DIARY

Book 647

July 7-10, 1943

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Meeting in Secretary Morgenthau's Office
July 7, 1943, 9:30 A.M.

Present: Secretary Morgenthau, Messrs. O'Connell and White of the Treasury

Messrs. Stettinius and Ball of Lend-Lease

The Secretary had asked Mr. Stettinius to join him at the Treasury before going to the meeting of the Senate Silver Committee so that they could go over the matter prior to the committee meeting. The Secretary had previously communicated to Mr. Stettinius that he hoped that Mr. Stettinius would appear with him before the Senate Silver Committee. Mr. Stettinius had agreed to come.

The Green Bill was explained and discussed. Mr. Stettinius submitted some figures to the Secretary of the demands for silver which were before the Land-Lease authorities. Mr. Stettinius expressed the view that it might be preferable for him not to indicate to the Committee that he had definitely decided to approve the Lend-Lease arrangements of the 100 million ounces of silver to India. He thought that by not giving a definite answer the Silver Committee would be kept from letting any leaks out about the proposal. He thought it would be most unfortunate if any publicity were given on the decision particularly should the decision be against the lend-leasing of the silver. It was agreed that it would be highly desirable to impress the Committee with the necessity for keeping the request and the discussion confidential. The Secretary, however, objected to any expression of doubt as to the approval of Mr. Stettinius at the meeting. He said that unless Mr. Stettinius approved of the transaction for the Lend-Lease Committee that he (the Secretary) was not going to appear before the Committee to urge acceptance of the proposal. He thought that that was a matter to be settled before going to the meeting.

Mr. Stettinius said that if the Secretary of the Treasury recommended that the 100 million ounces of silver be lend-leased he thought that the Lend-Lease Administration would approve of the transaction. He said that the Lend-Lease people were ready to send the silver provided the Treasury recommended such action. He said he felt that the question of the use to which India would put the silver and the urgency with which she needed it was a matter for Treasury decision, and that the Lend-Lease Administration was ready to accept the Treasury's view on the matter.

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OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

July 7, 1943

Dear Henry,

As agreed in my conversation with you this morning, I attach hereto a list of raw materials showing summary of estimated public purchases within the British Empire, excluding Canada, from July 1, 1943 through June 30, 1944. You will note that the information is shown by dominions and colonies, and by dollars, and also by commodities.

You will recall having asked me also to mention that it would be helpful if you would tell Lord Halifax that you were personally interested in having the British come through with their estimates of reciprocal aid just as soon as possible.

The Lend-Lease Administration will take no action whatsoever in lend-leasing of silver to India until we hear from you. After you have had your final conversation, would you be good enough to drop me a note so that we may take the matter up with the Indian representatives at the appropriate time?

I enjoyed our visit this morning, and hope that Mrs. Morgenthau will continue to make steady progress.

With best wishes,

Sincerely yours,

Ed

E. R. Stettinius, Jr.

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

June 26, 1943

Summary of Estimated Public Purchase Program
Fiscal Year July 1, 1943 - June 30, 1944

BRITISH EMPIRE COUNTRIES
(Other Than Canada)

Country	Value in $1,000's
Australia	23,700
Bahamas	140
British East Africa	17,000
British Oceana	3,500
British West Africa	14,000
Ceylon	26,300
Cyprus	200
India	87,300
Jamaica	80
New Zealand	1,800
Nigeria	3,200
Rhodesia	3,100
Union of South Africa	9,300
United Kingdom	1,500
TOTAL	191,720

(Source: Analysis & Reports Division - Contract Report Section - BEW)

Major Commodities Included Under Public Purchase Program
Fiscal Year - 1943-1944

Country	Total Value in $1,000's	Commodity	Value of Major Items in $1,000's
Australia	$ 23,700	Lead	$ 3,500
		Livermeal	600
		Quartz Crystals	2,400
		Tallow	1,100
		Tantalite	120
		Zinc	15,900
British East Africa	17,000	Goatskins	800
		Mahogany	2,200
		Pyrethrum	2,100
		Sisal	11,900
British Oceana	3,500	Copra	3,500
British West Africa	14,600	Chrome	3,100
		Cocoa	11,500
Ceylon	26,300	Coconut Oil	3,300
		Copra	2,700
		Tea	20,000
India	87,300	Burlap	22,000
		Cashew Nut Shell Oil	1,600
		Ferro Manganese	1,100
		Goatskins	8,600
		Jute, unmanufactured	14,100
		Manganese Ore & Concentrate	1,200
		Mica, all types	8,000
		Shellac (unf.)	9,000
		Tea	20,000
Jamaica	80	Goatskins	80
New Zealand	1,800	Livermeal	700
		Tallow	1,100
Rhodesia	3,100	Asbestos	3,050
		Tantalum	50
Union of South Africa	9,300	Asbestos	900
		Chrome	3,800
		Corundum	600
		Goatskins	900
		Manganese	2,200
		Vanadium	600
United Kingdom	1,500	Coal Tar Acids	1,500

Meeting of Secretary Morgenthau
with Senate Silver Committee
July 7, 1943, 10:30 A.M.

