, it should be borne in mind that nothing was done for the automobile and tire dealers who experienced a similar curtailment in the demand for their products, nor for the salesmen who were thrown out of employment. It should not be overlooked that the impact of war is inevitably ruthless.

There are a number of industries and institutions that require special consideration and special treatment. Decision would have to be made how to handle hospitals, penitentiaries and other consuming institutions. The military services likewise present a special problem of administration.

Colleges will be very hard hit even though tuitions are excluded from the rationed area. In many institutions the average cost of a

year at college is from \$800 to \$1,500, less than half of which consists of tuition fees and room rent. It is the higher income groups who, in the main, send their sons and daughters to college, and these income groups will be the very ones who will find their expenditure allowance most curtailed.

Passenger service will come under the rationing plan except where the traveling is for direct business purposes. The means of differentiating between consumer use and business use may be the same as that used by the income tax authorities in ruling as to whether a certain traveling expense is deductible from business income. In order to simplify the procedure as to railroad and other transportation records, it is desirable that all payments for passenger service should be made either with ration money or ordinary money accompanied by coupons. To do this, it will be necessary to permit businesses to apply for ration money with which to pay such expenses of their employees.

It may be assumed that freight service is in general so exclusively for business purposes that no rationing of such service to the consumer will be necessary. If, however, it should be decided that the movement of household goods and the purchase of articles to be sent by freight provided enough burden on the transportation agencies to make rationing necessary, it would be desirable to set up special arrangement for the use of ration money or coupons for this purpose. This would complicate the accounting procedure but could presumably be handled satisfactorily by such well organized agencies as the railroads. Express service could be easily distinguished when for consumption purposes, and ration allowances would be required with the payment for such services for consumers.

Local business utilities such as electric companies, gas companies and water works will be paid with ration money or ordinary money with coupons. They will be required to turn in all such ration money or coupons to the Ration Authority. Such services provided for business use would be exempt from the ration requirement.

3. Banks

Inauguration of an expenditure rationing program will have many important effects upon the banking system. According to the plan, banks are assigned certain duties to perform, and, because of the use of ration money or ration coupons, their customers will also call upon them to perform additional services. Furthermore, the use of ration money or ration coupons and the provision of ration accounts will cause many changes to be made in their bookkeeping and reserve practices. All of these factors will cause an increase in bank expenses.

Other effects that follow from expenditure rationing will tend to reduce bank earnings. For instance, expenditure rationing requires that consumer credit be eliminated, and this will remove one of the more profitable outlets for bank loans. The effects of expenditure rationing upon individuals, which were discussed above, will also reduce the possibilities of bank loans to retailers and especially to manufacturers of and dealers in luxury items. These effects should not be exaggerated, however, since the ability of banks to employ funds in these directions has been rapidly declining for other reasons: the cessation of automobile sales, the operations of Regulation W, etc.

On the other hand, however, expenditure rationing would bring into play some factors tending to increase the earnings of banks. For instance, the use of ration accounts will greatly increase the number of accounts upon which banks may be able to impose service charges, and, because expenditure rationing will remove the inflationary dangers of borrowing from banks, the Government may tend to depend more heavily upon bond sales to the banks for financing the war effort.

The duties which expenditure rationing will impose upon the banking system are the following: They will be one of the agencies to which consumers may apply for their expenditure allowances. They will be one of the principal agencies from which consumers will obtain their allotments of ration money or ration coupons. They must set up means by which employers may establish their rights to draw ration money for payroll purposes and means by which retailers may obtain receipts for their deposits of ration money. Finally, they must set up a bookkeeping system adequate to enable themselves to account for ration money that has passed through their hands.

The additional services which expenditure rationing will cause customers to demand of banks are the provision of checking accounts for ration expenditures, and the provision of an adequate stock of ration money to meet authorized withdrawals and to exchange one denomination of ration money for another.

The operation of a system of expenditure rationing will cause far reaching effects upon the bookkeeping and reserve practices of banks. Operations in ration accounts would have to work in some such manner as this: Consumers would deposit ration money in a ration account.

The bank would keep a certain amount of its ration money receipts as till money and send the rest to the Federal. It will thus have, in effect, a 100 percent reserve in ration money for its ration deposits. The Federal could credit the bank in two accounts, a dollar account and a "ration unit" account. That is, a bank sending ordinary money to the Federal would be credited in its dollar account, but a bank sending ration money to the Federal would be credited in both accounts.

At any time, it would be necessary for a bank to have a balance of ration units equal to its ration accounts (less ration money in its own tills), and a balance in its dollar account equal to the prescribed ratio of its total deposits. Adverse balances with other banks in ordinary accounts would be settled with its dollar account, and adverse balances in ration money would be settled through debits to both its accounts. In this way, a bank might have more ration units than dollars to credit, which would simply mean that when it was necessary to obtain ration money to meet the withdrawal of depositors it would have to send dollars to the Federal and receive ration money.

The deposits of retailers, of course, would not be credited to ration deposits, but to the retailer's regular account, and the receiving bank would send such ration money direct to the Federal for credit to its dollar account. When retailers' receipts are collected at the end of the year, they should be sorted by banks in order that the total receipts issued by any bank might be checked against such shipments by that bank to the Federal. After obtaining money for the payroll needs of their employer customers, banks will be required to send to the Federal receipts signed by the employer. Banks will obtain the ration money they require for providing authorized sums to individuals by sending signed receipts by the recipients to the Federal for credit to their

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ration unit account.

4. Public Finance

The expenditure rationing program will have some effects upon the public finance system, although most of them will be indirect. Tax collections will probably decline, while voluntary bond sales to individuals should increase substantially.

Receipts from the Federal luxury tax will, of course, decline sharply. Receipts from taxes on liquor may be expected to decline somewhat since those receiving limited ration allowances will be inclined to reduce their consumption of liquor. Excess profit taxes will probably also decline as the effect of expenditure rationing will be to limit rates and perhaps restrict profits. Furthermore, the profits of incorporated businesses dealing in luxuries or in expensive commodities will certainly be of a lesser dollar magnitude under expenditure rationing than otherwise and, hence, excess profits tax revenue from these sources will decline.

Receipts from income taxes will rise at a less rapid rate than would have been the case had expenditure rationing not been introduced. Because of the influence of expenditure rationing in preventing price increases and in dampening general retail business, money income is almost certain to rise less than would otherwise have been the case. Hence, both corporate and individual income taxes can be expected to yield less revenue because of expenditure rationing.

In the case of state governments, the effect of expenditure rationing on finances may be particularly acute. Since a large portion of the revenue of many states is derived from sales taxes the decline

in retail sales which expenditure rationing will necessarily entail will mean that the principal source of state revenue will be affected. Furthermore, state revenues will be adversely affected by the probable reduction in revenues from gasoline and liquor taxes. In those states where gasoline rationing does not prevail, the introduction of expenditure rationing will tend to reduce gasoline consumption. As in the case of the Federal Government, the general effect of expenditure rationing on the corporate and individual incomes will tend to reduce state revenues derived from income taxes.

Another effect of expenditure rationing on the finance system of the Government is likely to be the greater reliance of the Government on bond sales as a means of raising funds. Since the inflationary effects of the sale of bonds to banks will have been largely removed by the expenditure rationing program, the principal objection to selling bonds to banks will have been obviated. Furthermore, the reduction of investment outlets of bank funds caused by the effects of expenditure rationing on profits and the retail and wholesale business generally, will make Government bonds a more desirable medium of investment for banks.

The demand for Government bonds may also be expected to increase from another quarter, namely, from individuals and businesses with funds made idle by the expenditure rationing program. Since individuals will be unable to spend a part of their income, they will naturally seek to place the unspent part in safe investments that yield a reasonable return. Similarly, in the case of businesses, such as retail stores, whose sales have been restricted and who therefore have idle working capital which they may seek to invest.

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A difficult problem which Expenditure Rationing may raise concerns the payment of taxes. Most direct taxes should be paid, of course, in non-rationed money. In the case of sales or excise taxes, however, administrative considerations may compel payment in ration money or coupons. If sales taxes were paid in ration money or coupons, problems of equity arise, the reliance upon sales taxes as a source of revenue varying greatly from state to state. Individuals living in states with high sales taxes would be penalized as compared with those individuals living in states having low or no sales taxes by having to use part of their ration allowance for the payment of these taxes.

This difficulty could be overcome quite easily if ration coupons were used in making purchases. The purchase price would be paid in money and ration coupons, the sales tax would be paid only in money. If ration money were used, provision would have to be made for selling sales tax tokens for the smallest unit of non-ration money. With a 25-cent non-ration money coin, the consumer could buy 25 cents worth of sales tax tokens to be used in payment of taxes on rationed purchases.

A difficult problem which expenditures have been my main concern
the payment of taxes. That direct taxes should be paid, of course, in
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administrative considerations may compel payment in certain money or
specie. If excise taxes were paid in certain money or specie, problem
of equity arises, the reliance upon excise taxes as a source of income
varies greatly from state to state. Individuals living in states with
high rates would be penalized as compared with those individuals
living in states having low or no excise taxes having to use part
of their ration allowance for the payment of these taxes.
This difficulty could be overcome partly by the ration coupons
were used in making purchases. The rationing office would be paid in
money and ration coupons, the latter to be used only in making
purchases. If ration money were used, rationing would have to be made for all
sales tax to be paid for the rationing office. With
specie money, ration money being, the consumer would pay 15 cents worth
of ration money to be used in the purchase of ration money.
purchases.

Section V

Administrative Problems

The administration of expenditure rationing will unquestionably present many difficult and complex problems. There is no reason for minimizing the difficulties of initiating and carrying on a program of expenditure rationing. Nevertheless, the difficulties can be met. By making full use of present agencies already engaged in rationing work, by utilizing as far as possible the economic and financial system as it already operates, and by enlisting the cooperation of other governmental agencies, it should be possible to meet the problems that will arise.

How difficult would it be to administer Expenditure Rationing? That depends on the alternatives. In its administrative task Expenditure Rationing should be compared with a system of price control and goods distribution involving the setting of price ceilings, supplemented by specific rationing for numerous commodities. While Expenditure Rationing is more comprehensive and more difficult to administer than the rationing of a specific commodity like sugar, it should not be much more difficult to administer than several specific rationing schemes for such commodities as food and clothing. As the present system of price control and commodity distribution is extended to more and more commodities, particularly when use is made of the point system, the complexity of the task would become far greater than that of a single comprehensive scheme of Expenditure Rationing supplemented by some specific rationing.

A. The Office of Price Administration, regional and local rationing
Boards.

The proper agency for administering Expenditure Rationing is the Office of Price Administration. It is now charged with the duty of controlling prices. It has already undertaken to control consumer expenditure and prices by setting maximum ceiling prices and by rationing specific commodities. The Office of Price Administration has a competent central staff in Washington, and it has regional and local boards throughout the country. Their experience with price ceilings and with specific rationing will facilitate the initiation of a program of Expenditure Rationing.

The greater part of the central planning work in connection with the administration of Expenditure Rationing could be initiated by the existing staff of the Office of Price Administration. The fundamental problems of central planning for Expenditure Rationing are (1) estimating available civilian supply, and (2) setting up schedules for ration allowances that would limit the aggregate demand to the available supply. The administrative and research staff of the Office of Price Administration have been continuously studying prospective consumer supply and demand. It should be possible, without great difficulty, to direct the work that is now being done toward the solution of similar problems related to Expenditure Rationing. Obviously other agencies have an important stake in the determination of the proper aggregates and schedules, and would, of course, participate in the decisions on these matters.

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Most of the administrative work for Expenditure Rationing would have to be done in the field. The present regional offices and local rationing boards established by the Office of Price Administration should be fully competent to take care of the problems that would arise under a system of Expenditure Rationing. Local boards have had experience with sugar rationing, gasoline rationing, and the rationing of tires and automobiles. They could very well undertake the duty of passing upon the exceptional cases requiring special consideration and ration allowances and the granting of extra schedule ration allowances.

The problem of extra schedule allowances is in fact not so great as it might seem. Most extra schedule allowances would be granted for ordinary needs, such as the need for extra clothing and household equipment in connection with the birth of a child, or the furnishing of a house in connection with marriage. It is probable that such extra schedule allowances could be disposed of by setting up standard extra schedule allowances for such purposes, permitting some graduation of the standard allowance with the income of the applicant.

In 1940 the number of children born in this country was 2,400,000, and the number of marriages was 1,700,000. If in each instance an application for an extra schedule allowance were made to a local rationing board, the local boards would have to consider some 4 million applications. Large as this number is in the aggregate, it would not be beyond the capacity of the local boards to dispose of without difficulty. With 5,000 local rationing boards handling an average of 800 such cases per year, they could dispose of 4 million extra schedule allowances without difficulty.

The most troublesome problem that would be faced by local rationing boards would be the granting of ration allowances to persons living on capital. Where records are available showing the normal level of expenditure for the applicant, no great difficulty would be encountered in granting a ration allowance. The applicant would be granted ration allowances equal to those allowed to each income class that formerly had the same standard of expenditure. The key to the simplification of the work of the local rationing boards must be the setting up of standards for extra schedule allowances and for ration allowances not based on income.

B. The Use of Banks, Employers, and Business Establishments.

The distribution of ration allowances to some ^{Forty}~~50 or 60~~ million recipients would be an overwhelming task if the existing system of distributing income were not fully utilized. Ration allowances are, after all, a form of income payment and they can be distributed in connection with the distribution of money income. If full utilization is made of employers, banks, schools, and business establishments for the normal distribution of ration allowances, the task of administration can be immeasurably simplified. Local ration boards should deal only with the most exceptional cases. Wherever possible, the recipients of regular income should be granted their ration allowances on the basis of standard schedules by application to an employer, a bank, or a post office.

The more than 50 million people gainfully employed in this country are largely employed in large-scale establishments. About 40 million people are engaged in industrial, commercial, financial and governmental

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work, including the armed services, whose ration allowances could be paid by their employers without any difficulty.

The distribution of ration allowances through employers could be undertaken without much disturbance to the existing system of wage and salary payment. The danger of violation is not very great in the distribution of ration allowances through employers. The over-all payments of employers can be checked against their wage expenditures as reported for income tax purposes. The payment to each individual wage earner can be checked, if necessary, against the Social Security returns or against the income tax returns. It should be noted that each employer now reports to the Bureau of Internal Revenue, on Form ¹⁰⁴⁹ ~~1049~~, the family status and annual income of every employed person earning \$500 or more, if unmarried, or \$1,200 or more, if married. This same form could be adapted to include a further statement of the ration allowance distributed to each wage earner.

About 75 percent of the income recipients will be persons employed for wages or salaries. Most of them are employed in relatively large establishments where the keeping of records is fully understood and where the employers are accustomed to reporting to the Government. There is no reason for believing that any significant violation would develop. Occasional violations in the distribution of ration allowances would not disturb the success of the program. Furthermore, detection and the application of penalties will make violation so costly that no established business enterprise would deliberately distribute ration allowances in violation of the law.

The more difficult problem is the distribution of ration allowances to some 12 million persons engaged in agriculture, in professional employment, or as independent enterprises in various fields of retail trade. The distribution of ration allowances to such persons would have to be made through application to banks, post offices, or local rationing boards. With 15,000 banks, 50,000 post offices, and 5,000 local rationing boards, it should be possible to handle the applications for ration allowances by persons not employed by an industrial or commercial establishment authorized to distribute ration allowances. This would require each bank, post office, or rationing board to handle on an average fewer than 200 applications a year. As the granting of ration allowances to such applicants would be based very largely on the submission of a sworn application, the work of the bank, post office, or rationing board would be relatively simple. However, it would be difficult to check on the accuracy of the applications unless they were compared with income tax returns. Better still, it would be desirable to combine the application for ration allowances with an income tax return.

The more likely place for violation would be in retail transactions where retailers might be tempted to sell goods to favored customers without requiring the surrender of ration allowances. It is very likely that violations among retailers will be concentrated in the small neighborhood establishments where accurate records are not kept and where the distinction between business funds and personal funds is not always clear. It is easy to exaggerate the role of such retail

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establishments in the distribution of consumers' goods. By far the greater part of retail trade is carried on in establishments keeping adequate records that can be checked.

The concentration of retail trade is evidenced by the fact that nearly 25 percent of total retail sales are made by less than 1 percent of the retail establishments; more than 60 percent of total retail sales is done by 10 percent of the retail establishments. In fact, the concentration in retailing is even greater than indicated as each unit of a chain store is counted as a separate establishment. Making allowance for chain stores, the probability is that close to 75 percent of retail trade is done by 10 percent of the selling enterprises.

This concentration of retail sales is also revealed by approaching the question from the side of small establishments. More than one-half of all retail establishments accounted for less than 10 percent of the total retail sales. Even if this group of small retail establishments were careless or indifferent in requiring the surrender of ration allowances for retail sales, no serious difficulty would be encountered. If the smaller half of the retail establishments cheated to the extent of one-fourth of their total trade, it would have the effect of distorting ration allowances by only 2-1/2 percent of the total. The fact of the matter is that in a variety of ways it would be possible to compel a close adherence to a system of compulsory surrender of ration allowances in retail trade.

The obvious method of compelling every retailer to collect and surrender ration allowances for his sales is to make his supply of goods dependent upon the volume of the ration allowances he surrenders.

Thus, a retailer surrendering \$15,000 of ration coupons would be allowed to purchase goods to the extent of \$10,000 or \$12,000 depending upon the average mark-up in his establishment, and depending upon available supplies and the policy to be pursued in the holding of inventory. In fact, such a system would have the wholesome effect of preventing hoarding of inventories, and it would facilitate the shifting of trade to those areas and those stores which are expanding. Without some such requirement, the newer establishments in defense areas might find it difficult to get sufficient supplies.

The Use of Banks. The method of administration discussed in this memorandum has placed great emphasis upon the use of banks. The logic of this procedure is simply this: ration allowances, whether they are coupons or money, are fundamentally associated with the payment of income and the sales and receipts of business houses. As a greater part of all payments is customarily made through banks, it would least disturb the normal economic life of a country to channel expenditure rationing through banks.

For this reason, it has been suggested that each employer file with his bank the ration allowance forms submitted by or for his employees and secure from the bank the necessary amount of ration allowances. Similarly, as retailers normally deposit their receipts with banks, it is suggested that their normal procedure would be least disturbed by having them deposit ration coupons with their banks. The banks would take receipts for ration allowances distributed by them. All of these receipts would be submitted by the banks to the Federal Reserve System in accounting for the ration allowances they

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receive from the Federal Reserve Banks. Similarly, the banks would give retailers receipts for the ration allowances that they would deposit and these receipts could be used by retailers in acquiring goods from wholesalers. A copy of the receipt could also be forwarded to the Bureau of Internal Revenue for checking against the reported gross sales of the retailer.

No accounting beyond that of the Federal Reserve Banks would be necessary to assure the proper use of ration coupons or ration money. The facilities for checking the inflow and outflow of ration coupons could well be provided by the Federal Reserve Banks who are accustomed to paying and receiving large sums.

C. Cooperating Governmental Agencies

The establishment of adequate administrative machinery for expenditure rationing can be considerably simplified through the use of existing agencies of the Federal Government. The primary responsibility, of course, would be that of the Office of Price Administration, which would be charged with the duty of administering the entire system of Expenditure Rationing. But much of the work of this Administration could be performed by cooperating agencies of the Federal Government acting under directives of the Office of Price Administration. Some of the duties that might well be delegated to other agencies are discussed briefly.

The Treasury and Federal Reserve Banks.

The Treasury Department could be given the duty of providing ration money or coupons. As in the case of ordinary currency, ration money could be printed by the Bureau of Engraving and Printing, and

distributed through the Federal Reserve Banks. If ration coupons are used, the Government Printing Office could provide the standard books containing \$10 in coupons. Multiple use coupons for \$1 or more should be prepared by the Bureau of Engraving and Printing.

The most important function of the Treasury in the administration of expenditure rationing would be to facilitate enforcement. The vast amount of data on business and personal incomes which the Internal Revenue Division receives each year from tax returns would constitute an important means of keeping under control the receipt and disposition of ration money or coupons by employers, consumers and retailers. When an individual declares his income and family position on the basis of which declaration his ration allowance is given, the best check on his honesty will come from a comparison of this declaration with his income tax declaration.

Similarly, data on gross sales of retail stores are necessary to determine whether retailers have turned in to the authorities an amount of ration money or coupons equal to their sales.

The Federal Reserve Banks could serve as distributing agents, receiving their supplies of ration money or coupons from the Treasury and distributing them, on the basis of requests, to commercial banks and post offices. A complete record should be kept by the Office of Price Administration of all ration money or coupons supplied Reserve Banks and the latter should maintain a complete record of all ration money or coupons which they distribute to banks and post offices. A similar record should be kept of all ration money or coupons returned.

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The Reserve Banks might initially check on the use of ration money or coupons by requiring all banks and post offices periodically to submit to the Reserve Bank in their district a list of all requests for ration money or coupons and authorizations to pay out the same.

Post Offices.

Post offices can well supplement the function of the banks in administering expenditure rationing. Persons receiving dividends, interest, rents, royalties or similar more or less regular incomes from one or more sources may make application to a post office instead of to a bank for their ration allowances. This would considerably relieve the banks of the burden of distributing ration allowances authorizations. Moreover, it would make it possible for an individual to obtain his ration allowance without giving out information as to his income and family status to a private institution. There are 50,000 postal offices convenient to practically every person in the country.

Farm Security Administration and County Agricultural Agents.

One of the most difficult administrative problems which will confront the Federal Ration Administration will be that of determining the ration allowance of farmers. The problem is two-fold:

- (1) Making out requests for ration allowances in communities where a bank or post office is not conveniently at hand;
- (2) Determining what portion of the farmer's income is consumed in kind.

Either agents of the Farm Security Administration or County Agricultural Agents could well serve to perform these functions. Having

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offices in agricultural communities and being familiar with local farm habits and production, either of these agents would be in a good position to give information on expenditure rationing, accept ration allowance applications, and verify farmers' statements as to home consumption in kind.

The additional advantage of having men who are acquainted with farmers and their psychology of independence help in administering a system limiting expenditure by the farmers should not be overlooked.

Social Security Administration.

Social Security might be particularly helpful in enforcing the ration expenditure regulations. Having a record of most employees, their wages and salaries and the date of their various employments, Social Security officials might furnish valuable information in checking on cases of infraction either on the part of employees or employers. Social Security could also administer ration allowances granted for unemployment benefits, old age benefits, etc.

Army and Navy.

The principal part that the Army and Navy can play in administering expenditure rationing is the distribution of ration allowances to the personnel of the armed forces. It would appear that the entire process of distributing and checking Army and Navy personnel ration allowances could well be left to the payroll authorities of these organizations.

School System.

There are school buildings in every community which can be used. There are hundreds of thousands of school teachers who can easily be organized to help. They are accustomed to carrying out written instruc-

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tions, and can be relied upon to perform their tasks intelligently, honestly and in the main with good grace. Use can also be made of thousands of college professors who would eagerly participate if called upon to do volunteer work involving judgment, intelligence and social responsibility.

Government Employees.

Finally there are thousands of Government employees who could be called upon to put in some evenings and week-ends during the rush periods to help where feasible.

AUG 15 1942

My dear Mr. Ambassador:

I wish to refer to the agreement dated January 3, 1942, relative to the purchase of 600,000 fine troy ounces of gold by the Secretary of the Treasury from the Government of the Union of Soviet Socialist Republics, against which an advance of \$20,000,000 was made on January 3, 1942.

I take pleasure in enclosing for your information two copies of the assay report of the United States Assay Office at New York giving an analysis of the gold which was received by the Federal Reserve Bank of New York and was deposited by order of your Government on July 25, 1942 for the account of the Secretary of the Treasury.

You will observe from the enclosed report that the shipment, after melting and upon assay, was determined to contain 53,791.943 fine troy ounces of gold and to have a value of \$1,882,718.00. After the deduction of the amount of \$4,760.70, representing the melting charge of \$53.90 plus the 1/4% handling charge of \$4,706.80, the net value of the gold was \$1,877,957.30. This amount of gold has been applied by the Treasury against the amount of gold agreed to be purchased by the Secretary of the Treasury under the agreement of January 3, 1942.

Sincerely yours,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

His Excellency
Maxim Litvinoff,
Ambassador of the Union of Soviet
Socialist Republics.

Enclosures.

Initialed: KH FD HCB EB Chas. Bell

KH:ls:5/12/42

BRITISH MOST SECRET.
U.S. SECRET.

COPY NO. 13

OPTEL NO. 279.

Information received up to 7 a.m. 15th August, 1942.

1. NAVAL.

The fourth ship of the convoy reached Malta yesterday. A U.S. Tanker arrived this morning. Two Merchant ships of a previous convoy, escorted by Destroyers have arrived at Gibraltar from Malta. Two of H.M. Cruisers with 4 destroyers bombarded Rhodes Harbour on 12th/13th. Air reconnaissance shows that 2 enemy cruisers were hit by one of H.M. Submarines. One of H.M. Submarines sank an enemy ship South of Crete on the 12th. One of H.M. Submarines is overdue from patrol off Tobruk and is presumed lost. During the night 13/14th, Motor Gun Boats in the English Channel probably sank one enemy trawler and damaged another.

2. MILITARY

RUSSIA. The Russians continue to put up a strong resistance against German efforts to approach Stalingrad from the South-West. In the Northern Caucasus, there are indications that the Germans are thrusting Eastwards between the Rivers Sal and Manich.

3. AIR OPERATIONS.

WESTERN FRONT.

14th. Two Spitfires attacked docks and barges off Dunkirk. Two Mustangs sent to attack objectives at Bruges are missing. U.S. aircraft from Iceland shot down a four-engined Focke-Wulf off Reykjavik. 11 enemy aircraft crossed our coasts, 1 Ju. 88 was shot down by a Beaufighter.

14th/15th. About 12 enemy aircraft flew over the Ipswich area.

MALTA

On the 13th and the following night about 200 fighter sorties were flown to provide protection for the Malta convoy - 10 enemy aircraft were destroyed, 2 probably destroyed and 8 damaged. We lost 4 fighters, one pilot safe in Egypt.

12/13th. Our bombers again attacked Tobruk harbour.

13th. Fighter bombers made 4 successful attacks on M.T. An F-boat was sunk off Bardia and another damaged.

4. HOME SECURITY

14th/15th. Ipswich. Some bombs, mostly incendiary, were dropped on the town and surrounding district. A few fires were started but damage was not serious.

BRITISH MOST SECRETU.S. SECRETOPTEL No. 280

Information received up to 7 A.M., 16th August, 1942.

1. NAVAL

One of H.M. submarines torpedoed a large ship 100 miles West-South-West of CRETE yesterday and left her sinking. Attacks on shipping during the last three days (12th to 14th August) 12 ships excluding the ships in MALTA convoy were reported to have been torpedoed between 2nd and 12th August.

2. MILITARY

RUSSIA. Heavy fighting continues in the Don Bend. The German advance on STALINGRAD from the Southwest is still being held but the Eastward thrust between The Sal and Manich is making progress. German forces are advancing up the KUBAN River into the CAUCASUS.

3. AIR OPERATIONS

WESTERN FRONT. 15th. Spitfires sank an armed motor launch off the Dutch coast. During the day one Mosquito and one Spitfire were lost. 11 enemy aircraft crossed the south coast.

15th to 16th. 140 aircraft were sent out - DUSSELDORF 131, sea-mining 9. 5 are missing. There was heavy cloud over the objective. About 20 enemy aircraft operated against this country, most of them being engaged in anti-shipping activities off NORTHUMBERLAND and YORKSHIRE.

MALTA. 14th. 166 fighter sorties were flown as protection to a large merchant vessel and a tanker of the Malta convoy which were approaching the harbour. Between 7:30 A.M. 14th and the same time 15th enemy activity consisted mainly of fighter sweeps. Four fighters, a bomber and a seaplane were destroyed and another fighter damaged. Two Spitfires were lost but both pilots are safe.

EGYPT. 13th to 14th. 62 bombers attacked TOBRUK. MERSA MATRUH Harbour was also bombed and mined.

14th. 23 light bombers with fighter escort successfully attacked the railway station and landing ground at FUKA where five hits and 11 near misses were registered on grounded aircraft. Damage was also done to tents and buildings. Our fighters, one of which is missing, destroyed one German fighter. Six Kittyhawks force landed but the pilots are safe. Beaufighters destroyed two German transport aircraft off SIDI BARRANI. One of the Italian cruisers hit by one of H.M. submarines (OPTELS No. 278 and 279) was a six inch cruiser of the ATTENDOLO class which was later seen at MESSINA with 60 feet of her bow missing.