The Senate Silver Committee met in response to a request by Secretary Morgenthau. Mr. Morgenthau informed the Committee that he and Mr. Stettinius would like to appear before them and inform them of some requests for the lend-leasing of silver received from a number of countries and advise with them with respect to a special request by the Indian Government.

Senator Elmer Thomas presided. Senators McCarran, Johnson, Downey, Robertson, Millikin and Scrugham were present, and Mr. White of the Silver Committee, Secretary Morgenthau, Mr. O'Connell and Mr. H. D. White of the Treasury and Messrs. Stettinius, Howard and Ball of Lend-Lease.

The Secretary described to the Committee the requests which the Treasury and Lend-Lease Administration had received from United Kingdom, Australia, Netherlands and the Indian Government for silver to be lend-leased for coinage purposes. The Secretary read to them the attached list of amounts which each of the governments requested.

The Secretary also informed the Committee of the fact that the passage of the Green Bill had made available about a billion and a half additional ounces of silver. The Treasury would need at most for its own coinage purposes, about 300 million ounces during the next couple of years, but he was conservatively estimating the amount to be set aside for such purposes at 500 million ounces. That left roughly one billion ounces of free silver which could be disposed of in the domestic market or for lend-leasing purposes. Since the domestic market would not likely absorb more than a few hundred million ounces during the next couple of years in addition to the newly-mined domestic silver and the available imported silver, that left substantial amounts that could be lend-leased. Secretary Morgenthau spoke of the need of these countries for additional coinage caused partly by the increased business activity and rising prices in those countries, and partly by the presence of American troops in those areas.

The senators asked a number of factual questions with respect to the use of silver in India which were answered by H. D. White. Senator McCarran was not very favorable to the idea of lend-leasing silver even for coinage purposes, particularly to India. Secretary Morgenthau pointed out that the 4 million ounces to India was following the pattern which had already been approved by the Committee several months earlier when they had approved of the idea of lend-leasing 3 million ounces of silver to the United Kingdom. All of the senators except Senator McCarran seemed quite satisfied with the proposal to lend-lease silver for coinage purposes.

Senator Downey asked questions as to how much time the foreign governments were given to return the silver. H. D. White said that before the war was over the amount of silver that might have to be returned to the United States Treasury might amount to 200 million ounces or more. If this amount of silver had to be purchased within a short time it would seriously disrupt the silver market and it were better that the period permitted for foreign governments to return the silver were long enough to avoid that possibility. He thought that the period granted might be as long as five years.

Senator McCarran voiced the opinion that the Green Bill prohibited the lend-leasing of silver to foreign countries. Mr. O'Connell of the Treasury said that was not our interpretation. He stated that the authority to lend-lease silver did not arise from the Green Bill and was not affected by the Green Bill. The only relationship of the Green Bill to the question of lend-leasing silver was that it made more silver available for sale or lend-lease.

The senators finally indicated they favored without qualification, the lend-leasing of silver for coinage purposes; even Senator McCarran did not oppose it.

Secretary Morgenthau then described the request of the Indian Government to lend-lease 100 million ounces of silver for the purpose of protecting their coinage and combatting inflation in India. He explained to the Committee that India was experiencing severe inflation and particularly rapidly rising prices for silver. He said silver was now selling for $1 an ounce in India and that if it continued to rise, the silver coins would be melted down and tend to disappear from circulation. The Indian Government plans to use up to 100 million ounces of silver, if it could obtain the silver on the lend-lease arrangement from the United States, to help prevent the price of silver from rising to a level which would threaten their coinage system. He said that this Government was eager to get India's full participation in the war effort and he felt that we should not leave any important stone unturned to secure their cooperation. Since the Indian Government had asked for this silver and since they propose to use it in an effort to help combat inflation and maintain their coinage system, he recommended that the 100 million ounces of silver be lend-leased to the Indian Government.

Senator McCarran wanted to know whether it wasn't to the British Government rather than the Indian Government to whom we were lend-leasing the silver. Mr. Stettinius replied that they had lend-lease arrangements directly with the Indian Government and that this lend-lease arrangement would probably likewise be directly with the Indian Government. Senator Johnson stated that he regarded the lend-leasing of 100 million ounces of U.S. silver to India as a military matter in view of our need of military cooperation by India and he was strongly in favor of satisfying the Government of India's request.

Senator McCarran stated that his chief concern was to maintain the integrity of the Treasury by seeing that it had adequate metallic reserves of currency. Secretary Morgenthau replied that there was no question about the integrity of Treasury metallic stocks and that the value of gold and silver in the Treasury exceeded all outstanding.

Senator Elmer Thomas said that he thought on the whole it was the desirable thing to help the war effort and to help maintain silver coinage in circulation in India. After some discussion, it was apparent that the only member of the Committee who seemed not to be in favor of the proposal was Senator McCarran. Chairman Senator Thomas stated that he felt that on the whole the committee approved of the step but that the Committee would like to be kept currently informed of the effects of the silver operations which the Government of India would undertake with the 100 million ounces that we were to lend-lease them. Senator McCarran did not object; in fact, toward the end of the discussion, he seemed to give his approval but albeit reluctantly.