OKLAHOMA

WATSON

PARTY

17, 1942



141

Regraded Unclassified

CONTENTS

- SECTION I. Post of Fort Sill, Oklahoma.**
- II. Field Artillery School.**
 - III. Field Artillery Replacement Training Center.**
 - IV. Fort Sill Reception Center.**
 - V. History of Fort Sill.**
 - VI. Information and History of Lawton, Oklahoma.**

Fort Sill, Oklahoma

FIELD ARTILLERY SCHOOL**Commandant -- Brigadier General J. D. Balmer, U.S.A.**

FIELD ARTILLERY REPLACEMENT TRAINING CENTER**Commanding General -- Brigadier General Waldo C. Potter, U.S.A.**

POST OF FORT SILL**Commanding Officer -- Colonel Kenneth S. Perkins, F.A.**

RECEPTION CENTER**Commanding Officer -- Lieutenant Colonel Reuben G. Lewis, A.C.D.**

SECTION I

Post of Fort Sill, Oklahoma

1. Location.-- Six miles north of Lawton, Oklahoma, on Highway 277; and 100 miles southwest of Oklahoma City.
2. Area.-- Approximately 76,300 acres.
3. Rail facilities.-- On Rock Island and Frisco Railroads.
4. Water supply.-- Lake Lawtonka, Lake Thomas, and Wichita Forest Reserve Lakes, ten to fifteen miles northwest of the post; augmented, if needed, by deep wells in the city of Lawton, and a 2000 gallon-per-minute pumping station which is being completed to pump water from Lawton into a new 500,000 gallon elevated storage tank in the concurrent camp area.
5. History.-- See Section V.
6. Miscellaneous.-- Of the total Post area, 4844 acres are the maintained grounds of the Post proper, the remainder being artillery ranges and tactics areas.

There are 68 miles of road in the maintained Post, 84 miles of good range road, and approximately 350 miles of dirt range roads.

Government owned railroad consisting of about 10 miles of track and 270 linear feet of bridges and trestles connects the Post with the through railroads.

Six fire stations protect the Post.

Besides the permanent buildings and installations of the Post, the personnel is housed and serviced by temporary war construction comprising 1328 cantonment-type buildings, 128 theatre-of-operations-type buildings, 1344 six-man and 445 fifteen-man hutments, and a large amount of tentage. In addition to barracks and mess halls, this construction includes headquarters and supply buildings, clinics, churches, theatres, recreation halls, service clubs and guest houses, gas and oil stations, and miscellaneous service buildings. Buildings are grouped into compact and self-sufficient areas.

Permanent buildings and facilities represent an investment of \$12,000,000.00, and temporary construction

including buildings, roads, water and electrical supply, sewage installations, and other facilities have cost \$16,500,000.00.

The original Post comprised 45,000 acres, but the needs of the Army have increased the area to its present size. The increase in the physical plan was slow up to the time of the First World War, and not much change occurred between then and 1933. Since 1933, approximately \$22,000,000.00 has been expended in construction.

The military population of the Post at the present time is approximately 42,000, this includes troops here temporarily for firing at the Field Artillery School.

The payroll is approximately two and one-half million dollars per month. It costs the Government \$673,500.00 to buy the food the personnel consumes. The water consumption is approximately 4,000,000 gallons per day.

The relations between the Post of Fort Sill and the surrounding country are excellent. The people of the town of Lawton have heartily cooperated in the war effort.



SECTION II

Field Artillery School

1. OBJECT.- The objects of the Field Artillery School are:

a. As to officers:

(1) To teach in detail the technique and tactics of all units and tactical groupings of field artillery.

(2) To give a working familiarity with the technique and tactics of the associated arms and services in order to provide competent leaders for all field artillery units.

b. As to enlisted men:

(1) To qualify selected candidates for commission in the Field Artillery, Army of the United States.

(2) To train selected enlisted men as technicians and instructors in the duties of enlisted specialists of the field artillery.

c. As an agency for research and development: To serve as an agency for the development and perfection of field artillery technique and tactics.

2. ORGANIZATION.- The organization of the Field Artillery School is as follows:

COMMANDANT

Staff

Assistant Commandant
Executive
Secretary
Supply Officer
Range Officer

Instructional Departments

Department of Animal Transport
Department of Gunnery
Department of Materiel
Department of Motor Transport

Instructional Departments (continued)

Department of Tactics
 Department of Publications
 Department of Communication
 Department of Air Training

Students

Officers
 Enlisted men

Troops

15th Field Artillery Regiment
 112th Field Artillery Regiment
 349th Field Artillery Regiment (Colored)
 47th Field Artillery Battalion
 70th Field Artillery Battalion
 71st Field Artillery Battalion
 83d Field Artillery Battalion
 3d Field Artillery Observation Battalion
 2d Battalion, 47th Quartermaster Truck Regiment
 Companies D and G, 49th Quartermaster Truck
 Regiment
 Field Artillery School Detachments
 White
 Colored

Activities

Book Department
 Reproduction Department
 Library
 Range
 Academic Motor Pool

3. OFFICERS' COURSES.- Instruction is both theoretical and practical.

a. Field Officers' Course.-- An 8-week course covering the tactics and technique of the field artillery battalion, with stress on command and staff functions. It covers tactics, communication, advanced gunnery and survey, materiel and weapons, and motor transport.

b. Division Artillery Course.-- A special 4-week course covering the latest developments in tactics and technique of the division artillery. It is given to certain field artillery officers of divisions that are to be newly formed.

c. Battery Officers' Course (Special).- A 12-week course, with a new class entering each week. It prepares its graduates for the duties and responsibilities of battery lieutenant and battery commander. Among the subjects taught are communications, gunnery, materiel and weapons, motor transport, tactics, military law, administration, and methods of instruction and training.

d. Basic Course.- A 12-week course given annually for recent graduates of the United States Military Academy and honor graduates of the ROTC. It is identical with the Battery Officers' Course (Special).

e. Officer Specialist Courses.

(1) Animal Transport Course.- A 4-week course in animal management, equitation, horseshoeing, driving and draft, and pack-animal instruction.

(2) Communication Course.- A 12-week course designed to prepare its graduates to be communication officers of field artillery battalions and higher units. It covers tactics, fire-direction, wire communication, radio communication, message center operation, meteorology, and training methods.

(3) Motors Course.- A 12-week course to prepare officers for the duties and responsibilities of the battalion motor officer. It includes instruction in the construction, functioning, repair, operation, and maintenance of military motor vehicles.

(4) Airplane Pilot Course.- A 7-week course for officers and enlisted men who hold licenses as private pilots. It gives additional flight training sufficient to qualify graduates as field artillery airplane pilots.

(5) Air Observers' Course.- A 4-week course given to selected field artillery officers to qualify them as air observers, with special attention to observation and adjustment of fire.

(6) Observation Battalion Officers' Course.- A 4-week course to prepare officers of battery grade for duty with field artillery observation battalions (sound-and-flash). It includes survey, meteorology, sound-ranging, flash-ranging, and tactics.

4. ENLISTED MEN'S COURSES.- Instruction is both theoretical and practical.

a. Officer Candidate Course.- A 12-week course, with a new class of 550 entering weekly, designed to qualify selected candidates for commission in the field artillery of the Army of the United States. The instruction is identical with that of the Battery Officers' Course (Special).

b. Enlisted Specialist Courses.

(1) Motor Mechanics' Course.- A 12-week course to prepare men for the duties and responsibilities of motor mechanic or motor sergeant, according to demonstrated ability.

(2) Packmasters' Course.- A 4-week course to prepare selected men for duty as packmasters and cargadors in pack artillery units.

(3) Horseshoers' Course.- A 12-week course. Instruction is essentially practical.

(4) Saddlers' Course.- A 12-week course. Instruction is essentially practical.

(5) Battery Mechanics' Course.- A 12-week course to prepare graduates for the duties of artillery mechanic. Among the subjects taught are care and maintenance of cannon, small arms, fire-control instruments, accessories, and ammunition.

(6) Communication Course.- A 12-week course which prepares its graduates for the duties of communication specialists and noncommissioned officers.

(7) Radio Technicians' Course.- A 4-week course designed to develop specialists in the repair and maintenance of radio equipment.

(8) Tractor Maintenance Course.- A 4-week course to develop specialists in maintenance and repair of tractors, both gasoline and Diesel. Students are graduates of the Motor Mechanics' Course.

(9) Airplane Mechanics' Course.- A 5-week course covering the maintenance and repair of the field artillery airplane.

5. FIELD ARTILLERY SCHOOL DETACHMENTS.

a. Field Artillery School Detachment (White).-

The Field Artillery School Detachment (White) furnishes the clerical and operating enlisted personnel for the various departments and activities, the enlisted instructors assigned to the instructional departments, and the personnel to operate the Academic Division motor pool.

b. Field Artillery School Detachment (Colored).-

The Field Artillery School Detachment (Colored) furnishes the necessary personnel for the work of the Department of Animal Transport and for miscellaneous labor details as directed by the Assistant Commandant.

6. ACTIVITIES.

a. Library.- The library is supervised by an officer, who is charged with the preparation of bibliographies and the performance of general library services for the Assistant Commandant's office and for the departments.

b. Field Artillery Museum.- The Field Artillery Museum is located in the old Geronimo guardhouse. The building was erected 70 years ago, when the 10th Cavalry constituted the Army at Fort Sill. The origin of the museum goes back to 1917, when Colonel William Bryden and Colonel Joseph W. Keller began a small museum in connection with the School of Fire. After the World War, this collection was stored in the basement of the old stone warehouse. It consisted mainly of projectiles, fuses, small arms, and old guns. The Museum was revived by Captain Harry Larter, Field Artillery, who was its first curator. It was officially opened December 11, 1934.

Many persons have lent exhibits to the Field Artillery Museum and many others have made outright gifts. One third of the exhibits are devoted to the story of the southwest Indian. Field Artillery exhibits are built around the history of the arm. They consist of flags, guidons, guns, and the like.

c. Book Department.- This department is charged with the issue of field artillery training literature to students and to departments. In addition, it handles training literature under policies prescribed by the Assistant Commandant.

d. Reproduction Department.- This department is charged with the reproduction of Field Artillery School literature, and with such reproduction as is required by the departments in carrying out their missions. It has also done considerable work for the Government Printing Office in recent months.

SECTION III

Field Artillery Replacement Training Center

The activities of the Fort Sill Replacement Center began with the arrival on November 28, 1940, of Colonel Philip W. Booker, F.A., who organized the Center and got it off to an excellent start. Approximately one hundred and twenty officers assigned to the Replacement Center arrived on February 14, 1941. The first ten days thereafter were employed in giving these officers lectures and demonstrations amounting to a refresher course in Field Artillery. Upon completing this course the officers and men moved into their new homes. Thereafter training cadres arrived with dispatch, and camp housekeeping activities began in preparation for the reception of selectees.

The first selectees arrived on March 11, 1941, and from then on trainload after trainload of men from all parts of the country rolled toward Fort Sill. The plans for receiving selectees included meeting trains with trucks and transporting the men to their regimental areas. During this period each unit operated on a 24-hour basis, just like a large hotel. Each selectee found a hot meal, a heated tent, and a made-up bed awaiting him upon arrival at his battery.

These future soldiers are high-class American citizens. They are alert and anxious to be about their jobs, and they assimilate their training readily and eagerly.

On March 18, 1941, the Replacement Center comprised 170 officers, 1063 Regular Army enlisted instructors and 4200 selectees from 14 states. On August 10, 1942, there were many more instructors, both commissioned and enlisted, and 8500 selectees, 1000 of whom were colored. These men come from every state in the union. An average of 700 arrive each week, and 700 leave each week for their combat units.

The Replacement Training Center is organized into three regiments. One regiment comprises combination horse-and-pack mule batteries, branch-immaterial batteries, and one battalion of colored troops receiving basic field artillery instruction. Another regiment is composed of 75-mm gun batteries, 105-mm howitzer batteries, and 155-mm howitzer batteries. The third regiment comprises batteries for the training of specialists such as cooks and bakers; clerks; general, automotive, and gun mechanics; and communication, instrument, survey, and

sound-and-flash specialists. In addition, there is one special training battery for those less fortunate individuals who must learn to read and write.

The Replacement Training Center also operates a replacement pool for officers. There have been 1000 officers in the past four months to take the one-month refresher course and then proceed to their combat units. A three-weeks course is given to all cadre personnel that will teach in the Center. This insures uniformity in training.

The original tent camp which housed the Replacement Center personnel has now been replaced by a semi-permanent camp consisting of 150 barracks in which the selectees live, 10 barracks for class rooms, 56 mess halls, 11 recreation halls and numerous orderly rooms, headquarters, and supply buildings. For the enlisted personnel there are provided two chapels, one theatre, four post exchanges, and four infirmaries. The officers are provided with three officers' clubs and three mess halls.

SECTION IV

Fort Sill Reception Center

The Reception Center was opened under the command of Lt. Colonel L. A. Kurtz on December 26, 1940. The first group of selectees arrived on January 3, 1941. Reception Center personnel at that time consisted of 40 officers, from the Officers Reserve Corps of the Eighth Corps Area, and sufficient men from the 45th Division to process the selectees at a rate of one per minute.

The Reception Center receives men from Army Examining Boards and from local Selective Service Draft Boards. It has facilities to house, clothe, and feed men for a short period of time. Directions for shipping from this Reception Center are received from the 8th Service Command.

The mission of this organization is to classify each enlisted man coming into the Army so that he may be assigned to the arm or service which can make the greatest use of his particular skill, ability, aptitude or training. This classification includes an interview and various tests. The men receive clothing, equipment and inoculations; their records are prepared and they are then sent to units or replacement centers prepared for immediate training.

The first group to arrive at the Fort Sill Reception Center all went to the 45th Division. The reception of a group from Arizona by the 158th Infantry on the afternoon of Sunday, January 5, 1941, presents a typical example. The train arrived at 1:30 P.M. and was met by officers and enlisted men from the Reception Center and by the Commanding Officer and the Chaplain of the 158th Infantry. It was snowing when the train arrived. The men were formed in a double column on the platform for a rapid check from the roster. As each man answered to his name he was issued an overcoat and taken to his designated truck. The men's light baggage was loaded into the trucks with them and the convoy proceeded to the camp of the 158th Infantry, to which regiment they were to be attached for rations and quarters. Pictures of the entire proceeding were made by a detail from the Post Signal Office. The 158th Infantry Band struck up an appropriate air as the convoy of selectees entered the regimental area; this brought the infantrymen rolling out of their tents to witness the gala Sunday afternoon occasion. The trucks were unloaded, a check roll-call was made, and the men were

directed to their tents and then to mess. In the mess hall the selectees were addressed by the Regimental Commander and by the Regimental Chaplain.

Processing of these men began the following morning.

There have been groups that have had less snow, less music, and less talk to greet them, but the general procedure has been the same.

SECTION V

History of Fort Sill

Although Fort Sill is today the home of the Field Artillery School, it has always been associated in the minds of military people with the old west, the frontier, and the Indian. The site of the post was first visited by forces of the United States in the summer of 1834, when Colonel Henry Dodge camped in the immediate vicinity for a conference with Comanche Indians. For 15 years following this, the site was occupied by Wichita Indians, who built a village of grass houses where the Field Artillery School stands today.

Captain Marcy, during his Red River explorations in 1852, stopped in the locality where Fort Sill was later erected. He urged that a military post be built there. Other explorers following Marcy made similar recommendations. However, no definite action was taken by the government until 1869, when General Sheridan directed that Fort Sill be established in order to control the Indians in that area.

During the first week of January, 1869, Sheridan moved the troops and Indians from Fort Cobb to Fort Sill. This expedition, under Sheridan, consisted of Custer's 7th Cavalry, the 19th Kansas Cavalry, four companies of the 10th Cavalry, and two companies of the 6th Infantry. Custer's regiment and the Kansas volunteers departed in March, but the other troops remained under command of Colonel Grierson to construct the new post. At first it was called Camp Wichita, in honor of the Indians whose village had been there; later it was known as Camp Medicine Bluff. Eventually General Sheridan issued orders officially titling the new post Fort Sill in honor of Brigadier General Joshua W. Sill, a West Point classmate of General Sheridan, who was killed in 1862 at the Battle of Stone River, Tennessee.

Early in 1870 construction of the permanent post was begun. Most of the actual labor was performed by the troops. Stone was quarried at Quarry Hill, about 2,000 yards south-east of the present Administration Building. Lime was burned in homemade kilns, and cottonwood and oak timber was cut in the woods nearby. Construction was interrupted frequently by Indian troubles. During 1870 the Kiowa and Comanches were so bold that they killed civilian cattle herders and woodcutters within sight of the post. They even stole all the mules from the quartermaster corral, thus seriously

hampering the hauling of lumber and supplies. To furnish better protection for the stock, Colonel Grierson built a large stone corral on the slope of the hill southeast of the post. This structure was loopholed for defense should need therefor occur.

In the same year, 1870, a blockhouse was built on Signal Mountain, about six miles west of the post. Although this old ruin appears to have been the scene of many strenuous actions with the Indians, its principal use was as a signal station from which to practice signaling with the post. It is now known to most field artillerymen as a convenient aiming point for gunnery problems.

Fort Sill itself was never attacked by the Indians. Probably the most exciting day for the garrison was in May, 1871. General W. T. Sherman, who was inspecting the post, arrested three Kiowa chiefs on the porch of the commanding officer's quarters. These Indians had recently participated in a massacre in Texas. When Sherman informed them that he was going to send them to Texas for trial, one of them attempted to shoot him with an arrow. Because of the hundreds of savages in and around the post, there was great danger of a general fight. Sherman averted the peril by a display of steady nerves; the Indians quieted down, and the chiefs were placed in confinement by the soldiers.

The old post guardhouse, which served as a dungeon for many of the worst Indians, is used today as the Field Artillery Museum. It houses many interesting relics donated by the Indians themselves (now friendly to the post), as well as a complete display of obsolete and of modern artillery weapons.

In 1901 the first battery of field artillery was stationed here. In 1905 it became recognized that the large reservation was well suited for field artillery firing.

In 1907 the separation of the Coast Artillery and the Field Artillery made it necessary to provide some uniform system of instruction for field artillery officers. Plans were made to establish a field artillery school of fire. In 1911 this school was founded at Fort Sill. For several years the school struggled along under various handicaps. One of these was the presence of the Geronimo band of Apache prisoners of war, which had been at Fort Sill since 1894. The villages and cattle herds belonging to these Indians prevented large tracts of the reservation from being used for artillery firing. Soon after the school was established the Apaches were sent away. Geronimo, however, died at Fort Sill and was buried there.

At the time the school was established, the post was enlarged by the construction of what is known as the New Post. This provided barracks for the field artillery troops sent to act as instruction batteries. The school itself was housed first in the Old Post, then in the New Post, and finally in temporary shacks adjacent to the Old Post trader's store. In spite of the handicap of being moved frequently, the school prospered, and had developed a well-organized system of instruction when the Mexican border troubles in 1916 caused all the troops and instructors to be sent to Texas. For a year the school did not exist.

In 1917, in accordance with plans formulated by Colonel William J. Snow (later Major General, Chief of Field Artillery), the school was reestablished on a war footing. It experienced a tremendous mushroom growth and turned out several thousand graduates of war courses. In 1919, it suffered a corresponding deflation.

Subsequent to the World War, the School of Fire continued to function at Fort Sill, although the permanent site of the school had not been decided upon. Consequently no funds were appropriated for permanent buildings. Through natural decay, hastened by a large number of fires, some of which were of incendiary origin, the housing facilities of the school were gradually reduced until only one of the wartime buildings remained. Finally, in December, 1930, the War Department designated Fort Sill as the location of the Field Artillery School, as it is now called. Soon afterward, money was allotted to erect a school and administration building, new barracks for the troops, and quarters for the officers and noncommissioned officers.

The old stone post of Indian days stands unchanged in general appearance, although the buildings have modernized interiors. All of the old officers' quarters are still used for that purpose. The old troop barracks are used for shops and hospital wards. On the site of the old cavalry stables has been built the new Administration Building. With its new buildings presenting a bright, modern appearance, Fort Sill shows little of its frontier heritage.

Before the country was opened to white settlement in 1901, the whole area was teeming with game. The buffalo had been exterminated by 1880, and the elk and antelope disappeared a few years later. However, there were thousands of turkey, deer, ducks, geese, prairie chicken, and other game birds. Coyotes and rabbits were plentiful, and there were even a few beavers in the streams. Today only the rabbits and

prairie dogs are present in any great numbers, and they are considered as pests. The post authorities have established a large game refuge, and it is hoped that the wild life may be conserved.

Although the Field Artillery School has been in operation but 30 years, which is brief as compared with some institutions, it has its traditions, is well organized, and operates smoothly on tested principles and with tried methods. It looks forward confidently to a continued place in the development and improvement of the arm.

Its motto is CEDAT FORTUNA PERITIS - "Skill is better than luck."

SECTION VI

Information and History of Lawton, Oklahoma

From a tent city opened for settlement in 1901, Lawton, Oklahoma, often referred to as "The City of Today", has become the largest city of southwest Oklahoma. Showing a growth of nearly 50 per cent between 1930 and 1940, Lawton now boasts of a population of more than 18,000 inhabitants.

When opened for settlement on August 6, 1901, this area was a part of the Kiowa-Comanche Indian reservation owned by the U.S. Government. It was included in the last large land opening, known as "The Big Pasture". Lawton lots were first issued in a government lottery.

Lawton is the county seat of Comanche county. It is known as the "Post City" because of its proximity to the Army post at Fort Sill. It serves an excellent agricultural area where dairying and poultry-raising are being developed rapidly.

Lawton was named for an army officer, General Henry W. Lawton, who was killed in the Philippine Insurrection.

Nearby is Oklahoma's largest junior college, Cameron Agricultural College, with nearly 1,000 enrollment. The Fort Sill Indian School, established in 1861, is one mile to the northeast. A United States Field Station is located between Lawton and Fort Sill. The 50,000-acre United States Wildlife Refuge is northwest of the Fort Sill military reservation. The Wichita mountain range extends to the northwest. King of this range is Mount Scott.

The home of U.S. Senator Elmer Thomas (D), chairman of the Senate subcommittee on military appropriations, is at Medicine Park, 16 miles northwest of Lawton. Lawton is in the congressional district of U.S. Representative Jed Johnson, Oklahoma's senior member in the House of Representatives.

VIA COAST GUARD

161

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM	_____
BUREAU	_____
CHG. APPROPRIATION	_____

U. S. GOVERNMENT PRINTING OFFICE 10-1728

The Secretary of the Treasury,

Washington, D. C.
August 17, 1942.

~~Fort Sill, Oklahoma.~~

Randolph Field, Texas

First National Bank of Lawton is being authorized this date to provide banking facilities at Fort Sill immediately in accordance with your instructions. Stop. Have talked with General Loughry, Chief of Finance, War Department, regarding possibility of making all Army posts issuing agents beginning with Fort Sill. Stop. Loughry advises that War Department does not consider that this is practical for reasons which he explained to me in some detail. Stop. He says, however, that revisions in procedure are now in process which will substantially cut down delay in delivery.

HAROLD GRAVES.



Phoned Bailey - C. G. 4:27 pm.

COPY

FOR HAROLD GRAVES OFFICE OF SECRETARY OF THE TREASURY X
WHY SHOULD SOLDIERS WAIT NINETY DAYS FOR DELIVERY OF BONDS
PLEASE SEE THAT ALL ARMY POSTS ARE MADE ISSUING AGENTS
BEGINNING IMMEDIATELY WITH FORT SILL OKLAHOMA STOP PLEASE TELL
BATCHELDER I WANT BRANCH BANK AT FORT SILL TO SERVE 39000 MEN
WITHOUT BANKING FACILITIES WITHIN TWENTYFOUR HOURS HE KNOWS
DETAILS PLEASE REPORT BACK WHEN ACTION TAKEN

RECD AUG 17 1942

TREASURY BILLS

	<u>Aug. 19</u>	<u>Aug. 12</u>	<u>Aug. 5</u>	<u>July 29</u>
Amount offered	\$ 350 M	\$ 350 M	\$ 350 M	\$ 350 M
Bids tendered	712	594	583	645
Low rate	.297%	.293%	.297%	.297%
High rate	.376	.376	.376	.376
Average rate	.372	.372	.372	.369
Amount in New York	\$ 155 M	\$ 188 M	\$ 226 M	\$ 172 M
Amount in Chicago	72	99	42	57
Amount in San Francisco .	25	21	14	23
Amount in balance of country	98	42	68	98

August 17, 1942

WAR PRODUCTION BOARD
WASHINGTON, D. C.

Copies to: Mr. Paul
164
Mr. Pittman
Mr. Helvering
per Secretary's in-
structions. 8/22/42
IN REPLY REFER TO
(orig to Mr. Paul)

August 17, 1942

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

Dear Mr. Morgenthau:

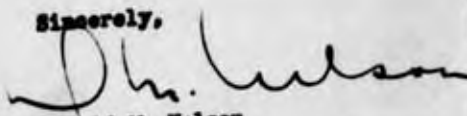
I am glad to have your letter of August 5, advising me of the estimate made by the Internal Revenue Bureau of the additional business and office machinery which might be required by industry and government to handle the collection of part of the regular income tax at the source under the plan contained in H. R. 7378.

These estimates, particularly those for the requirements by industry, seem to me to be high. Since the manufacture of this type of equipment entails the use not only of considerable quantities of critical materials, but also of facilities and skilled labor needed for war production, it is essential that the manufacture of such machinery be held to an absolute minimum.

I shall appreciate your keeping me in touch with the progress of the bill and giving me timely advice of any changes in the estimates of requirements which may be developed by your further investigation.

The War Production Board will arrange to make available to government agencies and industries such machinery as proves to be necessary to carry out whatever plan is put into effect.

Sincerely,


Donald M. Nelson
Chairman



Treasury Department 163
Division of Monetary Research

Date August 27 19 42

To: Miss Chauncy

From: Mr. White

The tables for transmittal to the Secretary of State differ from those being sent to the President in that certain military figures are not broken down.

Treasury Department 16
Division of Monetary Research

Date August 17 19 42

To: Secretary Morgenthau

From: Mr. White

Original of this report appended
to prepared letter to President.

SECRET

167

August 17, 1942

Exports to Russia, Free China, Burma, France and other blocked countries, as reported to the Treasury Department during the eleven-day period ending July 31, 1942.

1. Exports to Russia

Exports to Russia as reported during the eleven-day period ending July 31, 1942 amounted to \$35,669,000. Among the military equipment exported were 73 bombers, 63 fighters and 87 tanks. (See Appendix G.)

2. Exports to Free China and Burma

Exports to Free China as reported during the eleven-day period under review amounted to \$3,066,000 as compared with \$590,000 during the previous ten-day period. Military equipment accounted for more than 64 percent of the total. (See Appendix D.)

Exports to Burma as reported during the period under review amounted to about \$2,000. (See Appendix E.)

3. Exports to France

Exports to France during the period under review amounted to about \$1,000.

4. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A. Most important were exports to Portugal, Sweden and Switzerland amounting to about \$352,000, \$194,000 and \$142,000, respectively.

ISF/efs
8/17/42

STRICTLY CONFIDENTIAL
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SUMMARY OF UNITED STATES DOMESTIC EXPORTS TO SELECTED
COUNTRIES AS REPORTED TO THE TREASURY DEPARTMENT
FROM EXPORT DECLARATIONS RECEIVED DURING
THE PERIOD INDICATED 1/

July 28, 1941 to July 31, 1942.

(In thousands of dollars)

	July 28, 1941 to July 10, 1942	10-Day Period ended July 20, 1942	13-Day Period ended July 31, 1942	Total Domestic Exports July 28, 1941, to July 31, 1942
U. S. S. R.	\$673,409	\$33,940	\$35,592	\$742,941
Free China	94,064	990	3,066	97,720
Burma 2/	12,480	-	2	12,482
France 3/	56	-	1	57
Spain	2,849	5/	9	2,858
Switzerland	11,394	1	142	11,537
Sweden	17,862	-	194	18,056
Portugal	9,363	28	352	9,743
French North Africa 4/	6,283	-	22	6,305

Treasury Department, Division of Monetary Research

August 13, 1942

- 1/ Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular period.
- 2/ From September 11, 1941 to date -- it is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.
- 3/ Includes both Occupied and Unoccupied France -- no breakdown is obtainable from Department of Commerce.
- 4/ Includes Morocco, Algeria, and Tunisia.
- 5/ Less than \$500.

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APPENDIX B

Exports from the U. S. to Free China, Burma and
U. S. S. R. as reported to the Treasury Department
July 28, 1941 - July 31, 1942 1/
(Thousands of Dollars)

	Exports to Free China	Exports to Burma 1/	Exports to U. S. S. R.
July 28 - Aug. 2	395		4,523
Aug. 4 - Aug. 9	-		551
Aug. 11 - Aug. 16	309		586
Aug. 18 - Aug. 23	2		2,735
Aug. 25 - Aug. 30	2		1,023
Sept. 2 - Sept. 6	204		4,280
Sept. 8 - Sept. 13	2,281 2/		5,217
Sept. 15 - Sept. 20	3,822 2/		752
Sept. 22 - Sept. 27	110	449	2,333
Sept. 29 - Oct. 4	1,225	684	323
Oct. 6 - Oct. 11	5,312	1,157	6,845
Oct. 13 - Oct. 18	5	35	1,924
Oct. 20 - Oct. 25	269	403	5,623
Oct. 27 - Nov. 1	4,772	58	4,484
Nov. 3 - Nov. 8	1,672	342	4,552
Nov. 10 - Nov. 15	2,851	88	2,677
Nov. 17 - Nov. 22	1,228	1,021	3,521
Nov. 24 - Nov. 29	3,239	1,364	2,436
Dec. 1 - Dec. 6	791	64	3,609
Dec. 8 - Dec. 13	2,337	18	12,040
Dec. 15 - Dec. 20	111	8	4,580
Dec. 22 - Dec. 27	1	196	1,829
Dec. 29 - Jan. 3	35	2	3,993
Jan. 5 - Jan. 10	91	1,073	8,247
Jan. 12 - Jan. 17	1,695	447	5,874
Jan. 19 - Jan. 24	-	-	3,885
Jan. 26 - Jan. 31	6,938	923	9,608
Feb. 1 - Feb. 10 4/	4,889	1,054	13,315
Feb. 10 - Feb. 20 5/	4,853	583	26,174
Feb. 20 - Feb. 28 5/	2,921	-	28,119
Mar. 1 - Mar. 10	2,879	23	32,509
Mar. 10 - Mar. 20	8,058	3	28,556
Mar. 20 - Mar. 31 6/	2	2	42,435
Apr. 1 - Apr. 10	4,836	447	51,698
Apr. 11 - Apr. 20	5,355	639	66,906
Apr. 21 - Apr. 30	2,827	-	90,958
May 1 - May 10 1/	296	-	28,652
May 11 - May 20	1,872	5	18,080
May 21 - May 31 6/	2,533	-	26,180
June 1 - June 10	3,359	234	12,764
June 11 - June 20	2,707	-	53,799
June 21 - June 30	1,664	.06	49,919
July 1 - July 10	7,900	45	35,657
July 11 - July 20	890	-	33,940
July 21 - July 31 6/	1,862	2	35,669
Total	\$100,323	\$11,369.06	\$743,760

APPENDIX B

Page 2

1. These figures are in part taken from copies of shipping manifests.
2. Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.
3. It is presumed that a large percentage of exports to Burma are destined for Free China.
4. Beginning with February 1 figures are given for 10-day period instead of week except where otherwise indicated.
5. 8-day period.
6. 11-day period.
7. Due to changes in reporting procedure by the Department of Commerce this report is incomplete for the period indicated.

SECRET

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APPENDIX C

**Principal Exports from U. S. to U. S. S. R.
as reported to the Treasury Department
during the eleven-day period ending
July 31, 1942**

	<u>Unit of Quantity</u>	<u>Quantity</u>	<u>Value (Thousands of Dollars)</u>
TOTAL EXPORTS			\$ 35,669
Principal Items:			
Aircraft			14,825
Medium bombers (2-eng. B-25)	No.	19	
Light bombers (2-eng. A-20)	No.	54	
Fighters (1-eng. P-39)	No.	10	
Fighters (1-eng. P-40)	No.	53	
Military tanks			4,880
Light tanks (M-3)	No.	40	
Medium tanks (M-3)	No.	47	
Ammunition			2,210
.30 caliber	No.	10,855,700	
.32, .38 and .45 caliber	No.	2,552,000	
.50 caliber	No.	600,450	
Links and belts	No.	3,020,000	
37 mm. armor piercing	No.	202,940	
75 mm. armor piercing and high explosive	No.	32,204	
22 mm. tracer and high explosive	No.	60,000	
Motor trucks	No.	733	1,199
Iron & steel plates, sheets & strip	M.Lb.	20,329	987
Butter	Lb.	2,465,199	974
Ordnance combat vehicles			843
Scout cars	No.	412	
Others		49	
Sausage	Lb.	1,537,000	534

Treasury Department, Division of Monetary Research August 15, 1942

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8/15/42

SECRET
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APPENDIX D

**Principal Exports from U. S. to Free China
as Reported to the Treasury Department
during the eleven-day period ending
July 31, 1942**

(Thousands of Dollars)

TOTAL EXPORTS

\$ 3,066

Principal Items:

Military equipment	1,970
Relief supplies - drugs and biologics	97
Radio receiving and transmitting sets and parts	64
Relief supplies - hospital and surgical	20

Treasury Department, Division of Monetary Research August 15, 1942
127/cfs
8/15/42

Regraded Unclassified

SECRET
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APPENDIX E

**Principal Exports from U. S. to Burma
as reported to the Treasury Department
during the eleven-day period ending
July 31, 1942**

(Thousands of Dollars)

TOTAL EXPORTS

\$ 2

Principal Items:

Truck and bus casings

2

Treasury Department, Division of Monetary Research August 15, 1942

**ISF/efs
8/15/42**

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose Statement No. 46 - Aircraft Despatched
- for week ended August 11th, 1942.

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

August 17, 1942.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

August 17, 1942

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 August 5, 1942, 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.

A

lap-8/18/42

COPY

FEDERAL RESERVE BANK
OF NEW YORK

August 15, 1942

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

I am enclosing our compilation for the week ended August 5, 1942, 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,

(Signed) L. W. Knoke

L. W. Knoke,
Vice President.

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

COPY:lap-8/18/42

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

Week Ended August 5, 1942

Strictly Confidential

BANK OF ENGLAND (BRITISH GOVERNMENT)

PERIOD	DEBITS			CREDITS					BANK			OF			FRANCE		
									DEBITS			CREDITS					
	Gov't Total Expendi- tures (a)	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Other Credits (c)	Met Incr. (+) or Decr. (-) in Balance		Total Debits	Gov't Expendi- tures (d)	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Met Incr. (+) or Decr. (-) in Balance		
First year of war (6/23/39-8/28/40)*	1,723.2	605.6	1,187.6	1,828.2	1,356.1	57.0	420.1	+ 35.0	866.3 (e)	416.6 (e)	449.7	1,096.3 (e)	900.2	195.1 (e)	+229.0		
War period through December, 1940	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	106.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1		
Second year of war (1/29/41-8/27/41)**	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1		
1941																	
Aug. 28 - Oct. 1	140.9	105.9	35.0	176.2	20.1	2.0	154.1	+ 35.3	0.3	-	0.3	0.5	-	0.5	+ 0.2		
Oct. 2 - Oct. 29	109.0	77.3	31.7	150.9	0.8	-	150.1	+ 41.9	0.3	-	0.3	0.3	-	0.3	-		
Oct. 30 - Dec. 3	156.1	111.6	44.5	134.6	-	1.0	133.6	- 21.5	16.1	-	16.1	0.4	-	0.4	- 15.7		
Dec. 4 - Dec. 31	88.4	69.6	18.8	51.5	-	-	51.5	- 36.9	0.8	-	0.8	0.4	-	0.4	- 0.4		
1942																	
Jan. 1 - Jan. 28	102.3	72.2	29.1	69.3	-	0.5	68.8	- 33.0	0.2	-	0.2	0.4	-	0.4	+ 0.2		
Jan. 29 - Feb. 25	87.2	63.8	23.4	57.2	-	1.0	56.2	- 30.0	-	-	-	0.3	-	0.3	+ 0.3		
Feb. 26 - Apr. 1	121.4	86.4	35.0	171.4	-	-	171.4	+ 50.0	0.1	-	0.1	0.4	-	0.4	+ 0.3		
Apr. 2 - Apr. 17	8.1	54.2	33.3	70.6	-	0.5	70.1	- 27.5	0.2	-	0.2	0.4	-	0.4	+ 0.2		
Apr. 18 - June 1	104.0	81.4	22.6	165.7	-	-	165.7	+ 61.7	-	-	-	0.3	-	0.3	+ 0.3		
June 2 - June 3	15.4	72.6	17.3	113.6	-	-	113.6	+ 23.7	-	-	-	0.3	-	0.3	+ 0.3		
June 4 - June 21	15.4	72.6	17.3	113.6	-	-	113.6	+ 23.7	-	-	-	0.3	-	0.3	+ 0.3		
June 22 - July 2	65.1	45.9	20.2	84.4	-	-	84.4	+ 18.3	0.1	-	0.1	0.3	-	0.3	+ 0.2		
WEEK ENDED:																	
July 13	18.3	11.6	6.7	29.2	-	-	29.2	+ 10.9	-	-	-	0.1	-	0.1	+ 0.1		
July 22	10.2	5.6	4.6	31.2	-	-	31.2	+ 21.0	0.1	-	0.1	0.1	-	0.1	-		
July 29	14.3	9.2	5.6	10.9	-	-	10.9	+ 3.9	-	-	-	-	-	-	-		
Aug. 5	19.6	16.7	2.9	23.3	0.9	-	22.4 (f)	+ 3.7	-	-	-	0.1	-	0.1	+ 0.1		

Average Weekly Expenditures Since Outbreak of War
France (through June 19, 1940) \$19.6 million

England (through June 19, 1940) 27.6 million
England (since June 19, 1940) 36.2 million

*For monthly breakdown see tabulations prior to April 23, 1941.

**For monthly breakdown see tabulations prior to October 8, 1941.
(See attached sheet for other footnotes)

**Transfers from British Purchasing Commission to
Bank of Canada for French Account**

Week ended July 29, 1942 \$ -
Cumulation from July 6, 1940 \$ 162.7

million
million

Regraded Unclassified

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, 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 the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (f) Includes \$10.0 million received for credit of U. S. Army; \$5.5 million deposited by British Purchasing Commission; and \$1.0 million transferred from Commonwealth Bank of Australia account here.

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

Week Ended August 5, 1942 Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)						
	DEBITS			CREDITS						DEBITS			CREDITS			
	Transfers to Official		Other	Proceeds of		Transfers from Official		Net Incr. (+) or Decr. (-) in Balance		Transfers to Official		Other	Proceeds of		Other	Net Incr. (+) or Decr. (-) in Balance
	Total	British A/C		Total	Gold Sales	For Own A/C	For French A/C			Total	British A/C		Total	Gold Sales		
	Debits		Debits	Credits						Debits		Debits	Credits			
First year of war (8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+161.7	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	524.8	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 (8/29/40-8/27/41)**	460.4	-	460.4	462.0	246.2	7.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Aug. 28 - Oct. 1, 1941	23.1	-	23.1	52.2	21.2	-	-	31.0	+ 29.1	10.7	0.5	10.2	2.8	2.1	0.7	- 7.9
Oct. 2 - Oct. 29	37.4	-	37.4	19.7	11.9	-	-	7.8	- 17.7	8.2	5.5	2.7	8.0	5.9	2.1	+ 0.2
Oct. 30 - Dec. 3	52.8	0.1	52.7	32.5	19.3	-	-	13.2	- 20.3	10.3	6.9	3.4	11.6	9.0	2.6	+ 1.3
Dec. 4 - Dec. 31	47.7	-	47.7	22.2	17.3	-	-	4.9	- 25.5	3.9	1.8	2.1	2.8	0.2	2.6	- 1.1
1942																
Jan. 1 - Jan. 28	39.5	-	39.5	33.0	27.0	-	-	6.0	- 6.5	4.5	-	4.5	10.8	-	10.8	+ 6.3
Jan. 29 - Feb. 25	34.1	-	34.1	35.7	12.4	-	-	23.3	+ 1.6	8.4	5.3	3.1	1.6	-	1.6	- 6.8
Feb. 26 - Apr. 1	46.5	-	46.5	29.3	20.5	7.7	-	71.1	+ 52.8	7.8	1.3	6.5	3.6	-	3.6	- 4.2
Apr. 2 - Apr. 23	37.4	-	37.4	35.0	14.2	-	-	22.7	- 1.5	10.9	8.0	2.9	16.8	-	16.8	+ 5.9
Apr. 24 - June 1	54.2	-	54.2	20.5	15.0	-	-	32.2	- 6.3	13.2	9.5	3.7	11.6	-	11.6	+ 1.4
June 2 - July 1	47.2	-	47.2	17.2	10.2	-	-	56.2	+ 25.7	2.5	0.5	2.0	3.0	-	3.0	+ 0.5
July 2 - July 29	40.8	-	40.8	37.7	9.0	-	-	28.7	- 3.1	19.1	15.0	4.1	19.5	-	19.5	+ 0.4
WEEK ENDED:																
July 15	9.8	-	9.8	13.9	3.5	-	-	10.4	+ 4.1	14.5	12.0	2.5	2.6	-	2.6	- 11.9
July 22	11.3	-	11.3	7.3	3.3	-	-	4.0	- 6.0	-	-	0.9	-	-	0.9	+ 0.9
July 29	9.3	-	9.3	8.0	2.0	-	-	6.8	- 1.0	3.5	3.0	0.5	0.3	-	0.3	- 3.2
Aug. 5	4.0(a)	0.2	3.8	15.1(a)	3.1	-	-	12.0(b)	+ 11.1(a)	2.5	1.0	1.5	0.4	-	0.4	- 2.1

Weekly Average of Total Debits Since Outbreak of War

Through August 5, 1942 \$ 8.2 million

* For monthly breakdown see tabulations prior to April 23, 1941.

** For monthly breakdown see tabulations prior to October 8, 1941.

(a) Does not reflect transactions in Treasury bills.

(b) Includes 36.3 million representing proceeds of U. S. Government checks deposited by War Supplies, Ltd.

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 281

Information received up to 7 A.M., 17th August, 1942.

1. NAVAL

On the 12th one of H.M. Submarines while on patrol off the Norwegian Coast attacked 3 Northbound vessels and probably sank 2 of them. Motor gun boats engaged E-boats off DOVER last night. 1 E-boat was set on fire and another rammed. 13 prisoners were taken. Photographic reconnaissance 16th shows the Pocket Battleship LUTZOW at SWINEMUNDE. Another of H.M. Submarines attacked 3 Northbound escorted ships in the AEGEAN on the 7th. 1 7,000 ton ship was sunk and a 9,000 ton ship probably hit.

2. AIR OPERATIONS

WESTERN FRONT. 15th/16th. DUSSELDORF about 230 tons of H.E. and incendiaries including 30 4,000 lb bombs were dropped. Owing to clouds and darkness detailed identification was difficult but several scattered fires were seen. 1 enemy aircraft was shot down. 16th. 8 pairs of Spitfires attacked barges and railway objectives. 2 locomotives were put out of action and others damaged. 1 Spitfire is missing. 16th/17th. 67 aircraft were sent out - Sea mining 56, anti-shipping 7, Intruders 4. 2 are missing from sea mining and 1 Intruder. 15 enemy aircraft carried out scattered bombing over Eastern ENGLAND without causing casualties.

RUSSIA. Heavy German air attacks on TUAPSE during the last week caused considerable damage in the town. On the 10th there were 10 day raids and continual small raids at night.

MALTA. During the unloading of the convoy on the 15th and 16th Spitfire patrols were maintained. No bombing of the Island was reported.

EGYPT-TOBRUK. Harbour and shipping were bombed twice during the evening and night 14th/15th. On the 14th between BARDIA and MERSA MATRUH two barges were sunk and 3 others hit. Contrary to their usual practice the French Military authorities are not granting agricultural leave in spite of the shortage of labour for the harvest.

TREASURY DEPT.

HEADING

RUBA T Z Q2U 181998 QYT Q QUAN P GR67

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TEXT

FOR VINCENT CALLAHAN OFFICE OF SECRETARY OF TREASURY X SHOULD
 LIKE TO GET FIFTEEN MINUTES NETWORK TIME FOR ROANOKE PLEASE GET
 IT ON RED BLUE OR COLUMBIA I DO NOT WANT MUTUAL STOP TALK
 WILL BE MORE THAN LOCAL INTEREST SHALL MENTION IMPRESSIONS OF
 FOUR DAY INSPECTION TRIP AROUND ARMY CAMPS STOP PLEASE BE
 TOUGH IF NECESSARY AND SHOW ME HOW GOOD YOU ARE X PLEASE
 REPORT RESULTS.

11:55 am
 TOD:..EC 1555 18AUG62 - A

3
 /SN

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

TREASURY DEPT.

HEADING

TWX

CG12TH ZPN3 RDO WASHN DC CK40 GOVT CG 18TH 2146 GCT

FROM

FITZGERALD, VIA COMDT CG

ACTION

COMDG GEN CAMP GORDON AUGUSTA GEORGIA
FOR THE HONORABLE HENRY MORGENTHAU JR.

INFORM

TEXT

CALLAHAN REPORTS OKEH BLUE NETWORK SIX TO SIX FIFTEEN
THURSDAY AUGUST 20 FROM ROANOKE STOP GAMBLE HAS BEEN ADVISED
AND WILL ATTEND TO LOCAL DETAILS ..

FITZGERALD

- - - - -COPY- - - - -

3

OPERATOR'S RECORD AND DATE

TOD 2148 (5:48 PM EWT) 19 AUG 42

OFFICIAL INITIALS

TWX#12 SENT

Rec ack of Mrs -

184

HEADQUARTERS 82ND INFANTRY DIVISION
OFFICE OF THE DIVISION COMMANDER
CAMP CLAIBORNE, LOUISIANA

August 18, 1942

Dear Mr. Secretary:

Every officer and man of the 82d Airborne Division was keenly conscious of the high honor for which it had been selected; the honor of being reviewed by you. That your plans were changed was a source of disappointment to all but with a full appreciation that your immense responsibilities and your arduous duties made such a change highly probable.

There is being sent to you by parcel post, a poster depicting a fighting infantryman with the insignia of this Division on his shoulder, charging down a path. The path began last April, the month in which this Division was activated and during which its fifteen thousand members began their military training, for the vast majority the first of such training they had ever received. The poster shows this soldier at the completion of the first of the three phases of his training before entry into combat. At the top appears the insignia of both the 82d and the 101st Airborne Divisions which were formed from the 82d Infantry Division with which this soldier began his training. This reorganization took place only last week on August 15.

The Division would appreciate your accepting this poster in the spirit of deep respect with which it is tendered. May it be our future privilege to welcome you and to be reviewed by you.

Very respectfully,

M. B. Ridgway
M. B. RIDGWAY,
Major General, U. S. Army,
Commanding.

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



185

RANDOLPH FIELD, TEXAS

SECRETARY MORGENTHAU, Jr.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Tuesday, August 18, 1942.

Press Service
No. 32-92

The Secretary of the Treasury today announced the final subscription and allotment figures with respect to the current offering of the additional issue of 2-1/2 percent Treasury Bonds of 1962-67.

Subscriptions and allotments were divided among the several Federal Reserve districts and the Treasury as follows:

<u>Federal Reserve District</u>	<u>Total Subscriptions Received and Allotted</u>
Boston	\$ 84,202,400
New York	751,668,300
Philadelphia	77,511,200
Cleveland	32,828,400
Richmond	20,712,500
Atlanta	5,992,300
Chicago	50,462,200
St. Louis	5,802,300
Minneapolis	22,580,900
Kansas City	10,836,500
Dallas	14,588,300
San Francisco	22,470,200
Treasury	9,421,000
Government Investment Accounts	<u>125,869,300</u>
TOTAL	\$1,234,945,800

-oOo-

FinalSixth draft

August 18, 1942

Draft of tax section for Justice Rosenman

One of the most powerful weapons in our fight to stabilize living costs is taxation. It is a powerful weapon because it reduces the competition for consumers' goods.

The provisions of the tax bill pending before Congress would increase revenue by much more than any previous measure in our history. If it becomes law, a full year's Federal tax collection would approach \$24 billion. But in the fiscal year 1943 our Federal expenditures are expected to reach \$77 billion. Such expenditures mean that either in this bill or in the near future the amount of wartime taxation must be greatly increased.

Heavy wartime taxes do not create the economic sacrifices of war. The burden is already with us whether or not taxes are levied. The function of wartime taxation is to distribute the inevitable burden more equitably. Fair distribution of the burden will be promoted by taxes which help in preventing a damaging rise in the cost of living.

The cooperation and self-restraint of the whole Nation will be required to stabilize the cost of living. With every increase in the tax load unfair tax distribution becomes less and less tolerable. We can rightly expect the fullest cooperation and self-restraint only if the tax burden is being fairly levied

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in accordance with ability to pay. This means that we must eliminate the tax exemption of interest on State and local securities and other special privileges or loopholes in our tax law. It means that in the higher income brackets the tax rate should be such as to give the ~~the~~ practical equivalent of a top limit on income after taxes, approximating \$25,000. Such provisions will give assurance that the sacrifices required by war are being equitably shared.

As much of the income tax as is practicable should be collected at the source. The amount collected at the source would not be an additional tax but only a prepayment of regular income taxes. Such a collection mechanism would ease the burden of the heavy taxes the war requires; it would assure collection from the many added millions of taxpayers; and it would make possible prompt adjustments in rates of collection necessitated by changing economic conditions.

Heavy wartime taxes will fall on all of us. We must spare only those whose incomes are at the minimum necessary for productive efficiency and decent living. We should avoid, insofar as possible, such taxes as general sales taxes, which would cut into that necessary minimum and, by raising the costs of goods, threaten to destroy the stabilization of living costs which we seek to maintain.

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We must recapture through taxation all wartime profits that are not necessary to maintain efficient all-out war production. Provisions for a post-war rebate of a part of the corporate profits taxes would help to maintain this incentive and would contribute to economic stability during the post-war readjustment of industry. Corporations having debt obligations which they cannot meet under increased tax rates could be allowed to draw against their post-war rebates to help pay such debts. To allow debt relief as an ordinary deduction and not as a credit against post-war rebates would be highly discriminatory in favor of debtor corporations. I realize that individuals also have their debt problems, but it does not seem feasible to allow a deduction for debt payments to individuals since such an allowance would discriminate sharply against those who have no debts. With our present individual tax rates we should, however, recognize the fact that debt burdens are frequently associated with illness and allow a deduction for unusually large medical expenses.

August 18, 1942.

*Sample to
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Perry
house
etc.*

Dear Dr. Vinson

Your pamphlet, "Objectives of Post-War International Economic Reconstruction", has reached the Secretary's desk during his absence from Washington on a brief vacation.

I shall be glad to call this to his attention on his return, and I know that he would wish me to thank you for your thought in sending it to him. *Best regards.*

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Dr. Jacob Vinson,
The Department of Economics,
The University of Chicago,
Chicago, Illinois.

OKF/ab

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Objectives of Post-War International Economic Reconstruction

By

WITH THE COMPLIMENTS
OF THE AUTHOR.

JACOB VINER

Reprinted from
AMERICAN ECONOMIC OBJECTIVES
Published by
THE ECONOMIC AND BUSINESS FOUNDATION
New Wilmington, Pennsylvania

OBJECTIVES OF POST-WAR INTERNATIONAL ECONOMIC RECONSTRUCTION

by

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Dr. Jacob Viner is Morton D. Hull Distinguished Service Professor at the University of Chicago and Editor of the Journal of Political Economy.

The problem of planning for a better international economic order after the war can be approached from three different levels. One level is the defeatist one, where stress is laid on the difficulties in the way of securing international agreement on needed reforms, and hope is surrendered that these difficulties can be surmounted. Another level is the utopian level, where the drafting of a blueprint—or the formulation of a pious aspiration—of an ideal post-war world is accepted as the equivalent of its adoption or execution. A level intermediate between these is, I like to persuade myself, both the realistic approach and the one I manage to take. Realism in this field, I believe, involves recognition: that conflicts of interest, of understanding, and of emotions, will prevent realization of a truly ideal order; that even if substantial consensus is obtainable as to the general outlines of an acceptable plan for the post-war international economic order, the clash of rival personalities, the perversity of low politicians, and the stubborn loyalties to particular formulae and dogmas, will make agreement on the specific terms in which the plan is to be formulated extremely difficult to reach; but that there will be nevertheless sufficient goodwill among the functionaries and sufficient desire for reform among the common people to justify hope that there will result from the peace settlement and its aftermath a world which, in its international economic aspects, while still inevitably imperfect, will be a decided improvement on the world of the inter-war period, 1919-1939.

It is argued by some persons nowadays: that this is no time to talk about post-war problems or the post-war world; that we have a much more pressing task on our hands just now, and that is, to win the war; that there will be time enough, and it will be more sensible, to discuss how we are going to arrange the post-war world after we have succeeded in winning the power to arrange it by winning the war.

It must be conceded that concentration on post-war planning is psychologically either very difficult or too easy under conditions such as now prevail. In the dark weeks, when the war news is for the

This is a reprint of an address delivered at Westminister College, New Wilmington, Pennsylvania, May 14, 1942, as one of a series of eight on AMERICAN ECONOMIC OBJECTIVES sponsored by The Economic and Business Foundation.

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most part black or grey, concern with the future may be an illicit escape from the unpleasant reality of the present and from the irksome tasks which dutiful facing of that reality would impose on us. We must not use planning for the post-war as a substitute for planning to win the war and for making all the uncomfortable current sacrifices that successful war-planning involves. Post-war planning on anything above the wishful-thinking level, moreover, if carried on in the midst of a difficult war whose outcome is still uncertain, is a peculiarly exasperating activity. To think intelligently about the post-war, one must choose among the various possible hypotheses as to the state of the world when the war ends, with respect to the distribution of political, military, and economic power, and to the currents of thought and of emotion in the public mind, for these will decide what will be desired and what will be attainable. In the absence of the gift of prophecy, however, there is but little ground available upon which to base a rational choice from among these hypotheses.

There are a number of reasons, nevertheless, why, difficult though it may be, it is important that we start thinking very seriously about just what sort of a post-war world we want, and may have some chance of getting if we work for it.

In the first place, there is the object-lesson of the great use to which President Wilson, during the previous world war, put formulation and discussion of war aims and of the desirable political and economic structure of international relations. Wilson not only led us in military participation in the allied cause. He also led us in a psychological offensive against enemy ideas and past errors of our own in the international field which perhaps contributed as much to the eventual victory of the Allied cause as did our purely military effort. His greatest success along that line was in capturing the imagination of the European masses with respect to the future that they could hope for in case of an Allied victory. The spread throughout Europe of the Wilsonian doctrines was a factor whose importance in undermining the war-morale of the German and Austrian peoples it is easier to under- than to over-estimate. Discussion of post-war plans may, therefore, be made to aid in winning the war, if it hits the right note. I am aware that ideas—even good ideas—can divide as well as unite, and can distract attention from immediate to distant responsibilities, but this risk is unavoidable.

It seems to me also important to bear in mind that the formulation of the plans for the peace and for the time to follow ought to be a cooperative enterprise, not merely as between the governments of the United Nations, large and small, powerful and weak, but also as between these governments and their peoples. In particular, the American people should not leave the task of planning for the post-war world wholly in the hands of a few government officials, but should insist

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upon being prepared by the Government, and upon contributing to the preparation of the Government, for the right sort of peace. And this takes time, much time, if it is to be done well.

Another reason why I think it is urgent that there be extensive thinking and discussion in advance on the conditions of a satisfactory international post-war order is that the attainment of such an order is menaced not only by the as-yet undiminished military strength of the enemy powers but also by internal enemies of the basic essentials of a desirable international order. I have in mind, of course, the isolationists, whose sincerity and patriotism may be above question, as well as those who are either in spirit fifth columnists or hate so intensely Roosevelt and all his works that, just as they are sabotaging our war effort by undermining the confidence of the people in his leadership, can be counted upon also, when hostilities cease, to oppose his peace proposals whatever their character, and especially if they provide a basis for appeal to traditional isolationist prejudices.

Hope for a peaceful and prosperous post-war world rests upon a reversal of our past isolationism and upon acceptance by all the powerful and rich countries of the necessity of their assumption of responsibility for international cooperation in the political and economic fields. People generally are becoming aware of this, even if they do not see clearly how far it will be necessary to go in this direction, nor what particular forms the international cooperation should take. The isolationists cannot but be aware of the existence of this trend of thought among the American people, and they are unquestionably aware that those who direct our foreign policy not only share it but are anxiously promoting it. The isolationists don't like this, and they hope that the less crystallization of opinion in favor of international cooperation there is now, the more chance there will be for them to prevent a cooperative peace when hostilities cease. Some of them undoubtedly hope, and have good reason to expect, that in the course of a difficult and trying war, there will be friction between the United Nations, since it is a most demanding role, one of infrequent performance, to be an ungrudging and uncomplaining ally throughout a difficult war. They are awaiting the inevitable discovery by the American people that the British and the Russians and the Chinese are only allies in a common cause, not angels, and that they are no better than we are in some respects; they hope, no doubt, that the resultant disillusionment will make the American people unwilling to continue to cooperate actively with our Allies—or with any foreign countries—once hostilities have ended. Some of them also, no doubt, are less rational, and merely wish to postpone to as late a day as possible what they regard as an unwelcome, even if inevitable, decision; in their thinking about international relations, as has been well said by someone, "the isolationists do not believe in crossing their bridges until they are burned behind them."

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Thinking about the post-war world must be flexible if it is to be intelligent. The range of possibilities is so wide and so uncertain that one must analyze on the basis of different sets of assumptions and must be prepared to modify them as new developments, new information, or new ideas, make their appearance. Obviously, there is one assumption which must be inflexibly adhered to, and that is that there is going to be a United Nations' victory, if for no other reason than that if the war should not have this outcome, post-war planning will be the exclusive prerogative of the Nazis. But all other assumptions should be adopted only tentatively, and with readiness to abandon them as the trend of events makes them seem inappropriate.

It is important also that serious thought be given not only to the conditions of a satisfactory post-war international order, but also to the procedures, political and otherwise, whereby international agreement on these conditions and on the measures necessary to realize them can be obtained. It seems clear from past history that it is comparatively easy to reach agreement on principles and objectives formulated in abstract terms, but extremely difficult to reach agreement on the specific measures, the qualifications, the detailed propositions, which must be adopted if the principles and objectives are to be realized in practice. We must not leave this task solely to officials, for officials sometimes get out of touch with public opinion or let public opinion get out of touch with them, and officials often get so deeply involved in the difficult task of organizing for thinking that the time for decision-making arrives before they have found any opportunity for doing any actual thinking. The comments made in a recent number of the London *Economist* with respect to English official post-war planning is probably unfair to the English officials and I am sure would be grossly unfair if applied to the corresponding American officials, but no doubt there would be some grains of truth in them in either case—or in the case of any other government:

But as things stand, reconstruction has been put in charge of a Minister who would not be entrusted with anything really important. There is no authority behind the handful of committees. Time is wasted in endless quarrels over departmental jurisdiction, and in the elaborate studies of what ought to be regarded as details. So far from inviting the assistance of the people, officials are forbidden to join in discussions with gatherings of outside experts. The exclusive rights of the civil service are asserted, and advantage is not even being taken of the talent temporarily enrolled in the civil service.

If a harmonious and prosperous international economic order is to be attained, two prerequisites must be established, namely: a world in which the menace of war need not always be present in the states-

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man's mind, and a world in which national boundaries have been stripped of much of their present economic significance.

That these are essential conditions of a desirable world order there is, I am sure, widespread agreement. There is not yet, however, much agreement as to the specific character of the minimum political changes which would both suffice to realize these conditions and be acceptable to the peoples of the world. The types of international organization which could meet these conditions can be distinguished as: (1) a unified "world-state"; (2) a federal union embracing a large part, if not all, of the world; (3) a revived and revised League of Nations; and (4) a general "blurring" of national boundaries, but without a single sharply-drawn pattern for the minimization of their importance. Types one to three are mutually incompatible, and type four is inconsistent with types one and two, but types three and four are conceivable either independently of each other or in combination. I will argue that from the points of view both of intrinsic desirability and of practicability, a combination of three and four seems more entitled to support than any other possibility.

First, as to a unified world state, in which existing nations would lose their identity except perhaps as regional subdivisions subordinate to a central government, it seems clear to me that the world is not ready, and will not be ready in the visible future, for anything like the degree of surrender of national autonomy and of traditions of national independence which it would involve, and that since it must be rejected on the ground of its impracticability, there is little point in examining its inherent desirability.

Second, as to federal union, which means a milder form of political union involving a lesser degree of surrender of the autonomy of the constituent units, here also it seems clear that the world at large is not prepared to go even so far, although there may be active movements for federal union in particular regions of much less than continental scope. A genuine federal union inevitably involves a large measure of "sharing" of power and of wealth as between larger and smaller, richer and poorer units, and such sharing will be deliberately and in good faith undertaken by the larger and richer units only if there is already in existence a substantial feeling of community interest, resulting from similarity of language, religion, and social traditions, from years of close and friendly political relations, or from the desire for the increased strength which union might bring to withstand a neighboring and dreaded power. Federal unions are more likely to be evolutionary growths than the preconceived products of the statesman's art. It is too much to expect that countries which only a few years ago begrudged the League of Nations the petty sums which they were asked to contribute to its finances, although professing loyalty to its charter and its objectives, would now be ready, except under the most des-

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perate circumstances, to pool their national budgets, their military forces, and their national traditions, in a newly-established federal union. Whereas under a unified world-state political power would presumably be regionally apportioned somewhat in proportion to population, which would tend to make it unacceptable to the small nations, under federal union there would be some approach at least to political equality of the members, regardless of size and wealth, which would tend to make it unacceptable to the larger and richer states.

It takes courage to advocate a revival of the League of Nations, or its replacement by a new League, after the tragic failure of the first League to achieve its primary function, namely, the preservation of peace. I am convinced, however, that the verdict of history is going to be that the failure of the League was not due at all to its being too daring a venture, but was due rather to its not having been daring enough. Its failure must be attributed chiefly to the half-hearted support and even the disloyalty to it of the member countries and to the absence from its membership of the United States. But defects in its organization and shortcomings of its administrators were also present, and contributed to its decline and fall, or rather made possible its wrecking by its enemies. The League officials in particular were over-cautious and timid, took too few risks instead of too many, and permitted it to be steadily undermined without boldly calling to a reckoning the countries and statesmen responsible, whether by acts of commission or by acts of omission, for its undermining.

In any case, wherever the responsibility may lie for the collapse of the old League, it seems to me that a new League, substantially like the old one, is one essential condition of the establishment of a peaceful world order after the war, though it may be desirable to give it a new name so that it does not have too glaringly attached to it the record of failure of the original League, and it will be desirable to alter its constitution in some respects. The post-war League, moreover, if it is to have reasonable chances of survival and of effectiveness, must include every great nation, and must have the power to make extremely difficult resignation from membership therein of any country which has once entered it.

We should not rely wholly on the League, however, to provide the needed extent of international organization, political and economic. We should aim also at the establishment of a great variety of international institutions, with a wide range of functions, political and economic. These institutions should be set up by international agreements, in some cases bilateral, in some cases regional, in some cases, perhaps, even world-wide. These institutions should be distinct from the League of Nations, although maintaining relations with it wherever expedient, and registering all agreements, regulations and so forth, with it.

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That is, while we should not aim so high as a unified world state or a federal union including some or all of the great powers, we should not be content with a League of Nations as the sole instrument of world unification. We should not hope, we probably should not desire, national boundaries ~~be~~ be blotted out. We should hope, however, that they should be "blurred" by a variety of institutions and agencies which deal, in a spirit and with an authority which transcend national limitations, with those political and economic matters which cross national boundaries. No one supra-national institution can perform this task adequately unless it is given or acquires powers too great to be safely entrusted in one agency, regardless of its constitution. It is, moreover, not merely consideration of the safety of the constituent members from oppression or injustice on the part of the supra-national authority, but also, and probably even more, consideration of the security of the international agency against dismemberment and overturn by powerful dissentient member units, which make it desirable that the lines of supra-national organization do not follow a simple pattern and do not all lead to a single authority. If national autonomy is limited and reduced through a variety of means and by a variety of agencies, it will be less probable that the loss of autonomy will be felt as a loss of precious national liberty, and less probable also that any desire for greater autonomy will register itself through assault on a single and therefore vulnerable target.

A partial example of what I have in mind is offered by the trend toward the reduction of the economic significance of American state boundaries. This is not simply a trend toward the transfer of legislative power from the state legislatures to Congress, although such a trend is clearly visible. It is also a trend toward the blurring of state lines through interstate and regional compacts and institutions, and through the operation of international treaties. Another example is provided by the machinery which has been evolving during the war to bring about the needed amount of coordination of war strategy and war effort on the part of the United Nations. There are agreements in which all the United Nations are participants, and *ad hoc* institutions of all-embracing membership to carry out these agreements. There are also agreements in which only two countries, or only several countries, are participants, and institutions with correspondingly limited membership to execute these agreements. The number and variety of these agreements and institutions is steadily growing, with no tendency visible for all of them to be unified in a single master-agreement and a single master-authority. While more unification of organization for victory may be needed than now prevails, it is by no means clear that complete unification of structure or even of aims would be either feasible or desirable.

For the post-war period, as for the war-period, therefore, both the most practicable and the most desirable procedure seems to be to

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move in a variety of directions and by a variety of means towards the maximization of international cooperation, and to put more stress on the positive achievement of actual international cooperation than on the negative achievement of the suppression of the traditional organs and the overt degradation of the traditional symbols of nationalism. In each of the fields of currency, finance, trade policy, shipping, the fisheries, communications, public health, and in many other fields, there could be separate international institutions, with the function of promoting international cooperation within such field and with the resources and the authority to carry out its assigned function. These institutions could have varying memberships, but they would all have this in common, that they would deal with important activities which cross national boundaries in accordance with principles and on the basis of authority which are essentially international in character.

Whatever may be ideally desirable in this connection, it is urgent that we do not jeopardize our chances of making any progress whatsoever toward international cooperation by couching our aims in terms which suggest the intent completely to erase national frontiers. It is not a campaign against the symbols of national patriotism which is in order, but a campaign against the national barriers to trade and communication which have made national patriotism a vehicle for evil.

To come at last to the more narrowly economic part of my topic, it is a contrast between the Allied post-war planning which occurred during the last war and the post-war planning which is under way during this war among the United Nations that the planning is not now being confined to the things which must be undone, but is being extended also to the new things which must be done, if we are to have a prosperous and harmonious world. There is wide agreement today that major depressions, mass unemployment, are social evils of the first dimension, that they are to a large extent preventable evils, and that it is the obligation of governments to enforce on their citizens and to undertake themselves the lines of behavior which will tend to prevent them. There is wide agreement also that it is extraordinarily difficult, if not outright impossible, for any country which has not severed its economic contacts with the outside world to cope alone with the problems of cyclical booms and depressions and of mass unemployment, while there is good prospect for hope that with international cooperation, and especially cooperation by the economically major countries, the problem of the business cycle and of mass unemployment can be largely solved. Cyclical depression and unemployment are now recognized to be an international problem requiring an international solution.

There are, of course, different schools as to the best means of dealing with the problem from an international point of view. Certain fundamental requirements, however, are at least beginning to be recog-

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nized. The major countries must be prepared to harmonize their fiscal policies with a view to economic stabilization. They must accept a code which will prohibit resort to beggar-my-neighbor methods of escape from an impending depression. They must set up and support international investment organizations, which will promote under multinational supervision increased investment in economically-backward areas, in outside areas suffering from temporary depression, and in their own areas whenever depression appears to threaten them.

Unless the threat of mass unemployment can be removed, and can be removed, moreover, without resort to totalitarian methods, there is no reason to hope for a peaceful world or for substantial international cooperation in the economic field. I do not believe that economic factors have been *directly* major causes of war. I do not believe that countries fight primarily for economic objectives. They fight for power, or for freedom from subjection to external power. They fight for moral and sentimental reasons, or for glory. In the past, they have fought for the spread of some gospel, or to turn attention away from internal difficulties and dissensions. But peoples have ordinarily not been willing to engage in aggressive war when they were reasonably satisfied with internal conditions. It is especially during, or shortly after, prolonged periods of unemployment, of hunger, of wasted opportunities and disappointed hopes, that there is willingness to follow false messiahs in desperate military ventures. Under such circumstances, it is the leaders who make the largest promises, and even the ones who promise the most evil, who command the largest followings. It is absolutely necessary, therefore, that the governments of the post-war world should accept direct responsibility for fighting cooperatively the great social evil of mass depression and mass unemployment.

It is in the field of trade or commercial policy that countries have sinned most in the past against the principle of international economic cooperation and that, once the will toward international economic cooperation has made a genuine appearance, there is the most promising field for reform. The obstacles to reform, however, are great, and the prospects for substantial improvement will be meager until agreement is reached as to the specific paths which the process of reform should take. Under the leadership of Secretary Hull, the United States has committed itself, in the field of commercial policy, to the two principles of reduction of trade barriers and of equality of treatment as between different foreign countries. In doing so, the United States has abandoned the policy which, with minor exceptions, it had adhered to throughout its history, of ever-mounting trade barriers and of non-generalization of reductions of duty made in reciprocity agreements with particular countries. Reduction of trade barriers and equality of trade conditions are both essential economic requirements of a satisfactory world order. But equality of trade conditions may mean very little if the equality with respect to tariffs is on a level

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prohibitive of most of the potential trade. So far, because of the strong internal resistance to genuine and substantial reductions in our barriers to import, the equality we offer to other countries does not of itself seem to them a very valuable privilege, while the necessity of treating us in turn as favorably as they treat other countries with much lower tariffs on their goods seems to some of them to be too high a price to pay for that privilege. Some Englishmen in particular have been heard to remark that unless the equality of treatment we offer is on a level at which England can make sales in the American market, they can't afford to give up their special arrangements with other countries who are willing to buy from them, under which arrangements the English receive, and conceivably might also give in return, better tariff treatment than is extended to American exports. Discriminatory tariff treatment is objectionable. It fosters international ill-feeling, and it distorts international trade from its natural and most profitable channels. But high tariffs, even though uniform, are also objectionable. They also foster international ill-feeling, and they suppress natural and profitable international trade. High uniform tariffs are in most cases more injurious economically than low but discriminatory tariffs. Until the United States is prepared to make substantial reductions in its own tariff, it will not be prepared to make its appropriate contribution to a better ordering of international economic relations, and any claims to the contrary resting on its offer to all of equality of treatment will be regarded by other countries, whether or not they find it expedient to say so openly, as hollow claims.

Secretary Hull's policy also looks toward the elimination of direct-trade-controls, that is, of such practices as exchange control for purposes of trade regulation, of import quotas, and of state-trading monopolies. It is highly desirable, for a variety of reasons, that these direct trade controls be abolished, and that whatever trade barriers must remain shall be restricted to the ordinary import duty type.

Direct trade controls bring governments into such close contact with commercial operations that transactions of a kind which ordinarily would be transactions between individual merchants or private corporations become transactions between governments, and therefore become diplomatic transactions offering full scope for international bickering and the generation of ill-feeling. It does not much matter if an English salesman and an American buyer fail to come to terms in an attempted transaction, or if an English salesman and an American salesman, both trying to make a sale to an Argentinian merchant, say, as they will, things about each other which are not polite and about each other's merchandise and merchandising methods which are untrue, although it is not wholly without adverse consequences for international relations. It matters, or may matter, a great deal, however, if it is the American and the British governments which are attempting to make

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a bargain, or to prevent each other from making a bargain, with the Argentine government.

Direct trade controls, because of their greater flexibility, their freedom from limitations set by statutes insusceptible of frequent or minor change, and their tendency to promote bilateralism and to suppress multilateral trade, tend also to be more effective than ordinary import duties as barriers to trade.

When states embark upon the direct control of, or conduct of, their foreign trade, they are almost inevitably driven on to extend the control of their internal trade. One country, moreover, can't trade on a basis of equality with another country whose trading is conducted by the government or under direct governmental regulation unless its own foreign trade operations are correspondingly unified. Thus, the practice of direct foreign trade controls by other countries tends to push your country to the adoption of direct state control, first of its own foreign trade, and then of its internal trade as well. Countries which wish to retain free enterprise within their own boundaries must therefore aggressively fight foreign direct trade controls instead of adapting themselves to them.

Still another objection to direct state controls of foreign trade is that it seems to be impossible under them to find criteria of equal treatment of foreign countries which are specific, rational, and more than momentarily applicable, while the desire for equality of treatment and the resentment which departure from it arouses are in no wise diminished as compared to the situation under ordinary tariffs. Furthermore, if a country using direct trade controls is economically and politically important, it finds in its trade controls readily available instruments for the exploitation of monopoly power both as seller and as buyer as well as for the promotion of political or other non-commercial ends, and it is difficult to conceive how a general code could be formulated, and adherence to it enforced, which would prevent the use of trade controls for these purposes. When Germany used these methods to undermine the independence of small countries, these countries were helpless, and other countries could have aided them only by charitable grants or by undertaking direct combat against the German trade methods with the object of obtaining their abandonment. With the partial exception of the United States and a few of the smaller countries, however, the tendency has instead been to follow the German model in a spirit of reluctant admiration.

If it be accepted fatalistically that the American tariff is insusceptible of substantial reduction and if other countries continue to believe that they cannot afford to abandon direct trade controls and discriminatory practices as long as there is no serious breach in the American tariff, we should face the situation frankly, and recognize that reform of international relations in the trade field is not in

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prospect, and that the situation in this connection is likely to be worse after the war than before instead of better, with all the dismal implications that are appropriate. And I, for one, believe that any measures the United States could take of an internationally cooperative nature outside the tariff field, whether in the form of outright free gift, or of loans whose repayment would not be too strongly insisted upon by us, or in any other way, would be regarded by the outside world as, of themselves, an inadequate basis for their abandonment of the practices which, given our high tariff, seem necessary for their economic survival and at the same time would be even less acceptable on a continuing basis to the American people than would a substantial reduction in the American tariff.

The prospects for reform of commercial policy are discouraging only if we accept it as inevitable that the American people will not consent to a proportionate American contribution to such reform. With such consent, there would be grounds for confidence that the post-war world would gladly follow our lead. Even then, however, it would not be easy to find a simple and fair formula, with respect to the pace and extent of tariff reductions. Reduction by bilateral agreements, even with generalization of concessions carried out in perfect good faith in accordance with the equality of trade principle, is too slow and uncertain a procedure given the size of the job and the urgency that the *pattern* of reduction be agreed upon quickly, even if that pattern calls only for very gradual progress toward the ultimate goal. The formulae for multilateral reductions of tariffs which suggest themselves upon superficial analysis are too simple to fit the complex facts and to be acceptable to both high-tariff and low-tariff countries. For instance, tariff reduction by equal absolute reductions in rates would mean very much to a country that has a moderate tariff and very little to a country that has a very high tariff, whereas reduction by equiproportional amounts would seem very little to a low-tariff country while it would probably seem unfair to the high-tariff country even though such reduction would not alter the *relative* heights of tariffs. It is clear that a generally acceptable formula would have to be some form of compromise between equal absolute and equal proportional reductions. Merely as an illustration to support the proposition that a generally acceptable solution of the problem is not inconceivable, I suggest that we should aim at a multilateral convention along the following lines: that no duty should exceed a specified maximum, say, 30 per cent ad valorem on the basis of foreign value, or its specific-duty equivalent; and that all duties which exceed 30 per cent should be reduced at an annual rate of reduction sufficient to bring them to the 30 per cent level in 10 years. Since this might not involve any concession by low-tariff countries, it might also be provided that, after 10 years, no duty should be, say, over 10 per cent ad valorem, or over 75 per cent of its rate at the date of the convention, whichever was higher. With such

OBJECTIVES OF POST-WAR INTERNATIONAL ECONOMIC RECONSTRUCTION

provisions, both high-tariff and most low-tariff countries would have to make reductions, although the reductions to be made by high-tariff countries would be absolutely greater, and very-low-tariff countries would not need to make any reductions, both of which seem proper. It does not seem to me practicable to propose complete free trade, whatever its ideal desirability. While a maximum level of 30 per cent to be reached only after 10 years is on the basis of purely economic considerations a modest enough goal for an improved and reformed world, it would be a great step forward from current practice, for ourselves, as well as for other important countries. To obtain general consent for any such proposal it may in fact be necessary to modify it by permitting higher duties than it provides for, especially for infant industries, upon application to an international tariff authority.

There are problems to solve also in the monetary field, but here it will probably be much easier to reach international agreement, for while there is here also an abundance of room for differences of opinion, these differences do not particularly follow national lines and do not reflect as important and conscious conflicts of vested interests. Two extremes of opinion will have to be carefully disregarded if sensible arrangements are to be made in the field of international monetary arrangements: on the one hand, the soft-money cranks, who maintain that the issue of more paper money is a certain cure for whatever economic ills society may be suffering from, and on the other hand, the fanatics of monetary orthodoxy, who always hold, after any period of monetary disturbance, that the right and only step to take to restore monetary stability is to return to a rigid gold standard at the pre-disturbance parity.

There are two criteria which a good workable international monetary system must, in my opinion, meet: namely, that it is consistent with the substantial maintenance both of exchange stability and of price-level stability. Substantial variability in the exchange rates between different national currencies gives governments the opportunity and the temptation to use deliberate exchange-depreciation as a device for obtaining at least a temporary competitive advantage in export trade and as an additional barrier to imports. Exchange-depreciation is the most powerful short-run instrument of trade warfare, and the most irritating to other countries. On the other hand, while the old-fashioned international gold standard guaranteed to the countries which adhered to it stability of the exchanges, it had the grave shortcoming that it tied the price-levels of the gold-standard countries more-or-less tightly to the size of the world's monetary gold stocks, and thus imposed on these countries either gold-inflations or gold-deflations. On behalf of the international gold standard when firmly established, it should be said, however, that beyond guaranteeing exchange stability it also had the virtues of being an *international* standard, of not having prestige associations with any particular national currency, and of not

OBJECTIVES OF POST-WAR INTERNATIONAL ECONOMIC RECONSTRUCTION

requiring constant and potentially acrimonious bargaining between countries.

Many economists hold that exchange-stability and price-level stability are conflicting objectives, and advise surrendering the first in order to be free to pursue the second. I believe, however, that it would be comparatively easy to devise an international monetary system which would retain the advantages of exchange stability and of resting automatically on a mutually international basis, and yet could be prevented from operating either in a pronouncedly inflationary or a pronouncedly deflationary manner. What seems to me the most attractive of the alternative ways of meeting these objectives is a modified international gold standard, under which, to prevent world-wide inflation or deflation, and also to permit orderly adjustment when needed of the exchange-parities of particular currencies, changes in the monetary value of gold for at least the major countries would be permitted—or perhaps ordered—by an international body operating under general rules embodied in an international agreement. International agreement along these lines would be facilitated by the fact that both the United States and the British Empire have a substantial vested interest in a return to some form of international gold standard. Our main interest is that we are owners of the major part of the world's gold stock and also are anxious to have exchange stability. The main British interest arises out of the fact that the British Empire produces the major part of the world's gold output.

The outstanding economic phenomenon of the nineteenth century was the ability of the western world to provide for a three- or four-fold increase of population on an average standard of living which at least doubled in the course of the century. One essential factor in making this possible was the movement of capital, mainly under private initiative, from areas where it was relatively abundant to areas where it was relatively scarce. The movement of capital involved also the movement of techniques and skills, stimulated the movement of population into sparsely-settled areas, and made possible the low-cost production there of materials and foodstuffs and their transportation to the older countries, for consumption and for processing by their rapidly-growing industrial populations.

That, however, is the rosy side of the pre-1914 international capital movement picture. International capital movements were also a vehicle for so-called "peaceful penetration," a euphemism for non-military aggression or for the preliminaries of military aggression. There were many instances also of foolish and misdirected investment, and a few instances, whose significance, however, for the general picture it is easy to exaggerate, of resort to threats of force or to actual use of force to collect delinquent claims from weak debtors. There is now also seriously to be reckoned with a trend in the opposite direction, with

OBJECTIVES OF POST-WAR INTERNATIONAL ECONOMIC RECONSTRUCTION

roots in events of the nineteenth century but with especially marked developments since 1929, namely, the radical undermining of the status of the creditor in the field of international finance. In the international field, this is now a debtors' world. Debtor countries can, and do, with apparent impunity, default on their debts, erase them by internal revloution, repudiate them on the ground that to honor them would constitute an obstacle to internal social reform or would be an undue burden on the national economy. There has even been tolerance verging upon approval of the delinquencies of foreign debtors in the creditor countries, and especially in the United States. During this war the seizure of enemy-owned property has been carried to an extent unprecedented in previous wars, and refusal on the part of the victors to restore enemy property to its previous owners is also likely to be carried further than was usual in the past. From the private investor's point of view, whether great banker, small bondholder, or great corporation with an interest in foreign markets or foreign production possibilities, the bloom is off the peach of foreign investment. If past experience were to be the guide, the prospects of a successful financial outcome would seem even gloomier for the export of capital under official auspices. The fears of peaceful penetration, of alienation of domestic industry, of disruption of traditional class and income structures through over-rapid industrialization or through the invasion of foreign personnel and ideas, have also made capital-starved countries reluctant to invite foreign capital, even where on the basis of their own past experience they might feel assured that debt obligations to foreigners need not be taken very seriously.

The old incentives to international investment have thus disappeared. But for the inevitable period of post-war reconstruction, and for an indefinite period thereafter, the possibilities of gain to both capital-exporting and capital-importing countries from a renewal of the movement of capital from the areas of capital abundance to the areas of capital scarcity will be as great as they have ever been. It will be necessary, therefore, either to remove the factors which have destroyed the old incentives to international investment under private initiative, or to set up new institutions on an international and governmental basis, for which the barriers to international private investment will not be operative, or to do both. We will need to obtain acceptance of an international code which will provide proper protection to both international private creditor and international debtor, private or public, and we will need to set up an international authority with the powers necessary to assure adherence to that code. Or, as an alternative, we will need to establish multinational investment agencies, comparable to our national R. F. C., F. H. A., or even T. V. A., which will be prepared to invest their own funds, or to guarantee private investment, in capital-starved countries, without too much consideration of the prospects for reimbursement in the orthodox form of amortization of

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OBJECTIVES OF POST-WAR INTERNATIONAL ECONOMIC RECONSTRUCTION

principal and periodic transmission of interest or dividends. We will probably need to do both.

There are other important problems in the field of international economic relations which will require careful consideration when the time comes for designing a new world order, but which I have not the time to discuss now. In any case, we will not have a perfect world, and not all problems will obtain solutions, for problems are always present in greater number than available solutions. Nor is it desirable that we should be obsessed by the feeling that every problem should receive a simultaneous solution. It is not that I think it important to preserve some unsolved problem for the statesmen of the future to exercise their wits on. We needn't worry about that! But there will after all be some limitations to the physical capacities of the statesmen whose great responsibility it will be to decide the pattern of the post-war international order, and the need for early decisions will be such that many things will inevitably have to be postponed to a time of greater leisure. The international economic order, moreover, is a fairly tough organism, and even if only its trade relations, its currency arrangements and its financial arrangements should be put into tolerably good working order, other ailments being left to time and to the individual countries to cure, it would probably surprise us by the vigor and health it would soon display.

But why, you may ask, should we expect better results from our peace-making efforts this time than we obtained the last time? I can only answer that we have had some very painful experience to learn from, and that signs are visible that we have not wholly failed to profit from the opportunity. We have learned, for instance, that isolation, even if it were desirable, is no longer obtainable. For any country, including our own, to obtain isolation, it is necessary not only that it be prepared to pay the very heavy economic costs, but that other countries should docilely accept its decision, and neither of these can be counted on, as we by now have been taught in so painful a manner. Many of us have also learned that great as was President Wilson's vision as to the needs of a peaceful world order, it was, as I have already pointed out, lacking in sufficient provision for the need for positive cooperative action on a multinational and supranational basis to cope with the major economic ill of our modern society, mass depression and unemployment. We will also, I hope, take more seriously this time the problem of security against aggression and will recognize the inadequacy of any solution which does not in some way or other provide for an international police force strong enough to prevent any potential aggressor from attaining the military strength requisite for successful aggression. Also, unlike the experience after the last war, we will, all of us, I hope, emerge from this war with no hatred of any peoples as such, but with hatred only of the evil men and the evil ideas which have brought the world to its present parlous state.

OBJECTIVES OF POST-WAR INTERNATIONAL ECONOMIC RECONSTRUCTION

If I have given you the impression that I have no misgivings about our success, even after an unqualified military victory, in fashioning a satisfactory and durable world order, then I have failed, unintentionally, to make clear my actual state of mind in this connection. Winning the peace will prove psychologically a much more difficult task than going all-out to win the war. It will make comparable calls upon our capacity for generous thinking, for wholehearted cooperation with other peoples, and for the putting of first things first, but the objective in whose service we will be called upon to exercise these shy and easily-tired virtues will inevitably be a somewhat vague one, whose urgency, though real, will not be patent to all.

However, the cost of not winning the peace, the cost of not fashioning an international order under which the various peoples of the world can live in assured peace, and in international economic cooperation, will be another world war. And another world war might well bring the final collapse of modern civilization, and especially of its nicer and milder aspects. History is moving with great strides these days. So must our minds in these matters, if we are to keep pace. Or else, history, the march of events, will do things to us, nasty, brutal, unbearable, almost unthinkable things—and all because of the lack of a little hard, courageous, generous thinking at a critical period!

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RECEIVED IN THEATRE
POLICE

DOROTHY KENYON
COUNSELLOR AT LAW
285 MADISON AVENUE
NEW YORK

TELEPHONE MURRAY HILL 5-5444

August 18, 1942

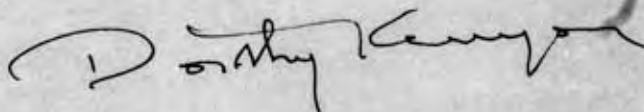
Hon. Henry Morgenthau
Secretary of the Treasury
Washington, D.C.

Dear Mr. Morgenthau:

Mrs. Roosevelt was kind enough to forward to me your letter to her of June 25th in which you said that you would like to have Rose Schneiderman and me meet with Mr. Randolph Paul to discuss the problem of mandatory joint income tax returns. I greatly appreciate your kindness in the matter and had matters not taken the turn they did in Congress Rose and I were all prepared to avail ourselves of your invitation. Mr. Paul, whom I used to know years ago when we were both clerking in the same office, would have received a visitation from us. I hardly hoped to change his mind on the subject but I was more than willing to make the attempt.

Should the matter again become active I hope that we may avail ourselves of your invitation once more. In the mean time many thanks.

Sincerely yours,



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OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

August 18, 1942

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended August 15, 1942.

Discussions have been initiated with the Office of Lend-Lease Administration and the War Production Board with the thought in mind of applying existing stocks to Lend-Lease needs to relieve the pressure on manufacture. It is believed that a workable plan can be formulated to accomplish this result.

Clifton E. Mack
Clifton E. Mack
Director of Procurement



LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF AUGUST 15, 1942
(In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Undistributed & Miscellaneous</u>
Allocations	\$1771.8 (1771.7)	\$1034.9 (1032.4)	\$461.9 (447.0)	\$57.8 (57.1)	\$3.7 (3.7)	\$213.5 (231.5)
Purchase Authoriza- tions (Requisitions)	\$1441.0 (1416.1)	\$ 904.8 (907.2)	\$480.0 (450.6)	\$42.9 (48.0)	-	\$ 13.3 (10.3)
Requisitions Cleared for Purchase	\$1364.1 (1328.1)	\$ 881.5 (882.4)	\$427.0 (388.2)	\$42.7 (47.7)	-	\$ 12.9 (9.8)
Obligations (Pur- chases)	\$1285.4 (1269.8)	\$ 868.6 (868.9)	\$366.7 (354.2)	\$40.3 (40.2)	\$1.9 (1.8)	\$ 7.9 (4.7)
*Deliveries to For- eign Governments at U. S. Ports	\$ 517.0 (509.4)	\$ 411.5 (406.3)	\$ 83.5 (81.2)	\$20.0 (20.0)	-	\$ 2.0 (1.9)

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

Note: Figures in parentheses are those shown on report of August 8, 1942.

EXPLANATION OF DECREASES

The decline in Purchase Authorizations, Requisitions Cleared for Purchase, and Obligations for United Kingdom was caused by the total decreases being greater than the total value of new requisitions for the week. These decreases represent the difference between the estimated value of certain requisitions and the actual cost value of the contracts.

The decrease of \$5,100,000 in Purchase Authorizations (Requisitions) for China was due to the withholding of requisitions totaling this amount by the Office of Lend-Lease Administration for reconsideration.

Copies to: Mr. Wright
Mr. Macle ✓

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

8/18/42

E. R. Stettinius, Jr.
Administrator

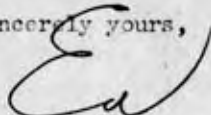
August 18, 1942

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

Dear Mr. Morgenthau:

I thought you would be interested in
reading the enclosed notes of a conference
which I held in London with officials of
the Board of Trade.

Sincerely yours,



E. R. Stettinius, Jr.

Enclosure.

Hope to see you soon
Ea

Notes on Conference with
Board of Trade Officials

July 27, 1942.

Present:-

Mr. Stettinius
Mr. W. G. Brown
Mr. G. P. Noyes

Sir Samuel Beale)
Mr. Fraser) Board of Trade
Mr. B. R. Cousin)
Mr. Hasler, War Cabinet Offices

Sir Samuel Beale briefly outlined the background against which the White Paper of September 10, 1941, came into existence. During the early part of the war the British were required to make very large purchases outside of the Empire to support their war effort and therefore required a substantial volume of foreign exchange, particularly dollars. They therefore made a great effort to expand exports. This process was decelerated by the fall of France. As Lend-Lease began to relieve the British requirements for dollar exchange in the Summer of 1941 and as the supply and shipping problems became more acute it was necessary to reverse this process completely and by the time that the White Paper was signed in September 1941 the British export program was sharply on the decline. In Sir Samuel Beale's opinion the enactment of the White Paper actually had very little effect in cutting down British exports since the process of doing so had already gone so far under the compulsion of other factors.

Mr. Stettinius asked whether if the White Paper restrictions were entirely removed any appreciable increase in the volume of British exports would ensue. Mr. Fraser said that he thought the increase would be negligible and would occur mainly in small but significant items such as agricultural hand tools to South America.

The largest British exports at present are in the field of textiles and small tools.

Sir Samuel and Mr. Fraser referred to the problem presented by the reluctance of South American countries, particularly the Argentine, to accept further sterling balances and Mr. Fraser said that the program of exports to South America was based upon an estimate of the minimum value of goods which would have to be sent to South America in order to induce the South Americans to continue to accept further sterling. This figure was the target and in view of this the Board of Trade then picks out various items for export which give the maximum value with the least dislocation of domestic production and the least problems under the White Paper.

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Mr. Stettinius referred to the feeling prevalent in many quarters of the U.S. that the British were endeavoring to maintain their trade with South America purely from the point of view of retaining a business foothold there from which to operate after the war. Mr. Fraser said that this was naturally the desire of many British exporters but the position of the Board of Trade was that it was regrettable that the business connections of so many British exporters should be severed but that this was an inevitable concomitant of the war and could not be helped.

He said that he had written many hundreds of letters to firms telling them that it was just too bad. He agreed to provide Mr. Stettinius with copies of several letters of this kind. He said that no exports were allowed except on certificate of necessity from the government of the receiving country but that the Board of Trade did not accept these certificates as conclusive but in many cases they refused export. In fact they even refused export on some items on which a waiver had been received from OLLA.

Mr. Fraser said that since the institution of regular meetings between representatives of the Board of Trade and of OLLA at which specific White Paper problems were discussed, a very large proportion of the friction which had existed had been eliminated and considerably speedier action in getting decisions on White Paper questions had been secured. He said that the answer to the 500 cases of apparent violations of the White Paper which had been reported by OLLA had been forwarded to it showing that almost all of them were wholly groundless and that a "very handsome" letter had been received from Mr. Young stating OLLA's approval of the way in which the White Paper was being administered.

Mr. Stettinius asked to be enlightened on exports to the Caribbean. Mr. Cousin replied that these exports presented three types of problem. In the first place if this area is to be supplied from the U.S. it will require the expenditure of dollars by the British. In the second place it is by no means certain that supply from the U.S. will involve the most economical use of shipping. In the third place the ordinary commercial channels for supply of these areas are well established in the U.K. and the creation of a new machinery for obtaining supplies in the U.S. presents a very real problem.

Mr. Brown asked whether the factors of delivery date and price were taken into account by OLLA in determining whether an item was obtainable in the U.S. Mr. Cousin replied that delivery dates were but that price was not.

Mr. Noyes raised the question of whether the price should be considered.

Sir Samuel gave as an illustration a request by New Zealand for machinery which produced gas which supplied dairies which were in turn supplying the U.K. The quotation for the machinery received from the U.K. was £6,000; that received from the U.S. was \$12,000. Sir Samuel instructed that the machinery go forward from the U.K.

Mr. Hasler pointed out the importance of agreeing as quickly as possible and to the maximum extent on which country would meet the needs of countries outside the U.S. and U.K. and as to which items each would supply. Otherwise there was a real danger that both the U.K. and U.S. might independently and for adequate reasons decline to supply something ~~which~~ ^{as} a matter of fact was really needed for the war effort.

Sir Samuel undertook to prepare for Mr. Stettinius a memorandum containing a general statement of British export policy in such form that Mr. Stettinius would be able to use it as an exhibit in a congressional hearing and also to give him some further figures for his own use showing the exchange position of the U.K. in relation to South America.

AUG 18 1942

Dear Admiral Land:

I have received your letter of August 12, 1942, concerning the purchase by the Maritime Commission from War Supplies, Limited, of urgently needed vessel components, having a total value of \$2.3 million.

The Treasury is in complete sympathy with the desire of the Maritime Commission to maximize production of merchant vessels, and has no objection to the procurement in Canada of the items listed in your letter.

Thank you for bringing this matter to my attention.

Very truly yours,

(Signed) Herbert E. Gaston

Acting Secretary of the Treasury

Admiral E. S. Land, Chairman,
United States Maritime Commission,
Washington, D. C.

By Messenger Sturgis
4:06 p.m. 8/18/42

File to Thompson
Photostat to NMC

TMK:rl 8/17/42

UNITED STATES MARITIME COMMISSION
WASHINGTON

August 12, 1942

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

Under Public Law No. 247 (77th Congress) approved August 25, 1941, the United States Maritime Commission is authorized to "produce and procure parts, equipment, material and supplies" for vessels to be constructed under its supervision.

Considerable difficulty has been encountered in obtaining in the United States all the vessel components necessary for this construction program and consequently there has been danger of delay in the completion of vessels which are urgently needed to meet the requirements of the national war effort.

War Supplies Limited, a Canadian corporation, owned and controlled by the Dominion of Canada, has offered to make certain of the needed materials and components available to the Maritime Commission. The price to the Commission will be the actual cost to War Supplies Limited at the time of delivery, and as specified in this corporation's contract with its suppliers.

We have enclosed a copy of the proposed contract embodying these considerations. This contract is also intended to cover purchase orders which have already been issued by the Maritime Commission for certain of these items, and the following table indicates the extent of these commitments, as well as deliveries already made (values are estimated in American dollars).

Item	Ordered		Of Which Delivered	
	No.	Value	No.	Value
Cast Steel Stern Frames	65	\$ 354,575	10	\$ 54,550
Marine Engines	20	1,960,000	8	784,000
9 x 12 Cargo Winches	6	<u>21,546</u>	6	<u>21,546</u>
Total		\$2,336,121		\$ 860,096

Secretary of the Treasury -2- July 22, 1942

It is my understanding that you wish to be advised of contracts entered into by agencies of this government with those of the Dominion of Canada for the procurement of war materials. The components are urgently needed for the completion of merchant vessels and I hope there are no objections to the arrangement we have undertaken. May I have a prompt reply.

Sincerely yours,

E. S. Land

E. S. Land
Chairman

UNITED STATES MARITIME COMMISSION

MASTER SUPPLY CONTRACT

with

WAR SUPPLIES, LIMITED

THIS AGREEMENT, made in the City of Washington, District of Columbia, United States of America, and entered into as of the 18th day of March, 1942, by and between the United States of America, represented by the United States Maritime Commission (herein sometimes called the "Commission" or the "Buyer"), and War Supplies, Limited, a corporation organized and existing under the laws of the Dominion of Canada (herein called the "Seller"), with its principal office in the City of Ottawa, Province of Ontario, Dominion of Canada;

W I T N E S S E T H:

WHEREAS, the Commission is authorized by Public Law No. 247 (77th Cong.) approved August 25, 1941, to construct in the United States merchant vessels of such type, size and speed as it may determine to be useful for carrying on the commerce of the United States and suitable for conversion into naval or military auxiliaries, and to produce and procure parts, equipment, material and supplies for such vessels;

WHEREAS, the Commission has determined that steel-hulled, steam propulsive powered cargo carrying vessels (designated USMC Design EC2-S-C1, (herein called the "Vessels") are vessels of a type, size and speed which will be useful for carrying on the commerce of the United States and suitable for conversion into naval or military auxiliaries;

WHEREAS, the Commission has further determined that consistent with the public interest, it is the Buyer's desire that the Seller shall from time to time furnish and deliver parts, equipment, material and supplies (herein called the "Supplies") for the Vessels; and

WHEREAS, the Seller represents:

- (a) that all the capital stock of the Seller is owned by the Government of the Dominion of Canada (herein called the "Canadian Government");
- (b) that under date of May 15, 1941, the Canadian Government guaranteed all commitments, obligations and covenants which the Seller may give to any Department or Agency of the United States of America in connection with any contracts or orders which may be given to the Seller by any such Department or Agency of the United States of America;
- (c) that the Canadian Government has further agreed to waive notice of any change or modification which may be made from time to time in such commitments, obligations or covenants; and
- (d) that the Seller has arranged or will arrange to acquire for and furnish and deliver to the Buyer the Supplies to be ordered by the Buyer hereunder

NOW, THEREFORE, in consideration of the terms and mutual covenants, agreements and conditions hereof, the parties hereto agree as follows:

Article 1. Agreement to Purchase. The Seller undertakes to sell and deliver, and the Buyer undertakes to buy, according to the terms and conditions of this Master Contract, all Supplies ordered hereunder, and procurable by the Seller.

Article 2. Orders. Orders shall be issued, subject to the terms and conditions of this Master Contract, for all supplies required by the Buyer and procurable by the Seller.

The Orders shall state the quantity, description, purchase price, terms of payment and delivery dates of the Supplies and include plans and specifications therefor wherever necessary.

Article 3. Purchase Price. The purchase price payable by the Buyer to the Seller for all Supplies delivered and accepted hereunder shall be the prices stipulated in the contracts made between the manufacturers in Canada (herein called the "Manufacturers") and the Canadian Government or the Seller for the manufacture of the Supplies (herein called the "Manufacture Contracts").

The prices shall be adjusted to reflect any increase or decrease in the cost of the Supplies to the Seller as provided in the Manufacture

Contracts, subject to audit by the Buyer of the books and records of the Seller.

Certified true copies of all Manufacture Contracts shall be furnished by the Seller to the Buyer at the time of the issuance of Orders hereunder or as soon thereafter as practicable; provided, however, that no Order issued hereunder shall be effective until written notice of approval of the applicable Manufacture Contract shall be given to the Seller.

Payment shall be made in United States currency equivalent to the value of Canadian currency at the rate of exchange of Ninety Decimal Nine Zero Nine (90.909) or such other rate agreed upon.

Article 4 - Plans and Specifications. Any plans and specifications made part of an Order hereunder are hereby made part hereof with the same force and effect as though herein set out in full.

If any discrepancy, difference or conflict exists between the provisions of this Master Contract and the plans and specifications, then to the extent of such discrepancy, difference or conflict only the plans and specifications shall be ineffectual and the provisions hereof shall prevail, but in all other respects the plans and specifications shall be in full force and effect.

The Seller shall not otherwise depart from the requirements of the plans and specifications without prior written approval of the Buyer.

Article 5. Adjustment of Price or Changes in Plans and Specifications. Within a reasonable time after receipt of directions from the Buyer to make changes in the plans and specifications of any of the Supplies, the Seller will furnish to the Buyer a written statement of its estimate of the net increase or decrease in cost to result from such change. Such statement shall be addressed to the Chief, Procurement Section, Production Division, United States Maritime Commission, Washington, D. C.

The Buyer and the Seller shall thereupon promptly agree to any adjustment in price to be made due to such increase or decrease in cost.

Article 6. Inspection. All material and workmanship shall be subject to inspection and test at all times and places and, when practicable, during manufacture.

If any Supplies are found to be defective in material or workmanship or otherwise not in conformity with the plans and specifications, the Buyer shall have the right to reject such Supplies or require their correction. Supplies rejected or requiring correction shall be removed by and at the expense of the Seller promptly after notice so to do.

If inspection and test, whether preliminary or final, is made on the premises of the Manufacturer, the Seller shall provide without additional charge all reasonable facilities and assistance for the safe and convenient inspections and tests required by the Inspectors in the performance of their duty. All inspections and tests by the Buyer shall be performed in such a manner as not unduly to delay the work.

Special and performance tests shall be as described in the Order applicable to the Supplies or the specifications furnished therewith.

The Buyer reserves the right to charge to the Seller any additional cost of inspections and tests when Supplies are not ready at the time of inspection as requested by the Seller.

Final inspection and acceptance of Supplies shall, unless otherwise stated, be made as soon as possible after delivery.

If final inspection is made elsewhere than on the premises of the Manufacturer, it shall be at the expense of the Buyer except for the value of samples used in case of rejection.

Final inspection shall be conclusive except as regards latent defects, fraud or such hidden gross mistakes as amount to fraud.

Final inspection and acceptance or rejection of the Supplies shall be made as promptly as practicable.

Article 7. Place and Time of Delivery. The Seller shall deliver all Supplies to the Buyer, f.o.b. the Manufacturers' Plants in Canada.

The Seller shall use its best endeavors to deliver the Supplies according to the delivery dates set out in the Orders issued hereunder.

Article 8. Liens. The Seller warrants that at the time of delivery of the Supplies to the Buyer there shall be no liens or rights in rem of any kind lying or attaching upon or against any Supplies or parts thereof delivered.

If a lien or encumbrance arising out of the work to be performed hereunder is filed against the Supplies or any part thereof, the Seller shall forthwith notify the Buyer. If such lien or encumbrance is not cleared by the Seller within fifteen (15) days, the Buyer may satisfy the same by filing a bond or taking such other action as it may deem necessary and withhold the amount thereof, together with any expenses incurred in connection therewith from the amount of any payment which may then be due or which may thereafter become due to the Seller. If the amount of any such payment is insufficient to permit the deduction of the entire cost and expense so incurred by the Buyer, the Seller shall nevertheless be liable to the Buyer for the deficiency and will pay the same to the Buyer on demand.

In the event the Buyer does not satisfy any such liens or encumbrances, it may nevertheless withhold the amount thereof as provided above, unless and until such liens and encumbrances are satisfied by the Seller.

Article 9. Transfer of Rights to Buyer. All covenants, obligations, warranties, guarantees of the Manufacturers of the Supplies stipulated in the Manufacture Contracts with the Canadian Government or the Seller, which by the nature and terms thereof would be operable in favor of the Seller after completion and delivery of the Supplies if the Seller remained the Owner thereof, shall be and are hereby made available to or enforceable by the Buyer.

The Seller shall take such steps and execute such instruments as the Buyer may reasonably require as necessary for the purpose of this article.

Article 10. Officials Not to Benefit Nor be Employed. No Member of or Delegate to Congress nor Resident Commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom

except as provided in Section 116 of the Act approved March 4, 1909, (35 Stats. 1109).

Article 11. Termination Clause. The Buyer may, by written notice to the Seller, terminate any or all Orders issued under this Master Contract or any portion thereof at any time when considered to be in the best interests of the United States so to do.

Upon receipt of such notice, the Seller if it wishes to obtain reimbursement under this article, shall cause all Manufacturers concerned to cease work (including the manufacturing and/or procuring of materials for the fulfillment of the Manufacture Contracts concerned) in accordance with and to the extent specified in such notice but to proceed with all reasonable speed to complete such part or parts of the work as are by the terms of such notice to be completed and to proceed with all reasonable speed to complete up to such time and/or stage as may be specified in the notice any part or parts of the work as required by such notice.

The Buyer may, at any time, or from time to time, give one or more additional notices with respect to any or all parts of the work which remain to be completed after the giving of any previous notice or notices.

All work completed in accordance with the provisions of this contract shall be paid for at the contract price or prices.

In the event of a notice being given, the Seller shall be entitled to be reimbursed the actual cost to it of settling with the Manufacturers for work not completed under or pursuant to the provisions of this contract. This actual cost shall include:

- (a) a fair and reasonable profit, as approved by the Buyer, to the Manufacturers for work done thereon;
- (b) direct labor costs;
- (c) indirect labor or overhead charges;
- (d) depreciation of plant and equipment (at rates not in excess of those allowable by the Income Tax Division of the Department of National Revenue of the Dominion of Canada in respect of the fiscal period or periods in which the work is performed);

- (e) the cost of materials and work, incurred or accrued by the Manufacturers (including such material as and parts contracted for and for which the Manufacturers are obligated to make payment);

in respect of and properly apportionable to the performance of the Manufacture Contracts and not included in the price paid or payable to the Manufacturers in respect of work completed by the Manufacturer before or after the giving of any notice.

This actual cost shall also include the amount of certain expenditures (less any depreciation in respect thereof) properly taken into account in determining cost in accordance with the provisions set forth in (c) reasonably and properly incurred by the Manufacturers in respect of and properly apportionable to the performance of the Manufacture Contracts and not so included as aforesaid.

Provided always that the Seller shall not be reimbursed for payments made to Manufacturers for materials, whether raw or in the course of manufacture or manufactured, which have been or may be rejected by the Buyer after inspection as not complying with the terms and conditions of this contract; and provided further that the Seller shall not be reimbursed for any payments to Manufacturers for expenditures incurred by them in respect of deliveries of which the Manufacturers may be in arrears at the time the said notice is given.

It is distinctly understood and agreed that in no case shall the Seller be reimbursed for payments to Manufacturers which payments, when together with any amounts paid or due or becoming due to the Manufacturers, exceed the total price for the work to be performed under Manufacture Contracts.

Generally, the Seller shall cooperate with the Buyer and do everything reasonably within its power at all times to minimize and reduce the amount of the obligations under the provisions of this article for which the Buyer will be liable.

Upon reimbursement being made to the Seller as herein provided, title to the materials, part, plant, equipment and/or work in process in respect

of which such reimbursement is made shall pass to and vest in the Buyer (the Seller hereby agreeing to execute and deliver all requisite instruments by way of further assurance) and such materials, parts, plant, equipment and/or work in process shall be delivered to the order of the Buyer and pursuant to the direction of the Buyer, but the materials thus taken over will in no case be in excess of what would have been required for performing the Order in full if no notice had been given under the provisions hereof.

The Seller shall have no claim for damages, compensation, loss of profit, allowance or otherwise by reason of or directly or indirectly arising out of any action taken or notice given by the Buyer under or pursuant to the provisions of this article except as and to the extent in this article expressly provided.

The Seller shall keep proper accounts and records, in such form and detail as shall be satisfactory to the Buyer, of the cost to the Seller of Supplies, materials and work in process, manufactured, procured or performed for the purpose of this contract and of all sums expended in connection with the performance of this contract and the invoices, receipts and vouchers relating thereto, and in the event of the termination pursuant to this article, all such accounts, records, invoices, receipts and vouchers in connection with the performance aforesaid shall be open to audit and inspection from time to time by the Buyer, or his authorized representatives (who may make copies thereof or take extracts therefrom) and the Seller shall afford all facilities for such audits and inspections and shall give all information required therefor.

The right of termination and of giving notice hereinbefore provided for shall be in addition to and not in substitution for any other right possessed by the Buyer.

Article 12. Contingent Fees. The Seller warrants that it has not employed any person to solicit or secure this contract upon any agreement for a commission, percentage, brokerage, or fee, contingent or otherwise.

Breach of this warranty shall give the Buyer the right to terminate the contract, or, in its discretion, to deduct from the contract price or consideration the amount of such commission, percentage, brokerage, or fees. This warranty shall not apply to commissions payable by Seller upon contracts or sales secured or made through bona fide established commercial or selling agencies maintained by the Seller for the purpose of securing business.

Article 13. Disputes. Except as otherwise specifically provided in this contract, if any doubts or disputes arise concerning any question hereunder or as to anything in the plans or specifications applicable to any Order hereunder, or if any discrepancy appears between said plans or specifications and this contract, the matter shall be referred at once to the United States Maritime Commission for determination; and its decision in the premises shall be conclusive and binding upon the parties hereto.

Article 14. Renegotiation. This contract is subject to the provisions of Section 403 of Public Law 528, approved April 28, 1942 (Sixth Supplemental National Defense Appropriation Act, 1942), and the Seller hereby agrees with respect to all Orders issued by the Buyer hereunder after April 28, 1942:

- (a) That the Chairman of the Commission may renegotiate the contract price from time to time at a period or periods when, in his judgment, the profits derived or to be derived hereunder can be determined with reasonable certainty; and
- (b) That the Seller will repay to the Chairman or the Commission will retain (i) any amount of the contract price which is found as a result of such renegotiation to represent excessive profits, and (ii) an amount of the contract price equal to the amount of the reduction in the contract price of any subcontract under this contract pursuant to the renegotiation of such subcontract as provided in sub-paragraph (c) of this article; Provided, however, the liability of the Seller hereunder to make repayments of any amounts on account of a reduction in any subcontract price under this article shall be limited to the amount unpaid by the Seller to the subcontractor under such subcontract plus an amount, if any, equal to payments made to such subcontractor subsequent to the receipt of a notice from said Chairman to return said payments.

- (c) That the Seller will insert in each subcontract for an amount in excess of \$100,000 made by the Seller under this contract (i) a provision for renegotiation by said Chairman and the subcontractor of the contract price of the subcontract at a period or periods when, in the judgment of the Chairman, the profits under such subcontract can be determined with reasonable certainty, (ii) a provision for the retention by the Commission or the repayment to the Commission of any amount of the contract price of the subcontract which is found as a result of such renegotiation, to represent excessive profits, and (iii) a provision for relieving the Seller from any liability to the subcontractor on account of any amount so retained by or repaid to the Commission.

IN WITNESS WHEREOF the parties hereto have executed this contract in quadruplicate as of the day and year first above written.

UNITED STATES OF AMERICA
By UNITED STATES GOALING COMMISSION

Witness:

By _____
Chairman

Assistant Secretary

WAR SUPPLIES, LIMITED

Witness:

By (Sgd.) R. G. PEARCE
R. G. Pearce, General Manager

(Sgd.) V. W. SCULLY
V. W. Scully, Treasurer

No Legal Objection:

Wade H. Skinner
General Counsel

August 18, 1942.

Dear Mr. Bowley:

In Mr. White's absence from the office this will acknowledge your letter of August 19th, with regard to a release by the British Treasury on account for R.E.O.

Your communication will be called to Mr. White's attention upon his return.

Very truly yours,

(sgd) Linda M. Shanahan

Secretary to
Mr. H. D. White.

Mr. T. K. Bowley,
The British Supply Council in
North America,
Box 680, Benjamin Franklin Station,
Washington, D. C.

8/18/42 - Mailed by LS

LS
8/18/42

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7860



BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

August 15, 1942.

Dear Dr. White:

In continuation of my letter of August 4th this is to let you know that the British Treasury has released two million dollars on account for R.K.O. and has sent R.K.O. the following letter:

"I am obliged for your letter of August 12th concerning RKO Pictures which has been carefully considered in the Treasury. It is disappointing to find that no reply has been made to the letter which I sent to Mr. Allport on July 21st. On the contrary, applications have, as you state, been put forward by the other companies and in the absence of the assurances for which we asked it is difficult to see how it would be possible to meet R.K.O.'s application in full without prejudicing the negotiations in Washington.

It is therefore proposed to give final consideration to your claim at the same time as the general claim by the companies, but in view of the fact that a remittance is urgently required if a financial crisis is to be avoided the Treasury are prepared to allow a remittance on account of two million dollars and perhaps you will make application through your bankers accordingly.

I am sending a copy of this to the Bank of England who will expect such an application."

Yours Sincerely,

T.K. Bewley
T.K. Bewley.

TKE/GLA

Dr. H.D. White,
Director of Monetary Research
United States Treasury,
Washington, D.C.

JUL 18 1942

Strictly Confidential**My dear Mr. Secretary:**

Your letter of August 13, 1942 (Da 611.111 Canada/1512), relative to the possible evacuation through American territory of persons from Victoria and the southern end of Vancouver Island has been received.

It is noted that the Immigration and Naturalization Service is expected to instruct its field offices in the near future that passports, visas, and export permits shall be waived if the evacuation becomes necessary.

A copy of the strictly confidential instructions being sent today to the collector of customs at Seattle, Wash., in regard to this matter is enclosed. It is believed that these instructions are self-explanatory.

By direction of the Secretary:

Very truly yours,

(Signed) Herbert E. Gaston

HERBERT E. GASTON,
Assistant Secretary of the Treasury.

The Honorable

The Secretary of State.

Enclosure No. 75418.

WM/agg 8-18-42

August 18, 1942.

STRICTLY CONFIDENTIAL

The Collector of Customs,
Seattle, Washington.

Sir:

In the event an emergency should arise necessitating the evacuation through American territory of residents of Victoria and of the southern end of Vancouver Island, British Columbia, you are directed to supervise the transit of the baggage and effects of such persons from the point of landing in the United States to the port of exit into Canada and to render any additional assistance within your power.

Plans for carrying into effect the foregoing instructions should be prepared immediately, so that no delays may occur in the event an emergency arises necessitating the evacuation of these Canadian residents.

It is understood the Immigration and Naturalization Service has been similarly instructed and that it is preparing plans in connection with the performance of their functions.

You are instructed to treat this matter as strictly confidential and to take all steps necessary to prevent information with regard thereto from getting into the hands of unauthorized persons.

Very truly yours,

(s) HERBERT E. GASTON
HERBERT E. GASTON.
Assistant Secretary of the Treasury.

EJS:LRS 8-18-42

copy/pm



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
Bu 811.111 Canada/1512

August 13, 1942

STRICTLY CONFIDENTIAL

My dear Mr. Secretary:

The receipt is acknowledged of your letter dated July 22, 1942, stating that in the event of an emergency requiring the evacuation through American territory of persons from Victoria and the southern end of Vancouver Island, appropriate instructions will be given to the United States customs authorities to supervise the transit of the baggage and effects of the evacuees from the point of landing in the United States to the port of exit into Canada. You request to be informed of the measures which the United States Immigration authorities contemplate taking in the matter.

Through an exchange of correspondence between this Department and the Department of Justice it has been arranged that passports, visas, and exit permits, would be waived should the necessity arise. It is understood that appropriate instructions to this effect will be sent to the Field Offices of the Immigration and Naturalization Service in the near future.

In the event that an evacuation should occur, it is believed that there may be little or no advance warning and for this reason it is hoped that the appropriate United States customs authorities in the locality involved can be given standing instructions which can be put into operation immediately without the necessity of communicating in advance with Washington.

Sincerely yours,

For the Secretary of State:

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

Adolf A. Berle, Jr.
Adolf A. Berle, Jr.
Assistant Secretary



BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 282

Information received up to 7 A.M., August 18th, 1942.

1. NAVAL

One of H.M. Submarines torpedoed a merchant ship, escorted by a trawler off the Norwegian coast on the 12th. On the 31st July one of H.M. Submarines obtained two hits on a former Yugoslav training ship, escorted by three destroyers off ANCONA in the ADRIATIC. On the 17th one of H.M. Submarines obtained one hit on each of two ships escorted by three destroyers southwest of NAVARINO. Preliminary estimate of enemy aircraft shot down by aircraft from the fleet during the passage of the MALTA convoy is 39 destroyed, five probable and nine possible. Ships A.A. destroyed 8 and probably destroyed 2.

2. MILITARY

RUSSIA. In the VORONEZH area renewed Russian attacks have met with some success. The Germans continue to meet strong Russian resistance southwest of STALINGRAD. In the CAUCASUS the Germans have made further progress in the advance up the river KUBAN.

3. AIR OPERATIONS

WESTERN FRONT. 17th. 12 U.S. Fortresses escorted by ten squadrons of Spitfires, including two U.S. squadrons bombed the railway centre near ROUEN from 21,700 feet. Hits were made on the locomotive sheds and in the marshalling yards. Fighters destroyed two F.W.190's, probably destroyed 4 and damaged 5. The bombers damaged one. 3 Spitfires are missing, one pilot safe. Diversionary sweeps over the Channel were carried out by six U.S. Fortresses escorted by 16 fighter squadrons. 17th/18th. 143 aircraft were sent out - OSNABRUCK 129, aerodromes 10, mining 4. Five are missing. About 20 enemy aircraft were plotted, 12 of which were working over Southwest England. Two were shot down. One of them over FRANCE.

EGYPT. 15th. In the evening U.S. Liberators bombed a convoy southwest of CRETE and claimed to have hit one ship. Later on Wellingtons scored a direct hit which was followed by a violent explosion. 15th/16th. TOBRUK and MERSA MATRUH harbours were bombed. A ship, a lighter and a F-boat were hit. 16th. Two F-boats were hit and fighter bombers attacked M.T. in the Southern sector. Five of our bombers are missing from all operations.

MALTA. 17th. Three M.E. 109's were destroyed and one Spitfire lost, pilot safe. MEDITERRANEAN. A Beaufort sank an enemy vessel south of PANFELLARIA.

4. HOME SECURITY

17th/18th. SWINDON. A railway workshop was damaged. Eleven fatal casualties reported.

TREASURY DEPARTMENT

219

INTER OFFICE COMMUNICATION

DATE August 18, 1942

TO Secretary Morgenthau
FROM Mr. Hoflich

Subject: U. S. Arms Production in July.

1. During July, 1942, the United States produced 4,048 military planes, of which 2,059 were combat types (fighters and bombers). For the first time, American combat plane production has reached the figure estimated for Germany (U.S. Army estimate, 2,050 per month). Total American military plane production in July reached 93 percent of the planning schedule of the Joint Aircraft Committee, but combat planes produced were only 89 percent of the scheduled goal.

2. More than 2,000 tanks (1,115 medium, 942 light) were produced in this country during the month of July. This production exceeded by 6 percent the forecast for July.

3. The production of 90 mm. anti-aircraft guns, and 105 mm. howitzers increased considerably in July, exceeding the forecasts by substantial margins. An output of 100 of the 155 mm. guns was forecast, but only 76 were produced, 30 percent fewer than in June. The production of self-propelled 75 mm. anti-tank guns was below that of June, but 75 percent above the forecast. Fewer sub-machine guns and 30 caliber machine guns were produced in July, only 62 and 69 percent respectively of the forecasts. The output of Garand rifles and 50 caliber machine guns continued to progress favorably.

4. Nine destroyers and four submarines were the only major combat vessels completed in July. The output exceeded the forecast by 20 to 100 percent.

NOTE: The attached tables afford a comparison of the May, June and July production figures.

TABLE I

U. S. Military Plane Production*
May, June and July, 1942

<u>Type</u>	<u>Production</u>			<u>July Production as percentage of schedule**</u>	<u>Cumulative Total January 1 to July 31, 1942</u>
	<u>May</u>	<u>: June</u>	<u>: July</u>		
Pursuit and fighter	773	954	1,008	94 percent	5,868
Light and medium bombers	937	810	838	83 "	5,075
Heavy bombers	<u>178</u>	<u>197</u>	<u>213</u>	99 "	<u>1,135</u>
Total combat	1,888	1,961	2,059	89 "	12,078
Trainers	1,596	1,186	1,298	97 "	9,338
Other military types	<u>414</u>	<u>504</u>	<u>691</u>	100 "	<u>3,204</u>
GRAND TOTAL	3,898	3,651	4,048	93 "	24,620

* In terms of acceptances - planes accepted at the assembly plants by representatives of the procuring agencies.

** Planning schedule of the Joint Aircraft Committee.

(Source: War Production Board, Statistics Division)

TABLE II

United States Tank Production
May, June and July, 1942

	<u>Production</u>			July production as percentage of forecast	Cumulative Total January 1 to July 31, 1942
	<u>May</u>	<u>: June</u>	<u>: July</u>		
Medium (28 tons)	826	832	1,115	109 percent	5,468
Light (7-15½ tons)	<u>635</u>	<u>883</u>	<u>942</u>	<u>102</u> "	<u>4,176</u>
Total	1,461	1,715	2,057	106 "	9,644

* Forecasts are based upon latest estimates of production.

(Source: War Production Board, Statistics Division)

TABLE III

U. S. Production of Leading Ordnance and
Small Arms Items, May, June and July, 1942

	<u>Production</u>			<u>July production as</u>	<u>Cumulative Total</u>
	<u>May</u>	<u>June</u>	<u>July</u>	<u>percentage of forecast*</u>	<u>January 1 to July 31, 1942</u>
90 mm. anti-aircraft guns	171	178	292	133 percent	1,011
155 mm. guns	35	109	76	76 "	333
105 mm. howitzers	356	126	470	160 "	2,540
Self-propelled 105 mm. howitzers	33	0	152	32 "	543
Self-propelled 75 mm. AT guns	206	208	191	175 "	925
Army machine-guns					
50 caliber	3,150	3,749	4,680	128 "	20,330
30 caliber	13,141	30,422	24,454	69 "	103,694
Sub-machine guns	56,384	57,204	37,005	62 "	338,524
Garand rifles	56,481	58,980	66,300	110 "	364,811

* Forecasts are based upon latest estimates of production.

(Source: War Production Board, Statistics Division)

TABLE IV.

U. S. Production of Major Combat Naval
Vessels, May, June and July, 1942.

	<u>Deliveries</u>			<u>July deliveries as percentage of forecast*</u>
	<u>May</u>	<u>: June</u>	<u>: July</u>	
Battleships (35,000 T.)	1	0	0	--
Destroyers (Large: 2,100 T.)	0	3	3	150 percent
Destroyers (Small: 1,620 and 1,630 T.)	5	3	6	120 "
Submarines	2	5	4	200 "

* Navy Department forecasts, based on construction plans.

(Source: War Production Board, Statistics Division)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 18, 1942

TO Secretary Morgenthau

FROM Mr. Hoflich

Subject: Summary of Intelligence Reports.

North Africa

Considering the rate at which Axis and British reinforcements are arriving in Egypt, it is probable that one side or the other will launch another general attack within a week or so. Military Intelligence officers are inclined to the point of view that the Germans will take the offensive, and that the British are in no position to attack. This is in spite of the fact that the British still have substantial superiority in numbers of troops, planes and tanks. But they have fewer heavy tanks, no anti-tank artillery comparable to the German 88 mm. gun, and their recent attacks have displayed a woeful lack of coordination.

From North Africa come new reports that French trucks, together with North African foodstuffs, are again reaching Axis forces in Libya.

(Military Intelligence Service, August 13, 1942; and Office of Strategic Services, "The War this Week," August 6-13, 1942.)

Nazi Coastal Defenses

According to the "Voice of the Chief," Gen. Joseph Dietrich, Commander of the S.S. forces in France, told a Nazi party official in a Paris restaurant about the "deplorable state" of coastal defenses in France. Dietrich maintained that the defense preparations by the German Navy were "a complete failure, and that the English, if they tried to break through anywhere between La Rochelle and Hendaye, would have no trouble whatsoever."

(Federal Communications Commission, August 10, 1942.)

Malta Convoy

Four supply ships from last week's convoy have reached Malta. Eight ships are reported lost and one unaccounted for (five supply ships, the aircraft carrier "Eagle," the cruiser "Manchester," one anti-aircraft cruiser, and one destroyer).

(British Operations Reports, August 13-15, 1942.)

- 2 -

Germany's Iron and Steel Position

Germany's war effort in 1942 will not be handicapped by lack of steel, according to a memorandum by the Economics Division of the Office of Strategic Services. The 1942 steel production of Axis-controlled Europe will be about 44 million tons, of which only 35 to 40 percent are required to meet direct military needs of the European Axis powers.

At present about 46 percent of the European Axis iron ore supply comes from France, 18 percent from Sweden, 18 percent from conquered sources other than France, and 15 percent from the old Reich.

(Office of Strategic Services, "The War this Week,"
August 6-13, 1942.)

CLASS OF SERVICE

This is a full-rate Telegram or Cable-gram unless its de- scribed character is in- dicated by a suitable symbol above or pre- ceding the address.

WESTERN UNION

1220

2265

DL=Day Letter
NT=Overnight Telegram
LC=Deferred Cable
NLT=Cable Night Letter
Ship Radiogram

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

The time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination

QA73

AZA67 1572/1570 GOVT NT COLLECT=1/1550 AUGUSTA GA 18

MRS KLOTZ

242 OFFICE OF SECRETARY OF THE TREASURY DLR AT 830 AM

WASHDC

SECRETARY WOULD LIKE TO HAVE FOLLOWING DRAFT OF HIS
ROANOKE SPEECH TYPED AND DISTRIBUTED WEDNESDAY MORNING TO
BELL GRAVES ODEGARD GASTON WOULD APPRECIATE THEIR COMMENTS
AND YOURS BY WIRE SOONEST POSSIBLE.

JUST BEFORE COMING TO ROANOKE FOR THIS GREAT
DEMONSTRATION IT WAS MY PRIVILEGE IN THE PAST FOUR DAYS TO
INSPECT ARMY CAMPS IN THE WEST AND SOUTH AT THE INVITATION OF
GENERAL MARSHALL. BY WAY OF PREFACE I CAN ASSURE YOU THAT YOUR
BOYS ARE BEING WELL HOUSED, WELL FED AND WELL PREPARED FOR THE
FIGHTING THAT LIES AHEAD OF THEM. NO PRAISE OF MINE, AS THE
FATHER OF A SOLDIER AND A SAILOR, CAN BE TOO HIGH FOR THE JOB
THE ARMY HAS DONE AND IS DOING IN EQUIPPING AND TRAINING THE
MANPOWER OF AMERICA FOR WAR.

ONE IMPRESSION ABOVE ALL THAT I BRING AWAY WITH ME
IS OF THE MAGNIFICENT SPIRIT OF THESE MEN. WE CIVILIANS USED
TO THINK, IN OUR SUPERIOR WAY, THAT WE NEEDED TO...

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its de- ced character is in- dicated by a suitable symbol above or pre- ceding the address.

WESTERN UNION

1220

227

SYMBOLS

DL	Day Letter
MT	Overnight Telegram
LC	Deferred Cable
MLT	Cable Night Letter
	Ship Radiogram

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
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QA74

1942 AUG 19 11 4 41

AZA672/160

SEND MORALE OFFICERS AMONG OUR TROOPS. TODAY IT WOULD DO ALL OF US GOOD TO HAVE SOME OF THESE TROOPS COME AMONG US FOR A TIME. BELIEVE ME, THEY KNOW WHAT THIS WAR IS ALL ABOUT. THEY KNOW THE EFFORT AND SACRIFICE THAT IT WILL TAKE TO WIN. THEY ARE READY FOR IT, WITH A CHEERFUL COURAGE THAT IS AN INSPIRATION TO ALL WHO SEE IT.

9 YOU IN ROANOKE ARE ESPECIALLY ENTITLED TO CLAIM SOME OF THE CREDIT FOR EQUIPPING. MAINTAINING AND TRAINING THIS ARMY OF OURS. YOU HAVE NOT ONLY FURNISHED YOUR SHARE OF MEN, BUT YOUR WAR BONDS HAVE HELPED TO PAY FOR THE WEAPONS THAT ARMY WILL USE IN BATTLE. AND IN THE BUYING OF WAR BONDS YOUR CITY HAS SET A RECORD AND AN EXAMPLE FOR OTHER CITIES TO FOLLOW. THESE TWO HUNDRED BLUE MINUTE MAN FLAGS, WHICH I SEE BEFORE ME THIS AFTERNOON, ARE SYMBOLS SHOWING THAT ROANOKE IS THE FIRST CITY IN THE UNITED STATES..

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its designated character is indicated by a suitable symbol above or preceding the address.

WESTERN UNION

1220

228

SYMBOLS

DL	Day Letter
NT	Overnight Telegram
LC	Deferred Cable
NLT	Cable Night Letter
Ship Radiogram	

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

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QA79

AZA67 3/160=

1942 MAR 19 AM 4 47

IN WHICH EVERY COMPANY HAS ADOPTED A PAYROLL SAVINGS PLAN FOR THE PURCHASE OF WAR BONDS OUT OF CURRENT EARNINGS.

I AM ESPECIALLY GLAD THAT THIS HAS BEEN ACCOMPLISHED IN THE HOME CITY OF CONGRESSMAN WOODRUM AND THAT HE IS HERE WITH US TODAY. I HAVE LOOKED UPON CONGRESSMAN WOODRUM AS A FRIEND EVER SINCE MY OLD FARM BOARD DAYS, BACK IN EARLY 1933, WHEN I CAME BEFORE HIS COMMITTEE FOR AN APPROPRIATION. IN THE YEARS SINCE THEN HE HAS ALWAYS BEEN A FRIEND OF THE TREASURY; IT HAS BEEN A FRIEND OF SOUND FINANCE WHO HAS HELPED TO CREATE A SOUND PUBLIC UNDERSTANDING OF OUR FINANCIAL PROBLEMS. IT MUST GIVE THE CONGRESSMAN A SPECIAL SATISFACTION TO SEE HIS OWN CITY OF ROANOKE TAKING SUCH AN ACTIVE PART IN THE FINANCING OF THIS WAR. IT MUST MAKE HIM ESPECIALLY PROUD TO SEE HIS OWN CITY BUYING "A SHARE IN AMERICA" REGULARLY, WEEK AFTER WEEK, FOR HE BELIEVES, AS I BELIEVE,=.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

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WESTERN UNION

1290

229
SYMBOLS

DL = Day Letter

NT = Overnight Telegram

LC = Deferred Cable

NLT = Cable Night Letter

Ship Radiogram

A. N. WILLIAMS
PRESIDENTNEWCOMB CARLTON
CHAIRMAN OF THE BOARDJ. C. WILLEVER
FIRST VICE-PRESIDENT

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.QA81

AZA67 4/160=

1942 AUG 19 AM 4 42

THAT IF MILLIONS OF AMERICANS OWN GOVERNMENT SECURITIES THEY WILL TAKE A MORE ACTIVE AND HELPFUL INTEREST IN THE WAY THEIR MONEY IS BEING SPENT, NOT ONLY NOW BUT IN THE YEARS TO COME. TO THOSE WHO MAY BE LISTENING IN OTHER CITIES, I SHOULD LIKE TO SAY THAT THERE IS NO SPECIAL REASON OF GEOGRAPHY, ECONOMICS OR HUMAN NATURE THAT MAKES ROANOKE ANY DIFFERENT FROM A HUNDRED OTHER CITIES OF ITS SIZE. ROANOKE IS, IN FACT, JUST AN AVERAGE AMERICAN COMMUNITY. IT HAS NO PARTICULAR CONCENTRATION OF WAR INDUSTRY IN ITS AREA. ITS INCOMES HAVE NOT BEEN DOUBLED AND TRIPLED BY WAR WORK. THE ONLY EXPLANATION OF ITS WAR BOND RECORD IS THAT ITS EMPLOYERS AND WORKERS HAVE SEEN THEIR DUTY IN THESE WARTIME DAYS AND HAVE DONE IT. MY HOPE NOW IS THAT THE CITIES OF THE UNITED STATES WILL FOLLOW THIS LEAD, ONE AFTER ANOTHER, AND WILL REPORT EVERY FIRM ENROLLED IN PAYROLL SAVINGS WITH AT LEAST NINETY=.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

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symbol above or pre-
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WESTERN UNION

1220

230
SYMBOLS

DL=Day Letter
NT=Overnight Telegram
LC=Deferred Cable
NLT=Cable Night Letter
Ship Radiogram

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

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QA85

1942 AUG 19 AM 4 42

AZA67 5/160=

PERCENT OF ALL EMPLOYEES SETTING ASIDE AT LEAST 10 PERCENT OF THEIR EARNINGS EVERY PAYDAY TO HELP FINANCE THE WAR.

WITH WAR EXPENDITURES RUNNING AT FIVE BILLION DOLLARS A MONTH, YOU MAY WONDER WHY THE TREASURY IS WORKING SO HARD TO RAISE ONE BILLION A MONTH THROUGH THE SALE OF WAR BONDS. WE COULD SO EASILY RAISE THE ENTIRE FIVE BILLION EVERY MONTH BY ASKING THE BANKS TO SUPPLY ALL OF IT OR MOST OF IT THEMSELVES. THAT WOULD BE THE WAY MOST MODERN WARS HAVE BEEN FINANCED, BUT IT WOULD BE THE INFLATIONARY WAY, AND WE AT THE TREASURY DO NOT INTEND TO REPEAT PREVIOUS ERRORS THIS TIME. WE DO NOT INTEND TO LET THE PURCHASING POWER OF YOUR DOLLAR DWINDLE AFTER THIS WAR AS IT DID AFTER THE LAST.

THE NEED OF FINANCING THIS COLOSSAL WAR EFFORT WITHOUT A DISASTROUS INFLATION HAS BEEN A CONSTANT PREOCCUPATION AT THE TREASURY EVER SINCE OUR REARMAMENT PROGRAM FIRST CAST ITS SHADOW.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

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WESTERN UNION

1220

284 BOLS

DL - Day Letter

NT - Overnight Telegram

LC - Deferred Cable

NLT - Cable Night Letter

Ship Radiogram

A. N. WILLIAMS
PRESIDENTNEWCOMB CARLTON
CHAIRMAN OF THE BOARDJ. C. WILLEVER
FIRST VICE-PRESIDENT

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QA88

1942 AUG 19 AM 4 42

AZA67 6/160=

MORE THAN TWO YEARS AGO. MORNING, NOON AND NIGHT WE HAVE REGARDED IT AS OUR MAJOR RESPONSIBILITY TO THE AMERICAN PEOPLE TO FINANCE THIS WAR AS FAR AS POSSIBLE WITHOUT GOING TO THE BANKS. THE PUBLIC IS HARDLY CONSCIOUS OF THE FACT THAT WITHIN THE PAST MONTH, FOR EXAMPLE, WE RAISED OVER A BILLION DOLLARS OUTSIDE THE BANKING SYSTEM, IN ADDITION TO ALMOST A BILLION DOLLARS OF WAR BOND SALES, BY GOING TO INSTITUTIONAL INVESTORS AND WEALTHY INDIVIDUALS. THIS BORROWING WAS NONINFLATIONARY IN THAT IT CAME FROM SAVINGS. IN THE SAME WAY YOUR PURCHASES OF WAR BONDS ARE NON-INFLATIONARY TO THE EXTENT THAT THEY COME FROM CURRENT INCOME. EVERY TIME YOU BUY A WAR BOND, THEREFORE YOU ARE NOT ONLY HELPING TO PAY FOR THE WAR, BUT YOU ARE HELPING TO PROTECT THE VALUE OF YOUR DOLLARS AFTER THE WAR IS WON.

AT A TIME LIKE THIS IT IS NOT ENOUGH TO BUY WAR BONDS WITH WHATEVER WE MAY HAVE.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

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WESTERN UNION

1220

233
5113LS

DL - Day Letter
NT - Overnight Telegram
LC - Deferred Cable
NLT - Cable Night Letter
Ship Radiogram

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

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QA89

1942 AUG 19 AM 4 42

AZA67 7/160

LEFT OVER FROM OUR FAMILY BUDGETS. I SUSPECT THAT MILLIONS OF US STILL PLACE THE BUYING OF WAR BONDS LAST IN OUR FAMILY BUDGET FOR THE MONTH, YET WE HAVE PASSED THE TIME WHEN ANY OF US CAN AFFORD TO PUT THE WAR LAST IN OUR THOUGHTS OR IN OUR DAILY LIVES.

¶ WE ON THE HOME FRONT HAVE GOT TO FIGHT HARDER FROM NOW ON. WE HAVE GOT TO DISCIPLINE OURSELVES TO DO WITHOUT THE THINGS WE WANT AND TO PUT MORE OF OUR EARNINGS INTO WAR BONDS INSTEAD. FOR THOSE WHO ARE EARNING GOOD MONEY - AND THERE ARE MILLIONS IN THAT CATEGORY TODAY - IT IS HIGH TIME TO PUT THE BUYING OF WAR BONDS FIRST ON THE FAMILY BUDGET. IT IS HIGH TIME FOR ALL OF US TO CUT DEEPLY INTO OUR ACCUSTOMED WAYS OF LIVING SO THAT WE CAN HELP OUR COUNTRY IN THIS WAR FOR SURVIVAL AND FOR FREEDOM.

¶ MAY I SUGGEST A FEW DAYS IN WHICH..

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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WESTERN UNION

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233

SYMBOLS

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A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

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QA92

1942 AUG 19 AM 4 42

AZA67 8/160

EMPLOYERS AND WORKERS CAN DO MORE THAN THEY HAVE BEEN DOING. THERE ARE IN THE UNITED STATES ABOUT 34,000 COMPANIES THAT EMPLOY MORE THAN 100 PEOPLE EACH. MORE THAN 27,000 OF THESE HAVE ALREADY INSTALLED THE PAYROLL SAVING PLAN FOR THE SYSTEMATIC BUYING OF WAR BONDS - BUT HOW ABOUT THE OTHER 7,000 COMPANIES? CAN ANY BUSINESSMAN CLAIM THAT HE IS DOING ALL HE CAN WHEN HE HAS NOT EVEN MADE IT POSSIBLE FOR HIS EMPLOYEES TO INVEST REGULARLY IN THE WINNING OF THE WAR?

ABOUT THIRTY MILLION MEN AND WOMEN WORK FOR REGULAR PAY IN THIS COUNTRY. MORE THAN 18 MILLION OF THEM ARE SETTING ASIDE A PART OF THEIR PAY EVERY PAYDAY FOR THE BUYING OF WAR BONDS, AND I GIVE THEM FULL CREDIT FOR THE PATRIOTISM, THE EFFORT, AND IN MANY CASES THE REAL SACRIFICE WHICH THIS REGULAR INVESTMENT INVOLVES. BUT HOW ABOUT THE OTHER 12 MILLION WORKERS WHO ARE NOT YET ENROLLED FOR PAYROLL SAVINGS? EVEN THE 18 MILLION-

100 27,000 7,000 12...

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

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WESTERN UNION

1230

SYMBOLS

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LC = Deferred Cable
NLT = Cable Night Letter
Ship Radiogram

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

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QA94

AZA679/160=

1942 AUG 19 AM 4 42

WHO ARE NOW BUYING ARE SETTING ASIDE AN AVERAGE OF ONLY SIX PERCENT OF THEIR PAY. WHY NOT TEN PERCENT? CAN WE HONESTLY SAY THAT WHAT WE ARE DOING ON THE HOME FRONT IS ENOUGH?

IN THE PAST TWO WEEKS OUR MEN HAVE BEEN FIGHTING FOR THE FIRST TIME IN HARD AND BITTER OFFENSIVE ACTION AGAINST THE ENEMY. IF ANYONE THINKS FOR A MINUTE THAT WE ON THE HOME FRONT ARE DOING ALL WE CAN, I SUGGEST THAT HE THINK OF THOSE BEACHES AND JUNGLES IN THE SOLOMON ISLANDS, WHERE OUR MEN, YOUR MEN, HAVE FACED BOMBS AND SHELLS AND DANGERS THAT WE CAN HARDLY IMAGINE, AND YET HAVE DRIVEN BACK A SAVAGE AND RUTHLESS ENEMY. IF ANYONE THINKS THAT WE CIVILIANS ARE DOING OUR FULL PART, LET HIM THINK ALSO OF OUR MEN IN THE FOG BOUND ALEUTIANS, IN THE DESERT OF AFRICA, IN GREENLAND AND IRELAND AND INDIA, IN THE MIDDLE EAST AND AUSTRALIA AND A DOZEN OTHER FRONTS AROUND=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

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A. N. WILLIAMS
PRESIDENTNEWCOMB CARLTON
CHAIRMAN OF THE BOARDJ. C. WILLEVEN
FIRST VICE-PRESIDENT

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QA96

1942 AUG 19 AM 4 42

AZA67 10/129

THE GLOBE. THEY ARE NOT COUNTING THE COST, EVEN IF IT MEANS LIFE ITSELF. THEY ARE NOT FIGHTING A SIX PERCENT WAR OR EVEN A TEN PERCENT WAR. THEY ARE READY TO GIVE EVERYTHING SO THAT WE AT HOME, AND OUR CHILDREN AND OUR CHILDRENS CHILDREN CAN GO ON LIVING IN A FREE AMERICA.

I SHOULD LIKE THE CIVILIANS OF AMERICA TO SEND JUST ONE MESSAGE TO ALL THOSE MILLIONS OF MEN IN UNIFORM WHO ARE FIGHTING AT THIS MOMENT, OR SERVING IN LONELY POSTS OF DANGER, OR TRAINING FOR THE BATTLES TO COME. THAT MESSAGE WOULD BE "WE ARE READY TOO. WE ARE DOING ALL WE CAN IN WHATEVER WAY WE CAN. WE SHALL TRY TO BE WORTHY OF YOU UNTIL THE WAR AND THE PEACE ARE WON."

FERDINAND KUHN JR.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

236

August 19, 1942

TO: Mr. Bell
Mr. Graves
Mr. Odegard
Mr. Gaston

FROM: Mrs. Klotz

The Secretary has asked that the attached draft of his Roanoke speech be sent to you. He would appreciate your comments by wire as soon as possible.

Just before coming to Roanoke for this great demonstration, it was my privilege in the past four days to inspect Army camps in the West and South at the invitation of General Marshall. By way of preface, I can assure you that your boys are being well housed, well fed and well prepared for the fighting that lies ahead of them. No praise of mine, as the father of a soldier and a sailor, can be too high for the job the Army has done and is doing in equipping and training the manpower of America for war.

One impression above all that I bring away with me is of the magnificent spirit of these men. We civilians used to think, in our superior way, that we needed to send morale officers among our troops. Today it would do all of us good to have some of these troops come among us for a time. Believe me, they know what this war is all about. They know the effort and sacrifice that it will take to win. They are ready for it, with a cheerful courage that is an inspiration to all who see it.

- 2 -

You in Roanoke are especially entitled to claim some of the credit for equipping, maintaining and training this Army of ours. You have not only furnished your share of men, but your War Bonds have helped to pay for the weapons that Army will use in battle. And in the buying of War Bonds, your city has set a record and an example for other cities to follow. These two hundred Blue Minute Man Flags, which I see before me this afternoon, are symbols showing that Roanoke is the first city in the United States, in which every company has adopted a payroll savings plan for the purchase of War Bonds out of current earnings.

I am especially glad that this has been accomplished in the home city of Congressman Woodrum and that he is here with us today. I have looked upon Congressman Woodrum as a friend ever since my old Farm Board days, back in early 1933, when I came before his committee for an appropriation. In the years since then he has always been a friend of the Treasury; he has been a friend of sound finance who has helped to create a sound public understanding of our financial problems. It must give the Congressman a special satisfaction to see his own city of Roanoke taking such an active part in the financing of this war. It must make him especially proud to see his own

- 3 -

city buying "A Share in America" regularly, week after week, for he believes, as I believe, that if millions of Americans own Government securities they will take a more active and helpful interest in the way their money is being spent, not only now but in the years to come.

To those who may be listening in other cities, I should like to say that there is no special reason of geography, economics or human nature that makes Roanoke any different from a hundred other cities of its size. Roanoke is, in fact, just an average American community. It has no particular concentration of war industry in its area. Its incomes have not been doubled and tripled by war work. The only explanation of its War Bond record is that its employers and workers have seen their duty in these wartime days and have done it. My hope now is that the cities of the United States will follow this lead, one after another, and will report every firm enrolled in payroll savings with at least ninety per cent of all employees setting aside at least ten per cent of their earnings every pay day to help finance the war.

- 4 -

With war expenditures running at five billion dollars a month, you may wonder why the Treasury is working so hard to raise one billion a month through the sale of War Bonds. We could so easily raise the entire five billion every month by asking the banks to supply all of it or most of it themselves. That would be the way most modern wars have been financed, but it would be the inflationary way, and we at the Treasury do not intend to repeat previous errors this time. We do not intend to let the purchasing power of your dollar dwindle after this war as it did after the last.

The need of financing this colossal war effort without a disastrous inflation has been a constant preoccupation at the Treasury ever since our rearmament program first cast its shadow more than two years ago. Morning, noon and night we have regarded it as our major responsibility to the American people to finance this war as far as possible without going to the banks. The public is hardly conscious of the fact that within the past month, for example, we raised over a billion dollars outside the banking system, in addition to almost a billion dollars of War Bond sales, by going to institutional

- 5 -

investors and wealthy individuals. This borrowing was non-inflationary in that it came from savings. In the same way your purchases of War Bonds are non-inflationary to the extent that they come from current income. Every time you buy a War Bond, therefore, you are not only helping to pay for the war, but you are helping to protect the value of your dollars after the war is won.

At a time like this, it is not enough to buy War Bonds with whatever we may have left over from our family budgets. I suspect that millions of us still place the buying of War Bonds last in our family budget for the month. Yet we have passed the time when any of us can afford to put the war last in our thoughts or in our daily lives.

We, on the home front, have got to fight harder from now on. We have got to discipline ourselves to do without the things we want and to put more of our earnings into War Bonds instead. For those who are earning good money - and there are millions in that category today - it is high time to put the buying of War Bonds first on the family budget. It is high time for all of us to cut deeply into our accustomed ways of living so that we can help our country in this war for survival and for freedom.

- 6 -

May I suggest a few ways in which employers and workers can do more than they have been doing. There are in the United States about 34,000 companies that employ more than 100 people each. More than 27,000 of these have already installed the payroll saving plan for the systematic buying of War Bonds - but how about the other 7,000 companies? Can any businessman claim that he is doing all he can when he has not even made it possible for his employees to invest regularly in the winning of the war?

About thirty million men and women work for regular pay in this country. More than 18 million of them are setting aside a part of their pay every payday for the buying of War Bonds, and I give them full credit for the patriotism, the effort, and in many cases the real sacrifice which this regular investment involves. But how about the other 12 million workers who are not yet enrolled for payroll savings? Even the 18 million who are now buying are setting aside an average of only six per cent of their pay. Why not ten per cent? Can we honestly say that what we are doing on the home front is enough?

- 7 -

In the past two weeks our men have been fighting for the first time in hard and bitter offensive action against the enemy. If any one thinks for a minute that we on the home front are doing all we can, I suggest that he think of those beaches and jungles in the Solomon Islands, where our men, your men, have faced bombs and shells and dangers that we can hardly imagine, and yet have driven back a savage and ruthless enemy. If any one thinks that we civilians are doing our full part, let him think also of our men in the fog-bound Aleutians, in the desert of Africa, in Greenland and Ireland and India, in the Middle East and Australia, and a dozen other fronts around the globe. They are not counting the cost, even if it means life itself. They are not fighting a six per cent war or even a ten per cent war. They are ready to give everything so that we at home, and our children and our children's children can go on living in a free America.

I should like the civilians of America to send just one message to all those millions of men in uniform who are fighting at this moment, or serving in lonely posts of danger, or training for the battles to come. That message would be, "We are ready too. We are doing all we can in whatever way we can. We shall try to be worthy of you until the war and the peace are won."

C
O
P
Y

2446

EXPENSES OF LOANS

August 19, 1942

HON. FERDINAND MCHEN
% GENERAL ALLEN
FORT BENNING, GEORGIA

FOLOWING ARE SUGGESTED CHANGES IN SPEECH AS WIRED TO US IN FIFTH PARAGRAPH LAST SENTENCE BEGINNING QUOTE MY HOPE NOW IS UNQUOTE CHANGE ENDING TO READ QUOTE WILL REPORT EVERY FIRM ENROLLED IN PATROLL SAVINGS WITH THE EMPLOYEES SETTING ASIDE AN AVERAGE OF AT LEAST TEN PERCENT UNQUOTE THUS ELIMINATING REFERENCE TO AT LEAST NINETY PERCENT OF ALL. BEGINNING SIXTH PARAGRAPH AND RUNNING THROUGH SEVENTH, EIGHTH AND NINTH SENTENCE ENDING QUOTE SO THAT WE CAN HELP OUR COUNTRY IN THIS WAR FOR SURVIVAL AND FOR FREEDOM UNQUOTE SUGGEST SUBSTITUTING THE FOLLOWING QUOTE WAR EXPENDITURES HAVE ALREADY REACHED UNPRECEDENTED HEIGHTS AND WILL CONTINUE TO MOUNT AS OUR OWN PARTICIPATION ON THE FIGHTING FRONT INCREASES IN EXTENT AND INTENSITY. TO PAY THE BILLS THAT WILL COME IN EVER INCREASING VOLUME. IT WILL BE NECESSARY TO TAP EVERY AVAILABLE SOURCE OF FUNDS. THE CONGRESS WILL IN THE FINAL ANALYSIS DETERMINE HOW MUCH WE MUST PAY IN TAXES. THE BALANCE WE SHALL HAVE TO BORROW NOT ONLY FROM BANKS AND OTHER INSTITUTIONS BUT FROM INDIVIDUALS - MEN, WOMEN AND CHILDREN, RICH AND POOR, IN EVERY STATE AND COUNTY OF THE NATION.

YOU HAVE HEARD MANY TIMES THAT THIS IS A TOTAL WAR. THAT MEANS SIMPLY THAT NO ONE CAN ESCAPE HIS OWN PERSONAL RESPONSIBILITY TO MAKE HIS MAXIMUM CONTRIBUTION TO THE TOTAL EFFORT. THIS WAR IS NOT FOUGHT

BY ARMIES AND NAVIES ALONE. IT IS FOUGHT WITH ECONOMIC WEAPONS TOO. IT IS FOUGHT ON THE FARMS AND IN THE FACTORIES. IN THE MINES AND ON THE MERCHANT SHIPS AND RAILROADS, BUT IT IS FOUGHT TOO, IN THE HOMES WHERE MEN AND WOMEN CURTAIL THEIR NORMAL EXPENDITURES TO SAVE MONEY AND MATERIALS VITALLY NECESSARY TO SUPPLY OUR FIGHTING MEN.

EVERY TIME YOU BUY A WAR BOND YOU TOO ARE FIGHTING ON THIS ECONOMIC FRONT. YOU ARE NOT ONLY HELPING TO PAY FOR THE WAR, YOU ARE NOT ONLY HELPING TO PROTECT THE VALUE OF YOUR DOLLAR, BUT YOU ARE HELPING TO PROTECT YOUR OWN PERSONAL FUTURE AS WELL.

WE SIMPLY DO NOT HAVE AN UNLIMITED STORE OF THE MATERIALS NEEDED FOR WAR PRODUCTION AND SUPPLY. EVERY TIME YOU BUY SOMETHING THAT IS NOT ABSOLUTELY NECESSARY, YOU ARE ACTUALLY COMPETING WITH YOUR GOVERNMENT FOR MATERIALS WITHOUT WHICH WE CANNOT WIN THE WAR.

EVERY TIME, ON THE OTHER HAND, THAT YOU FOREGO THIS TYPE OF SPENDING, YOU HELP TO WIN THE WAR, NOT ONLY ON THE ECONOMIC FRONT BUT ON THE FIGHTING FRONT, TOO.

AT A TIME LIKE THIS, IT IS NOT ENOUGH TO BUY WAR BONDS WITH WHATEVER WE MAY HAVE LEFT OVER FROM OUR NORMAL BUDGETS. WE MUST CUT THESE BUDGETS DRASTICALLY TO CONSERVE THE MATERIALS NEEDED FOR THE WAR AND TO PLACE OUR SAVINGS AT THE DISPOSAL OF OUR GOVERNMENT TO PAY FOR THESE MATERIALS.

I SUSPECT THAT MILLIONS OF US STILL PLACE THE BUYING OF WAR BONDS LAST IN OUR FAMILY BUDGET FOR THE MONTH.

WE HAVE PASSED THE TIME WHEN WE CAN AFFORD TO PUT THE WAR LAST IN OUR THOUGHTS OR IN OUR DAILY LIVES. IT IS TIME FOR US TO PUT THE BUYING OF WAR BONDS FIRST ON THE FAMILY BUDGET. THE MILLIONS OF PEOPLE WHO ARE NOW ON PAYROLL SAVINGS PLANS ARE DOING PRECISELY THIS. THE PUR-

CHASE OF WAR BONDS IS IN THIS WAY MADE A FIRST CHARGE UPON THEIR INCOME. IT IS URGENT THAT ALL OF US DO LIKEWISE.

WE ON THE HOME FRONT HAVE GOT TO FIGHT HARDER FROM NOW ON. WE HAVE GOT TO DISCIPLINE OURSELVES TO DO WITHOUT THINGS WE WANT BUT DO NOT ACTUALLY NEED AND TO PUT OUR EARNINGS INTO WAR BONDS INSTEAD. IT IS HIGH TIME FOR ALL OF US TO CUT DEEPLY IN OUR ACCUSTOMED WAYS OF LIVING SO THAT WE CAN HELP OUR COUNTRY IN THIS WAR FOR SURVIVAL AND FOR FREEDOM. UNQUOTE.

PETER H. ODEGARD
ASSISTANT TO THE SECRETARY

PHO:osa

8/19
247

Draft #2.

Prepared by Messrs. Gaston, Graves and
Odegard and Mrs. Klotz, and wired to the
Secretary.

Just before coming to Roanoke for this great demonstration, it was my privilege in the past four days to inspect Army camps in the West and South at the invitation of General Marshall. By way of preface, I can assure you that your boys are being well housed, well fed and well prepared for the fighting that lies ahead of them. No praise of mine, as the father of a soldier and a sailor, can be too high for the job the Army has done and is doing in equipping and training the manpower of America for war.

One impression above all that I bring away with me is of the magnificent spirit of these men. We civilians used to think, in our superior way, that we needed to send morale officers among our troops. Today it would do all of us good to have some of these troops come among us for a time. Believe me, they know what this war is all about. They know the effort and sacrifice that it will take to win. They are ready for it, with a cheerful courage that is an inspiration to all who see it.

You in Roanoke are especially entitled to claim some of the credit for equipping, maintaining and training this Army of ours. You have not only furnished your share of men, but your War Bonds have helped to pay for the weapons that Army will use in battle. And in the buying of War Bonds, your city has set a record and an example for other cities to follow. These two hundred Blue Minute Man Flags, which I

see before me this afternoon, are symbols showing that Roanoke is the first city in the United States, in which every company has adopted a payroll savings plan for the purchase of War Bonds out of current earnings.

I am especially glad that this has been accomplished in the home city of Congressman Woodrum and that he is here with us today. I have looked upon Congressman Woodrum as a friend ever since my old Farm Board days, back in early 1933, when I came before his committee for an appropriation. In the years since then he has always been a friend of the Treasury; he has been a friend of sound finance who has helped to create a sound public understanding of our financial problems. It must give the Congressman a special satisfaction to see his own city of Roanoke taking such an active part in the financing of this war. It must make him especially proud to see his own city buying "A Share in America" regularly, week after week, for he believes, as I believe, that if millions of Americans own Government securities they will take a more active and helpful interest in the way their money is being spent, not only now but in the years to come.

To those who may be listening in other cities, I should like to say that there is no special reason of geography, economics or human nature that makes Roanoke any different from a hundred other cities of its size. Roanoke is, in fact, just an average American community.

It has no particular concentration of war industry in its area. Its incomes have not been doubled and tripled by war work. The only explanation of its War Bond record is that its employers and workers have seen their duty in these wartime days and have done it. My hope now is that the cities of the United States will follow this lead, one after another, and will report every firm enrolled in payroll savings with the employees setting aside an average of at least ten per cent of their earnings every pay day to help finance the war.

War expenditures have already reached unprecedented heights and will continue to mount as our own participation on the fighting front increases in extent and intensity. To pay the bills that will come in ever increasing volume, it will be necessary to tap every available source of funds. The Congress will in the final analysis determine how much we must pay in taxes. The balance we shall have to borrow not only from banks and other institutions but from individuals - men, women and children, rich and poor, in every state and county of the nation.

You have heard many times that this is a total war. That means simply that no one can escape his own personal responsibility to make his maximum contribution to the total effort. This war is not fought by armies and navies alone. It is fought with economic weapons too. It is fought on the

farms and in the factories, in the mines and on the merchant ships and railroads, but it is fought too, in the homes where men and women curtail their normal expenditures to save money and materials vitally necessary to supply our fighting men.

Every time you buy a War Bond you too are fighting on this economic front. You are not only helping to pay for the war, you are not only helping to protect the value of your dollar, but you are helping to protect your own personal future as well.

We simply do not have an unlimited store of the materials needed for war production and supply. Every time you buy something that is not absolutely necessary, you are actually competing with your government for materials without which we cannot win the war.

Every time, on the other hand, that you forego this type of spending, you help to win the war, not only on the economic front but on the fighting front, too.

At a time like this, it is not enough to buy War Bonds with whatever we may have left over from our normal budgets. We must cut these budgets drastically to conserve the materials needed for the war and to place our savings at the disposal of our government to pay for these materials.

I suspect that millions of us still place the buying of War Bonds last in our family budget for the month.

We have passed the time when we can afford to put the

war last in our thoughts or in our daily lives. It is time for us to put the buying of War Bonds first on the family budget. The millions of people who are now on Payroll Savings Plans are doing precisely this. The purchase of War Bonds is in this way made a first charge upon their income. It is urgent that all of us do likewise.

We on the home front have got to fight harder from now on. We have got to discipline ourselves to do without things we want but do not actually need and to put our earnings into War Bonds instead. It is high time for all of us to cut deeply in our accustomed ways of living so that we can help our country in this war for survival and for freedom.

May I suggest a few ways in which employers and workers can do more than they have been doing. There are in the United States about 34,000 companies that employ more than 100 people each. More than 27,000 of these have already installed the payroll saving plan for the systematic buying of War Bonds - but how about the other 7,000 companies? Can any businessman claim that he is doing all he can when he has not even made it possible for his employees to invest regularly in the winning of the war?

About thirty million men and women work for regular pay in this country. More than 18 million of them are setting aside a part of their pay every payday for the

buying of War Bonds, and I give them full credit for the patriotism, the effort, and in many cases the real sacrifice which this regular investment involves. But how about the other 12 million workers who are not yet enrolled for payroll savings? Even the 18 million who are now buying are setting aside an average of only six per cent of their pay. Why not ten per cent? Can we honestly say that what we are doing on the home front is enough?

In the past two weeks our men have been fighting for the first time in hard and bitter offensive action against the enemy. If any one thinks for a minute that we on the home front are doing all we can, I suggest that he think of those beaches and jungles in the Solomon Islands, where our men, your men, have faced bombs and shells and dangers that we can hardly imagine, and yet have driven back a savage and ruthless enemy. If any one thinks that we civilians are doing our full part, let him think also of our men in the fog-bound Aleutians, in the desert of Africa, in Greenland and Ireland and India, in the Middle East and Australia, and a dozen other fronts around the globe. They are not counting the cost, even if it means life itself. They are not fighting a six per cent war or even a ten per cent war. They are ready to give everything so that we at home, and our children and our children's children can go on living in a free America.

I should like the civilians of America to send just

one message to all those millions of men in uniform who are fighting at this moment, or serving in lonely posts of danger, or training for the battles to come. That message would be, "We are ready too. We are doing all we can in whatever way we can. We shall try to be worthy of you until the war and the peace are won."

HEADING 23 JR Z Q2U 191507 Q7T Q QUAH P GR23

FROM
ACTION
INFORM

SECTREAS

AIDE TO SECTREAS

COMMANDANT CG

PRIORITY

P R I O R I T Y

FOR MRS ~~KOT~~ KLOTZ X WHAT PERCENTAGE OF OUR BORROWING SINCE
JANUARY FIRST HAS COME FROM NOBANKING SOURCES X PLEASE

RADIO ANSWER BEST REGARDS

mw Fitzgerald 1129

Asst. Comdt.	Law
Aviation Eng.	Marine Engineering
CG Reserve	Maritime Service
Civil Engineer	Material
Civilian Personnel	Medical
Commandant	Merchant Ship
Communications	Operations
Const. & Repair	Permanent Board
Finance	Personnel
Group Training	Procurement
Inspector	Public Relations
Intelligence	Traffic Engineering

TOD 1517 19AUG42 M

OPERATOR'S RECORD AND DATE

WB

OFFICIAL INITIALS

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FORM 9618
TREASURY DEPT.

U. S. COAST GUARD

256

HEADING CG34WB T Z Q7T 191630 Q2U P GR96

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AIDE TO SECTREASURY

SECTREASURY (WHEN ABSENT FROM OFFICE) PRIORITY

TEXT

FISCAL SERVICE REPORTS BORROWING NON BANKING SOURCES FROM JANUARY
1 TO JUNE 30TH 65 PERCENT X WE ARE WORKING ON LATEST FINANCING WHICH
WILL REDUCE THIS SOMEWHAT X WE BELIEVE HOWEVER THREE PARAGRAPHS
DRAFT SPEECH BEGINNING QUOTE WITH WAR EXPENDITURES
RUNNING AT FIVE BILLION DOLLARS UNQUOTE DOWN TO QUOTE PROTECT
THE VALUE OF YOUR DOLLARS AFTER THE WAR IS WON UNQUOTE
DEFINITELY INADVISABLE AND WE ARE WORKING ON SUBSTITUTE FOR
THEM TO BE WIRED TODAY X WE THINK AS DRAFTED THIS PORTION DOES
NOT MEET CRITICISM BUT WILL ADD FUEL TO IT X SIGNED
HENRIETTA KLOTZ

- - - - - COPY - - - - -

2

TOD 1632 (1232 PM EWT) 19 AUG 42

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

Regraded Unclassified

Don't forget

and June 3

FISCAL SERVICE REPORTS BORROWING NON BANKING SOURCES SINCE
 JANUARY ONE PER CENT STOP WE BELIEVE HOWEVER THREE
 PARAGRAPHS DRAFT SPEECH BEGINNING QUOTE WITH WAR EXPENDITURES
 RUNNING AT FIVE BILLION UNQUOTE DOWN TO QUOTE PROTECT THE VALUE
 OF YOUR DOLLARS AFTER THE WAR IS WON UNQUOTE ~~DEFINITELY~~
 INADVISABLE AND WE ARE WORKING ON SUBSTITUTE FOR THEM TO BE WIRED
 TODAY STOP WE THINK AS DRAFTED THIS PORTION DOES NOT MEET
 CRITICISM BUT WILL ADD FUEL TO IT.

Jan 1 - June 30 65%

✓ 20 ' 17 100 10 16.6
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No ✓ Aug 15

Jan 1 - Aug 15
59%

HEADING

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HENRIETTA KLOTZ VIA CG HDQTRS

TO: COMMANDING OFFICER FORT BENNING, GEORGIA,
FOR HON. HENRY MORGENTHAU JR VISITING FORT BENNING.

TEXT

FISCAL SERVICE REPORTS BORROWING FROM BANKING SOURCES FROM JANUARY
FIRST TO AUGUST 15TH 59 PERCENT SIGNED HENRIETTA KLOTZ

- - - - - C O P Y - - - - -

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TOD 1934 (334PM EWT) 19 AUG 42 TWX#11 SENT RB
OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

TREASURY DEPT.

U. S. COAST GUARD

259

HEADING 85 2 020 072516 QUAH P GR33

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TEXT

PRIORITY

FOR MR KEXMI FERDINAND KUHN TREASURY X HAVE JUST
 READ ARTICLE FOR ABA VERY MUCH PLEASED WITH IT X
 SUGGEST REFERENCE TO SPLENDID COOPERATION OF FEDERAL
 RESERVE SYSTEM IN HELPING TREASURY TO FINANCE WAR.

TOD:..EC 2020 7AUG42 - V ABA? ABA -

Asst. Comm.

Aviation Eng.

CG Reserve

Civil Engineer

Civilian Personnel

Commandant

Communications

Const. & Repair

Finance

Inspector

Intelligence

Law

Marine Engineering

Maritime Service

Material

Medical

Merchant Ship

Operations

Permanent Board

Personnel

Procurement

Public Relations

Radio Engineering

OFFICIAL INITIALS

OPERATOR'S RECORD AND DATE

HEADING JR Z 020 161727 0000 X 071 P 0233

RMS

FROM
ACTION
INFORM

SECTREAS

COMMANDANT CG

AIDE TO SECTREAS

TEXT

PRIORITY

FOR HAROLD GRAVES OFFICE OF SEC OF X TREAS X TO
BE DELIVERED MONDAY AM X UNDERSTAND YOU ARE REARRANGING WAR
BOND POSTER SET UP X PLEASE CONSULT ME BEFORE DECIDING
ON FINAL PLAN

Sec opr 1400

TOD 1752 16AUG42 M

OPERATOR'S RECORD AND DATE

RB

TO 00D

OFFICIAL INITIALS

HEADING

HW26. Z Q2U XTH 171509 QUAN Q7T P GR11

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SECRETARY OF THE TREASURY

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COMMANDANT CG - AIDE TO SECTREAS

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TEXT

P R I O R I T Y

FOR SEC TREAS OFFICE X IS MR BELL AT THE OFFICE ?

YOUR 171509 NEGATIVE X DOCTOR ADVISES SHOULD REMAIN HOME FOR
FEW DAYS LONGER.

(Q2U SEZ 'RUSH' PSE)

TOD: 1511 AUG 17 1942/SX

183

2

*Copy to Lt Comdr Stephens
for info
Humb*

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

HEADING RW20JR

Z Q2U 191439 Q7T Q QUAH P GR12

FROM
ACTION
INFORM

SECTREAS

AIDE TO SECTREAS

COMMANDANT CG

PRIORITY

FOR SEC TREAS OFFICE X WHAT IS THE CONDITION OF MR BELL

mv Fitzgerald 1044

TOD 1441 19AUG42 / NM

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

19 AUGUST 1942
FROM: AIDE TO SECTREAS

TO: SECTREAS (ABSENT FROM OFFICE)

RW22WB

191458

CHARLES BELL REPORTS D W BELL UNABLE TO WORK THIS WEEK X
WENT TO DOCTORS HOSPITAL FOR EXAMINATION AT 1000 TODAY WEDNESDAY

191458 RW22

DUTY OFFICER
J.A.B.

TREASURY DEPT.

HEADING **R 184 T Z Q2U 181550 Q7T Q QUAH P GR67**FROM
ACTION
INFORM

SECTREAS

AIDSECTREAS

COMDT CG

TEXT

FOR VINCENT CALLAHAN OFFICE OF SECRETARY OF TREASURY X SHOULD
 LIKE TO GET FIFTEEN MINUTES NETWORK TIME FOR ROANOKE PLEASE GET
 IT ON RED BLUE OR COLUMBIA I DO NOT WANT MUTUAL STOP TALK
 WILL BE MORE THAN LOCAL INTEREST SHALL MENTION IMPRESSIONS OF
 FOUR DAY INSPECTION TRIP AROUND ARMY CAMPS STOP PLEASE BE
 TOUGH IF NECESSARY AND SHOW ME HOW GOOD YOU ARE X PLEASE
 REPORT RESULTS.

*This message phoned to Mr Fitzgerald
 7/27/42*

TOD1..EC 1555 18AUG42 - A

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73M

OFFICIAL INITIALS

OPERATOR'S RECORD AND DATE

RW24JR

HEADING

Z Q2U 191512 Q7T Q QUAH P GR34

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SECTREAS

AIDE TO SECTREAS

COMMANDANT CG

PRIORITY
P R I O R I T Y

FOR T R GAMBLE OFFICE OF SEC OF TREAS X

COLONEL JAMES H PHILLIPS OF ARMY GROUND FORCES WILL COME

TO ROANOKE WITH ME PLEASE HAVE PLACE RESERVED FOR HIM

AT CEREMONY AND BANQUET

Mr Fitzgerald 1129

Asst. Comdt.	Law
Aviation Eng.	Marine Engineering
CG Reserve	Maritime Service
Civil Engineer	Material
Civilian Personnel	Medical
Commandant	Merchant Ship
Communications	Operations
Const. & Repair	Permanent Board
Finance	Personnel
Group Training	Procurement
Inspector	Public Relations
Intelligence	Radio Engineering

TOD 1518 19AUG42 NM
OPERATOR'S RECORD AND DATE*WR*

OFFICIAL INITIALS

OOD

HEADING

CG32MC T Z Q7T 191612 Q2U P GR33

FROM
ACTION
INFORM

AIDE TO SECTREASURY

SECTREASURY (WHEN ABSENT FROM OFFICE) PRIORITY

TEXT

GAMBLE REPORTS ARRANGEMENTS MADE TO HAVE COL PHILLIPS INCLUDED IN
YOUR OFFICIAL PARTY BOTH AT STADIUM AND DINNER X COMMITTEE
WOULD LIKE YOUR CONTEMPLATED TIME OF ARRIVAL ROANOKE X WAITING FOR
ANSWER ON ~~NO~~BANKING BORROWING

- - - - - COPY - - - - -

TOD 1612 (1212 PM EWT) 19 AUG 42

2

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

HEADING

AN75 T Z Q2U 181913 QTT Q QUAN P GR23

FROM
ACTION
INFORM

SECTREAS

AIDSECTREAS

CONDT

TEXT

FOR CHICK SWARTZ OFFICE OF SEC X PLEASE GIVE ME SUMMARY OF
NEWS OUT OF WASHINGTON X NOT MORE THAN ONE HUNDRED WORDS.

*This message should
at 11.23 8/1/42
HCB*

TOD:..EC 1917 18AUG42 - NM -

4

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

HEADING

RW31.

Z Q2U 201310 Q7T Q QUAM P GR11

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SECRETARY OF THE TREASURY

AIDE TO SECTREAS

COMMANDANT CG

TEXT

P R I O R I T Y

FOR HERBERT GASTON X PLEASE RADIO ME LATEST WAR NEWS CONDENSED.

3

TOD: 1312 AUG 20 1942/SX
OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

U. S. COAST GUARD
OFFICIAL DISPATCH
TRANSMIT

DATE 20 AUGUST 1942

FROM COMMANDANT
COAST GUARD HEADQUARTERS

TO (FOR ACTION)

Q2W (TRLP 188)

UNLESS DESIGNATED OTHERWISE TRANSMIT THIS DISPATCH AS NITE.

TO (FOR INFORMATION)

CODE

CIPHER

ACKNOWLEDGE

☒ PRIORITY

ROUTINE

ACKNOWLEDGE

PRIORITY

ROUTINE

MAIL TO

TELEPHONE TO

MESSANGER TO

OUTGOING HEADING

RW31WB

201400

TEXT

LONDON EXPECTS MORE AND BIGGER COMMANDO RAIDS LOSSES AT DIEPPE YESTERDAY
BELIEVED HEAVY ON BOTH SIDES X GERMAN PRISONERS SOME WOUNDED ARRIVED ENGLAND DURING
NIGHT X MOSCOW REPORTS RUSSIANS FORCED BACK SOUTH OF FALLEN KRASNODAR X GERMANS
DANGEROUSLY CLOSE TO NOVOROSSISK NAVAL BASE ON BLACK SEA X RUSSIANS PREPARING
ATTACK AROUND VORONEZH ON UPPER DON X RUSSIAN PLANES BOMB DANZIG KONIGSBERG
AND TILSIT REPORTING GREAT HAVOC TO WAR INDUSTRIES AND RAILROAD YARDS X UP
REPORTS NELSON WILL FIRE TEN OUT OF FORTY BRANCH CHIEFS IN TOUGH POLICY SIGNED
GASTON

ASST SECT TRSNY

RECEIVED H E G

TRANSMITTER'S RECORD.

OFFICIAL BUSINESS.

INITIALS OF "RELEASING" OFFICER.

RW66.

Z Q2U 171835 QUAK Q Q7T P GR66

HEADING

FROM SECRETARY OF THE TREASURY (WHEN ABSENT FROM WASHN DC)

ACTION COMMANDANT CG

INFORMATION AIDE TO SECTREAS

TEXT

P R I O R I T Y

FOR HAROLD GRAVES OFFICE OF SECRETARY OF THE TREASURY X
 WHY SHOULD SOLDIERS WAIT NINETY DAYS FOR DELIVERY OF BONDS
 PLEASE SEE THAT ALL ARMY POSTS ARE MADE ISSUING AGENTS
 BEGINNING IMMEDIATELY WITH FORT SILL OKLAHOMA STOP PLEASE TELL
 BATCHELDER I WANT BRANCH BANK AT FORT SILL TO SERVE 39000 MEN
 WITHOUT BANKING FACILITIES WITHIN TWENTYFOUR HOURS HE KNOWS
 DETAILS PLEASE REPORT BACK WHEN ACTION TAKEN.

(ZPO - "BRANCE")

RECD: NOX NR1/17TH

TOP SECRET AUG 17 1942/SX

4

*Phoned & mailed
 copy KC*

OFFICIAL INITIALS

8

271

Form 9426
TREASURY DEPARTMENT
U. S. COAST GUARD
Sept. 1930

U. S. COAST GUARD
OFFICIAL DISPATCH
TRANSMIT

DATE 17 AUGUST 1942

FROM **COMMANDANT**
COAST GUARD HEADQUARTERS

TO (FOR ACTION)

SECRETARY OF THE TREASURY
RANDOLPH FIELD, TEXAS

UNLESS DESIGNATED OTHERWISE TRANSMIT THIS DISPATCH AS NITE.
TO (FOR INFORMATION)

CODE

CIPHER

ACKNOWLEDGE

II PRIORITY

ROUTINE

ACKNOWLEDGE

PRIORITY

ROUTINE

MAIL TO

TELEPHONE TO

MESSENGER TO

OUTGOING HEADING

CG 73 WR ZPN3 RDO WASHN DC CK 103 GOVT CG 17TH 2044

GOVT CG
SECY OF THE TRSY
RANDOLPH FIELD TEXAS

TEXT

FIRST NATIONAL BANK OF LAWTON HAS BEEN AUTHORIZED THIS DATE TO PROVIDE BANKING FACILITIES AT FORT SILL IMMEDIATELY IN ACCORDANCE WITH YOUR INSTRUCTIONS I HAVE TALKED WITH GENERAL LOUGHEY CHIEF OF FINANCE WAR DEPARTMENT REGARDING POSSIBILITY OF MAKING ALL ARMY POSTS ISSUING AGENTS BEGINNING WITH FORT SILL I LOUGHEY ADVISES THAT WAR DEPARTMENT DOES NOT CONSIDER THAT THIS IS PRACTICAL FOR REASONS WHICH HE EXPLAINED TO ME IN SOME DETAIL I HE SAYS HOWEVER THAT REVISIONS IN PROCEDURE ARE NOW IN PROCESS WHICH WILL SUBSTANTIALLY CUT DOWN DELAY IN DELIVERY SIGNED HAROLD GRAVES X

SENT NAVY 2048GCT AUG 17 1942. WR
AIDS-SECRETAR

#73

IJS

RECD BY PHONE 1630 - GMS

OPERATOR'S RECORD.

OFFICIAL BUSINESS.

INITIALS OF "RELEASING" OFFICER.

U. S. GOVERNMENT PRINTING OFFICE 2-15417

Regraded Unclassified

HEADING

RW42.

Z Q2U 201443 Q7T Q QUAH P GR17

FROM

SECRETARY OF THE TREASURY.

ACTION

AIDE TO SEC TREAS

INFORM

COMMANDANT CG

TEXT

PRIORITY

FOR MRS KLOTZ X HAVE TRANSPORTATION STANDINGBY FOR ME TONIGHT
X WILL ADVISE LATER TIME OF ARRIVAL.

TOD: 1444 AUG 20 1942/SX

OPERATOR'S RECORD AND DATE

W3

OFFICIAL INITIALS

5

HEADING

RW64 T Z Q2U 181353 Q7T Q QUAH P GR 72

FROM
ACTION
INFORM

SECTREAS

AIDSECTREAS

COMDT CG

TEXT

FOR MRS KLOTZ OFFICE OF SEC OF TREAS X ARRIVE
TUESDAY AFTERNOON ABOUT FOUR OCLOCK CAMP GORDON AUGUSTA
GEORGIA SPEND NIGHT THERE X LEAVE CAMP GORDON 10 AM
WEDNESDAY ARRIVE FORT BENNING GEORGIA ABOUT NOON WEDNESDAY
X SPEND NIGHT AT BENNING X LEAVE FORT BENNING 8 AM
THURSDAY ARRIVE FORT BRAGG NORTH CAROLINA ABOUT 10 AM
X LEAVE FORT BRAGG THREE OCLOCK FOR ROANOKE X PLEASE
INFORM MRS KUHN X BEST REGARDS.

TOD EC 1401 18 AUG 42 NM / SN (COPY BY RW)

3

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

HEADLINE **SW11JR**

Z 542W 210152 QUAN P GR10

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TRLP V188

COMMANDANT CG

TEXT

NOTIFY ACMM MASON HAVE TRANSPORTATION FOR CREW WASH NAT 10250

TOD 0155 21AUG42

NM

/SN

3

**PHONED MASON HOMER
0218. GM.B./DO.**

OPERATOR'S RECORD AND DATE

OFFICIAL INITIALS

S

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE August 19, 1942

TO Mrs. Klotz

FROM Mr. Klaus

I am sending you the attached memorandum with the thought that it may be of interest to the Secretary in view of his contact with Rene Fleven.

JKlaus

Enc.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

STRICTLY CONFIDENTIAL

DATE August 19, 1942

TO Mrs. Klotz

FROM Mr. Klaus

I am sending you the attached memorandum with the thought that it may be of interest to the Secretary in view of his contact with Rene Fleven.

JKlaus

Enc.

MEMORANDUM

The following statements are taken from the FBI report for May, 1942, entitled General Intelligence Survey in the United States:

"DeGaulle has surrounded himself with individuals who are considered 'yes' men such as RENE PLEVIN, and whose reputations are not considered of the very best."

"It has also been alleged that there has been an infiltration in the Free French Delegation as well as other organizations such as France Forever, of a great number of Jews. Because of the above fact, the French people are alleged to have lost faith in the Free French Movement and the more important French people such as Madam Eve Curie have refused to join the Movement, which has allegedly given it a bad name."

SECRET

August 19, 1942.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Bernard Bernstein came in today with a proposed order of OPA, which would permit transactions in newly mined domestic silver at the Treasury price of 71.11 per ounce when the character of the silver had been certified by the Director of the Mint. There is, he said, a market demand for silver at this price. He had been over the order and saw no reason for objecting to it and wished, with my approval, to communicate that word to OPA, and I told him to go ahead.

[WEG]

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 284

Information received up to 7 A.M., 19th August, 1942.

1. COMBINED OPERATIONS

A raid was launched in the early hours of 19th in the DIEPPE area. Operations continue. The military forces consist mainly of Canadian troops as well as British special service troops including Royal Marines, a detachment from a U.S. Ranger Battalion and a small detachment of Fighting French. Units of the Royal Navy carried and escorted the military force while air support and protection on a large scale is being provided by bomber and fighter aircraft of the R.A.F. The French people are being advised by wireless that the raid is not an invasion.

2. NAVAL

HOME WATERS. 17th/18th. After bombardment of an enemy convoy by our coastal batteries, 4 M.T.Bs. attacked. One hit claimed on an escorted vessel despite strong opposition.

MEDITERRANEAN. 17th. A 6,000 ton ship carrying one thousand troops reported sunk 45 miles north of PORT SAID. About 1,100 survivors. 18th. One of H.M. Destroyers shot down one of two aircraft which attacked her off PORT SAID.

3. MILITARY

RUSSIA. German forces in Caucasia are advancing south-eastwards in direction of middle and lower KUMA. In their thrust up the course of the River KUBAN into the CAUCASUS range the Germans continue to make progress.

4. AIR OPERATIONS

WESTERN FRONT. 17th/18th. About 267 tons of H.E. and incendiaries were dropped on OSNABRUCK. Photographs show serious damage to main goods station and sheds in railway centre.

18th, 6 sweeps over Northern France were carried out by 20 squadrons of Spitfires. 2 enemy aircraft destroyed, 1 probably destroyed and 1 damaged. 4 Spitfires lost, 1 pilot safe. A Mosquito bombed HAMBURG. 13 enemy aircraft crossed the South coast causing some damage to property and a few casualties in KENT, HAMPSHIRE and CORNWALL.

- 2 -

18th/19th. Aircraft despatched - FLENSBURG 118, sea-mining FRISIAN ISLANDS 9, weather conditions poor. 4 bombers missing. Enemy effort small with minor incidents in NORFOLK. One JU 88 damaged.

EGYPT. 16th/17th. TOBRUK and MERSA MATRUH harbours bombed. Two aircraft missing.

MALTA. 17th. A 7,000 ton vessel with destroyer escort was hit by escorted Beauforts off PANTELLARIA.

CONFIDENTIAL

(Classification)

280

ENCLOSURES

COPY No.

(For Record Section only)

MILITARY INTELLIGENCE DIVISION W. D. G. S.**MILITARY ATTACHE REPORT PORTUGAL**

(Country reported on)

Subject **SUPERIOR INSTITUTE FOR ECONOMIC AND FINANCIAL SCIENCES** I. G. No. **2320**From M. A. **LISBON** Report No. **1517** Date **AUGUST 19, 1942**Source and degree of reliability **Dr. Moses Mendelsohn Amelak, Director, and personal observation.**
Reliability: **Excellent.**

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

The Superior Institute for Economic and Financial Sciences gives instruction in theories of economics, practical business procedure and finance, tariffs, etc.

It has a student body of 650. Entrance requirements 7 yrs. study in "Lyce" courses, and stiff competitive examination are required.

Has good library with sub-libraries for various nations. Has British room, French and German rooms, but no American room.

Follows practice of exchange professors, and eminent men have lectured there, including Dr. Gulick, (Columbia) and Dr. K.P. Penrose (University of Cal.)

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The Superior Institute of Economics and Financial Sciences was visited on August 18 at the invitation of the Director, Dr. ~~João de Deus~~ ~~Alves~~. This school is nominally a part of the Technical University of Lisbon, but is essentially autonomous in its operation and research. The school is located within a block of the Parliament House and significantly within a stone's throw of Dr. Salazar's office and residence. It is housed in an old monastery at No. 6 Rua de Quelhas.

The school affords instruction in the theory of economics, practical business procedure and finance, accounting, governmental fiscal policy, foreign trade, tariffs, etc. It is designed primarily as a school of instruction for the future top ranking business men of Portugal as well as to provide the various departments of the Portuguese Government with trained personnel for governmental administration. Many of the leading bureaux and governmental chiefs under the departments of finance, economics, agriculture and marine, are represented in the alumni as well as the leading banks of Lisbon and Oporto, industrialists and foreign traders.

The school has a student body of 550. Entrance requirements are 7 years study in "Lycee" courses and a series of stiff competitive examinations must be taken. Students usually enter at the age of 19 or 20 and graduate at the age of 25 or 26. Because of the pressure of research work this year, the number of students entering was reduced from 150 to 100.

The school houses a splendid library with adjacent sub-libraries for various nations. The British room has a large collection of books, magazines and periodicals which are handy for research purposes as well as an excellent collection of maps. There is a smaller French room, a German room, etc., but no American room. The practice of having exchange professors has been followed religiously in the past, and such excellent English economists as Sir Josiah Stamp & others, the Director, and some of his confreres have lectured at the London School of Economics (after which this Institute is patterned), Oxford, Cambridge, etc. A few American professors, such as Dr. Gulick (Columbia), Dr. E. F. Penrose (University of California) and others have lectured here. The Axis nations have sent over some professors and the Director has been able to control their urge to interpose propaganda with pure economics and business. Only a small percentage of the Axis exchange professors have been accepted for lecture or research work due to the strenuous resistance of the Director.

There is considerable work carried on in the school in the fields of pure economics, political sciences and governmental administration. The school has constantly engaged in carrying out research projects and investigations. Publications have been prepared on the mining and wine industries as well as colonial agriculture and commerce. The last important investigation was a study of living survey in relation to wages paid and also standards of living surveys for agriculture areas. All of these studies have important repercussions in the for-

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mulation of Government policy. The recent decision to increase wages to keep pace with the cost of living and the matter of family subsidies was in part a result of the Institute's investigation. (See Report No. 1511, I.G. 2320, dated August 17, 1942.)

COMMENTS BY M/A:

The importance of the Institute in the formulation of the governmental economic policy, the influence of its research and survey, cannot be overlooked. Of particular significance is its influence over the leading business men of the nation, many of whom are alumni of this school. The feelings of the Director and many of the staff are not pro-autarchy, but along more liberal lines, and this has its repercussion on many of the cabinet members and lesser government officials. Undoubtedly Dr. Salazar comes under the influence of this group which might be counter-balanced to some extent by the economic group at Coimbra, whose views are unknown to the writer at this time.

JOSEPH RODRIGO
Lt. Colonel, G.S.
Military Attache

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FROM: M/A LISBON

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8-19-42

WOMEN AND THE WAR

SPECIAL INTELLIGENCE REPORT

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Henry Morgenthau, Jr.

Such recommendations and suggestions as may appear in this report have not been cleared in advance with the Director of the Office of War Information and do not necessarily reflect his views or those of the Office of War Information. Recommendations and suggestions, if they do appear, are only submitted by individuals in the Bureau of Intelligence who have assembled the data and they are offered for the consideration of appropriate authorities.

The Bureau of Intelligence of the Office of War Information uses a variety of procedures and techniques to obtain its data on the attitudes of people and on what is brought to their attention. These procedures and techniques have been found reliable after extensive experimentation over a period of years.

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SUMMARY

In the past 12 months more than two million women have been recruited into the labor force. In the next 18 months it is estimated that five million women must be induced to accept full time jobs, and be trained and placed.

Women constitute America's most important reservoir of labor. There are now approximately 2½ million single women who are unemployed. Excluding farm women, there are some 15 million married women of all ages who have no children under 16 years of age. Many women with young children will be in a position to accept employment once enough day nurseries are established.

Employers often raise objections to hiring women, and women themselves -- even when they have no theoretical objection to the idea of women working -- often hesitate to seek employment outside the home. The real difficulties in the way of a fuller utilization of women in business and industry are often exaggerated by both management and women.

At present there is a shortage of women willing to accept employment in only a few localities. But it is expected that a shortage will occur in 15 additional labor market areas some time during the next six months. If the proportion of women utilized in industry is increased, as it seems almost certain to be as more men are absorbed in the armed services, a shortage of women workers will be experienced in a still larger group of places, including some of the most important production centers of the country.

The recruitment of women into the labor force may be expected to improve their morale and their knowledge of issues related to the war. Studies conducted by the Bureau of Intelligence and affiliated organizations suggest that employed women are somewhat better informed and have somewhat better war morale than housewives.

Women and men differ little in their views on war issues. Except on issues closely related to their everyday experience, women are somewhat less prone than men to express any opinion. Many women claim that their housekeeping tasks do not leave them enough time to keep up with the war. Others say that war news makes them nervous. To a somewhat greater extent than men, women turn to the radio, rather than to newspapers, for their war news.

Although the men and women interviewed by the Bureau were not perfectly comparable in educational status, their responses to a number of questions suggest that women are somewhat more prone than men to take a "defensive" view of the war. More women than men think that we should pull our armed forces close to home to protect ourselves, rather than use them offensively against Germany and Japan. Women are slightly more apprehensive than men about the course and final outcome of the war, and more women than men expect that it will last a long time. But the differences are in no case great, and women whose psychology is essentially defensive comprise only a small minority.

"I'm part of something now, I'm helping in the war. I'm working harder but I'm proud of it." — A woman war worker in Illinois.

WOMEN AND THE WAR

No previous war has so directly challenged women as the present world struggle. Since the last war, American, British and Russian women have won the right to vote; they now exert a direct influence in shaping public policy.

Total war demands the utilisation of the energies and abilities of women. The recent organisation of the WAAC and the WAVES has dramatized the extent to which women are involved in this war as direct participants. From its very inception women have participated in the war effort in less spectacular but equally important ways. As housewives they have cooperated in such essential activities as rationing, price control and conservation. They have played a leading part in voluntary work—in Red Cross service and OGD activity.

Even more important is the growing contribution of women on the production front. In July, 14.1 million women were gainfully employed in the United States. Two million, one hundred thousand women went to work between July 1941 and July 1942—more than twice as many men as were added to the labor force during the same period.

I. Women in the Labor Force

As America's productive capacity is stepped up and more men are drawn into the armed services, millions of additional women must be inducted

to accept full-time employment. Women constitute the most important reservoir of labor. In the United States there are approximately 2.5 million single, widowed or divorced women between 18 and 44 years of age who are not gainfully employed. Excluding farm women, who are largely unavailable for non-agricultural employment, there are about 13,000,000 married women who have children under sixteen years of age.

By no means all of these women are available for employment — some are too old or are otherwise incapacitated. On the other hand, many women with young children will become potential candidates for employment once suitable public provision is made for the care of young children, and many rural women will become available for work as the result of continued migration from the country to war production centers. In all, perhaps 10 to 15 million married women will ultimately be in a position to consider accepting employment.

Despite the existence of this relatively large labor supply, the actual recruitment of enough women to meet the demands of the war effort will be a formidable task. Miss Mary Anderson of the Women's Bureau of the Department of Labor estimates that 2,000,000 more women must be brought into the labor force this year, and that an additional 3,000,000 will be needed by the end of 1943.

If this number of women are to be added to the labor force, some very important obstacles to the employment of women must be broken down. The most important of these obstacles are the reluctance of many women to enter the labor market — even though they may not object in theory to the idea of woman working — and the prejudices of management against hiring women.

Objective considerations of undeniable validity underlie these attitudes, but in the case of both women and employers the real difficulties have come to assume an exaggerated importance. Any attempt to break down the barriers to the fuller utilization of women must consider both the real obstacles in the way of their accepting employment and psychological resistance to the idea.

Objections of Employers

Employers hesitate to employ women, among other reasons, because of the necessity of providing new facilities — rest rooms, lounges and chairs — and the necessity of reorganizing their labor arrangements. The use of women often requires new job analyses and different types of job breakdowns. In some cases, as for example in jobs beyond the strength of women, either new machinery must be installed or jobs must be broken down so that men perform the heavy weight lifting and women do the rest of the work.

Complicating matters, some employers overestimate the real differences between men and women in strength and endurance. Or they may exaggerate the extent to which their male workers oppose the employment of women. The employment of women often involves some real difficulties, but the importance of these is nearly always overemphasized because of a reluctance to depart from long-established ways of doing things and tendencies, sometimes unconscious, to disparage the capabilities of women.

Women's Reservations

Women themselves are likely to have objections and reservations about accepting employment outside the home, although they may not express them or even be fully aware of the factors which keep them from seeking work. Surveys conducted by the Bureau of Intelligence show that most women, like most men, approve the idea of women working in war industries. Yet the vast majority of them hesitate to seek employment. Of a group of Pittsburgh and Detroit women — most of them housewives of working families — interviewed in March, only one in nine had actually applied for a war job or even made definite plans to do so.

The reasons advanced by the more articulate respondents are probably the ones which cause women in general to hesitate about looking for work. A Pittsburgh welder's wife said: "I have plenty of defense work myself taking care of the nine-months old baby and the five-year old boy." The care of children and other domestic responsibilities are by all means the most important deterrents to women working. In many communities homemaking requires far more time and energy than it did before the war, because of transportation jams, the longer time it takes to shop, and the difficulty of getting household help.

Another common response was, "I'm not qualified for anything. I just keep house." Many women doubt their ability to hold jobs either in war plants or in other fields. They point to their inexperience. A few complain — sometimes without real justification — of the unavailability of training courses which are within their means.

Age or poor health also deter a number of women from working outside the home. A scattering of respondents mentioned still other reasons:

ignorance of how to go about looking for work, the need for pull to get employment, the difficulty of finding work if one is not a citizen, the fear that accepting employment would jeopardize the husband's draft status.

Not all of these reasons are to be taken at face value. Like the reasons advanced by employers for not hiring women, they stem in part from valid objective factors, in part from subjective considerations. There are strong prejudices in some social groups against married women working, and the feeling that woman's place is in the home has a deep appeal for most women. Accustomed to the relative security of the home and at least partially subscribing to the view that it is their proper sphere, most women are naturally reluctant to make the plunge into the business and industrial world. And with the breadwinners in most families working and making the best money they have made in a long time, there is relatively little economic pressure on them to do so.

Having experienced one long drawn out depression and fearing that the war will be followed by another one, some women feel that they deserve a brief period in which they can fix up their homes a little and devote themselves to their children.

Other Reservations

Men, like women, in general endorse the idea of women working, but voice many of the same reservations. They, too, insist that women should not work if it means neglecting family responsibilities. Men also feel strongly that women should not be added to the labor force while men remain unemployed, but this objection is losing its force as the reservoir of unemployed manpower dwindles.

In the past, organized labor also raised certain objections to the employment of women, but these sprang primarily from the fact that women were often hired to do the same work as men for lower pay, so that their employment tended to break down wage scales. The present tendency to give women equal pay for equal work is causing labor to change its stand.

All of the reasons voiced against the employment of women can be successfully combatted. For the most part they are reservations rather than objections; that is, people approve of women working but insist on certain conditions being met. The experience of the last war, during which the proportion of women employed in war industries more than doubled, is proof of the fact that, at least on an emergency basis, women can be persuaded to seek work outside the home and management can be persuaded to hire them.

In this war women would unquestionably have been recruited into industry even more extensively than they have been, had not two other groups been given priority: unemployed men and workers, male and female, temporarily displaced because of the conversion of industry to war production. These groups are now largely absorbed. We are just approaching the point where it will be necessary to recruit large numbers of women into the labor force with great rapidity.

The Present Situation

It must be emphasized that there is today no general shortage of women who are willing to accept employment. On the contrary, there are well over a million women registered with the U. S. Employment Service for whom jobs cannot immediately be found.

There are, however, shortages in certain localities — for example, in Baltimore, Maryland, in Washington, D. C., and in Ogden, Utah. In thirteen labor market areas a shortage of women workers is anticipated within the next six months. If the proportion of women utilized in industry is increased, a shortage of women workers will be experienced in a still larger number of areas, including some of the most important production centers of the country. Women will have to be increasingly used in most of these centers as men are absorbed into the armed forces and productive capacity is increased. The only alternative is a heavy in-migration of workers from other areas, and the housing and other facilities in many communities are already strained to the limit.

Furthermore, because women usually require training before they are ready for jobs, efforts to break down the barriers to the employment of women must precede the actual demand for their services. So far as war industries are concerned, it is estimated that 60 per cent of the anticipated jobs for women will require less than six months training; two-thirds of these require a training period of two months or less. But 40 per cent of the jobs require over six months training time; certain skilled professional and managerial jobs in which shortages will arise in 1943 and 1944 require two years or more of training. The most urgent labor shortages exist or impend in the skilled brackets for which few women have thus far been trained.

Work and Morale

The increasing absorption of women into industry may be expected to improve their morale. Of a group of men and women interviewed last January,

slightly more men than women believed that they were doing something helpful toward the prosecution of the war. The difference was evidently due at least in part to the fact that more of the men felt that their jobs had a direct connection with the war effort.

Women can also get a sense of participation in the war effort, however, from successful homemaking and civilian defense activities. Wives of white collar workers, who are particularly active in civilian defense work, and farm women were particularly prone to believe that some of the things they were doing were helping the United States' war effort. Women were more inclined than men to feel that doing their own job well — whether it was keeping house or working — was the best contribution they could make to the war effort.

In general, the morale of housewives was not quite as high as that of employed women. A group of women working in war plants, interviewed in May, were found to have exceptionally fine morale. The women in this sample may have been a superior group: they were young and had been previously employed; the majority were unmarried. Nevertheless, the extreme satisfaction they found in their work is not without significance. In part this satisfaction stemmed from the fact that they were earning far more money than they had in the past. But woman after woman expressed her gratification at being engaged in work which had a vital connection with the winning of the war.

II. Views on War Issues

With only a very few exceptions, the most notable of which will be discussed, women's views on war issues closely coincided with those expressed by men. Except on issues closely related to their lives, however, women were considerable less prone than men to express any opinion; on almost all questions, "don't know" responses were higher among women than among men.

Asked about the progress of the war, one-fourth of the women in one sample, as compared with one-tenth of the men, confessed that they did not know how it was going. In another study the Princeton University Office of Public Opinion Research rated six men in ten, but only four women in ten, of a group recently interviewed as well informed.

Bureau of Intelligence interviewers distinguished two types of "don't know" women respondents. First was the apologetic type -- women who said that they ought to be keeping up with the news, but simply didn't have the time, "what with the house and kids." Second was the nervous type -- women who didn't read or listen to news about the war because it upset them too much.

Beyond question, the fact that women lead a comparatively confined life and have only limited opportunities for discussion is responsible for their relative lack of knowledge about issues connected with the war. Women employed outside the home, whether married or single, were in general somewhat better informed than housewives.

Sources of War News

Women are somewhat more prone than men to depend on the radio, with its brief and easier treatment of the news, as a source of war information. Of a group of people interviewed in March, 66 per cent of the women as compared with 58 per cent of the men said that they got most of their war news

from the radio. Women also expressed more confidence than men in the reliability of the war news on the radio, and, conversely, somewhat less confidence in newspapers as a source of news.

A study of newspaper reading habits conducted by the Advertising Research Foundation reveals marked differences between the news interests of men and women. Women show much greater attention to human interest stories than to war news, lagging behind the men in their reading of dispatches from the fighting fronts.

A study of the readership of the Columbus Dispatch on May 7, for example, shows that eight of the ten best-read stories by women dealt with local or human interest news. The banner story on page 1 of this paper, summing up the fall of Corregidor, was read by 45 per cent of the women interviewed. An illustrated story, headlined "He Puts Spare on Parked Baby," was read by 72 per cent of the women. News stories dealing with rationing or other matters related to household affairs are generally well read by women.

Men's and Women's Views Compared

The differences between the viewpoints of women and men on war issues must be interpreted with caution. The similarities between the viewpoints of men and women were far more notable than the differences. Differences were evident only in responses to a few questions, and these differences were almost invariably slight.

The differences, furthermore, are not necessarily valid. While the entire group interviewed was a representative cross section of the population, the men and women in the group were not perfectly matched with respect to education and marital status. Most of the interviewers were women, and this

may have influenced the results; it is possible, for example, that women would have given fewer "don't know" replies to male interviewers.

"Defensive" Attitudes

On the basis of replies to a large number of questions it appears probable that women are somewhat more prone than men to have a "defensive" psychology about the war. Interviewers rated one group of approximately a thousand men and women, with whom they spent considerable time, in accordance with whether they thought primarily in defensive or offensive terms. The following table summarizes the results:

Viewpoints on the War

	Men	Women
Thinks in defensive terms	23%	30%
Thinks in offensive terms	47	28
Not ascertainable	30	42

As the chart on the following page shows, more women than men believed that we should pull our armed forces close to home to protect ourselves, rather than use them offensively against Germany and Japan. It is to be noted, however, that the group of women who favored this policy constituted only a small minority. Women were somewhat less inclined than men to feel that we should increase the amount of lend-lease supplies we are sending to our allies.

Responses to one question suggest that a somewhat larger proportion of women than of men would be willing to accept a peace with Germany which would permit her to keep her present territorial gains, although the groups of men and women who held this viewpoint were so small as to make comparison difficult.

"DEFENSIVE" PSYCHOLOGY AMONG WOMEN

"Yes" answers to questions on war policy



Should we pull our
forces close to home
and use them to pro-
tect our own shores?



Women
Men



Should we send
more supplies to
our allies?



Apprehension

The tendency for some women to think defensively may result in part from the greater apprehensiveness of women about the nature of the war and its final outcome. Women were somewhat more prone than men to expect enemy air raids upon the United States. More women than men felt that the war would be a long one. And women were slightly less confident than men that we would win the war so decisively that we would be able to dictate the peace terms. Thirty-four per cent of the women, as compared with 27 per cent of the men, felt that, while we would win the war, the Axis powers would still be strong enough at its termination to force us to make some concessions.

Whether women's views are a product of their convictions about the strength of the enemy, natural fearfulness and the desire for security, or a relative lack of knowledge of the basic issues at stake, it appears certain

that they are somewhat more defensive than men in their outlook. They are probably somewhat more susceptible than men to isolationist and appeasement appeals.

It must not be thought, however, that differences of opinion between men and women are notable or that they are evident on all questions. The attitudes of men and women toward our allies are remarkably homogeneous.

Although confidence in Russia appears to be growing among both men and women, women shared the fear of many male respondents that Russia may make a separate peace with Germany and that she cannot be depended upon to cooperate with us after the war. Respondents of both sexes were confident that England would not make a separate peace and that she would cooperate with us after the war. But they put a very low appraisal on her war effort. Neither men nor women tended to regard China as a powerful ally. Whatever reservations they held about our allies, eight out of ten men and women felt that we needed their support to defeat the Axis.

The Home Front

Women and men saw eye-to-eye on almost all domestic war issues. Perhaps as a result of their relative lack of information, women were somewhat less critical than men toward both management and labor. On issues remote from their everyday experience they were less likely than men to have definite opinions. There were few other differences of significance in the responses of men and women on the home-front war effort.

Like men, women were overwhelmingly in favor of price control and rationing. They were as likely as men to say that the government was right to ration sugar and tires, but fewer women than men voiced an opinion on the question of whether it was necessary to ration tires.

If women are to be treated as a special group in relation to the anti-inflation program, it is not because they think differently from men, but because, as housewives, they are in a position to respond differently.

Women were somewhat less inclined than men to favor limiting wages and abolishing extra pay for all work over forty hours. Employed women were somewhat more in favor of wage limitation than non-employed women; wives of laborers were most opposed.

Fewer women than men voiced an opinion on the question of whether companies with war contracts were making too much profit, and women were somewhat less critical than men. Employed women were more likely to have an opinion on the question and more inclined to believe that profits were too large than were housewives.

Conclusions

The most important task in connection with the future enlistment of women in the war effort is to pave the way for their employment in business and industry. It is estimated that 5,000,000 women will have to be recruited into the labor market in the next eighteen months to replace men as they are drawn into the armed forces and to augment the labor force as productive capacity expands.

Programs for attracting women into the labor force must be two-sided. They must seek to provide the facilities which will make it possible for women to seek employment, including training courses and day nurseries. And they must attempt to neutralize the attitudes which now impede the hiring of women, whether those attitudes are held by employers, labor unions, men or women themselves.

Efforts to break down the conditions and attitudes which now block the employment of women should be instituted in those localities where shortages exist or impend, rather than in the nation as a whole. England made the mistake of asking for the voluntary registration of women long before jobs were available for them. When jobs were not forthcoming, the morale of the registrants suffered. However, because most women require training to prepare themselves for employment, efforts to enlist them into the labor force must somewhat precede the actual occurrence of a demand for their services.

The recruitment of women into industry will itself help to overcome their relative lack of knowledge of war issues, their apprehensiveness, and their tendency — slightly greater than men's — to take a "defensive" view of the war. In part at least, women's comparative lack of knowledge and their war attitudes are a product of their relative isolation in the home and the paucity of their contacts as compared with men. The differences of opinion on war issues between men and women may be expected to diminish as women are more fully drawn into the war effort in paid employment, in civilian defense activity, and in their role as housewives.

Efforts to enlist the actual participation of women in the war effort may be profitably supplemented by some information approaches slanted directly at women, which take into account their interests, their reading and listening habits, and their present beliefs and fears.

Women do not in any basic sense constitute a special group. The objective of governmental policy, with women as with men, is to enlist their full participation in the war effort as workers and as enlightened citizens of a democracy.

Sources of the Report

This report is based on the following material:

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The Bureau of Intelligence reports are available to authorized individuals upon request to the Bureau.