Secretary Morgenthau told the Committee that he would be glad to come before the Committee in another few months and bring them up to date on the Indian transaction.

OK

HDW

REQUESTS FOR SILVER UNDER LEND-LEASE

Country	Amount Requested (ounces)	Requirements Period	Use	Remarks
United Kingdom	12,000,000	July 1, 1943 - December 30, 1943	Industry and coinage	Canada supplying 533,000 ounces per month for same period; U.S. and Canada practically only sources of silver for U.K.
Australia	5,050,000	July 1, 1943 - June 30, 1944	Coinage	U.S. minting facilities available during next two months; Australian production and stockpile of silver insufficient to meet requirements.
Surinam Curacao	196,762.55 385,037.31	URGENT To be supplied before 1944	Coinage Coinage	Increased war activity and American troops necessitate additional silver coinage in Surinam and Curacao. U.S. minting facilities presently available for these amounts.
Fiji	196,363.63	URGENT	Coinage	Fiji is supply base for So. Pac. operations and provides reverse Lend-Lease to U.S. forces at rate of $4,000,000 per year.

July 7, 1943

Lunch with General Marshall and I put up to him the idea of having the President talk about the military successes and the idea of getting the people interested in what he had accomplished as Commander-in-chief and getting the people's sympathy running with him as against the people, like Jones and Wallace, who were fighting and making it difficult for the President. I said that I had broached this to the President, but the President said that the Army and Navy did not want him to talk about military successes, such as the U-boat campaign.

So Marshall said, "We don't mind the President talking about certain things," and he went on to expound, "but, frankly, you are barking up the wrong tree, because you have got these many agencies on the home front crossing each other up and I don't think the President should be talking about military successes to"-- he did not use the words 'cover up mistakes at home,' but that is what he implied.

Then he went on to say what a wonderful organization Roosevelt and Churchill had built up to run the war. People have no idea of the ramifications and wonderful success. Wonderful machine. And you could not run a global war without it. Which success goes to the President.

I said, "The story has never been told." He said, "No reason why it could not be told." He said, "It would be much better to talk about that than what you are suggesting." So he said, "I think you are just trying to draw a red herring across the trail on the home front." He said, "I'll tell you what I'll do. I will have General Deane draw up a little memo for you as to just what the organization is and let you see it, because I don't think you know it." I said, "No, I don't know as much as the working reporter in Washington knows about those things. At least the reporter gets off-the-record stuff, which I don't."

Then I said, "I need this stuff. I have to pump this enthusiasm into my War Bond organization and," I said, "nine out of ten people buy War Bonds because they want to help win the war." He said, "Have you talked to General Surles?" and I said, "Yes; General Surles always cooperates, but maybe we don't ask him the right questions." He said, "I will talk with him and have him get in touch with you, but" he said, "that's supposed to be Elmer Davis and they are very skittish over there about getting in their way." I said, "As far as I am concerned, he is up in the clouds. He's interested in the war and not us. Mike Cowles helped us and so did the new man, Palmer Hoyt."

Well, he was quite interested, but he was quite sure that I was on the wrong track when I was trying to build up the President on the military successes. He said, "Now, when I go on the Hill, I get the feeling they always want to know whether the President has ordered me to do something we don't want to do and," he said, "I am afraid if you talk about military successes they will say 'That's because you have a non-political machine. If you had the same thing on the home front, you would be all right'."

But I am not sure, myself, that that's right. I think there is a good story if he would give us the information on what is the machine that Roosevelt and Churchill run. Nobody knows.

Then he said, "I think the President ought to do more what Churchill does. Churchill tells the people about his successes, but, oh!" he says, "there is a great difference." He says, "I have talked to Churchill about this by the hour." He said (and these are his words) "Churchill just doesn't gild the lily when he talks about successes. He always gives his people some tough ones, some very bad ones, and Churchill has argued with me that the President, instead of going on the radio, should make his report to Congress and should do the sort of thing that he, Churchill, does, but", he said, "you got to give them the bad news as well as the good and Churchill feels very, very strongly on this that that is what Roosevelt should do."

So evidently my ideas on what the President should do is not an exclusive worry. Mr. Churchill has also been worrying about it, which I thought was very interesting.

Then I got on the question of second front in the air. Marshall perked up considerably. He said, "Oh, well, what we did in drawing planes away from the Russian front, not only from England but in Tunisia, was very important."

"But how about the planes we are sending to Russia?"

"That's important, but not nearly as important as the German planes we have drawn away from the Russian front by our attacking both Sicily and Tunisia." I said, "Well, that's something the people don't know."

oOo-oOo

July 7, 1943.
2:04 p.m.

HMJr: Hello.

Roy Blough: Hello.

HMJr: Roy.

B: Yes, sir.

HMJr: Some time between three and four I'm going to see you and Haas and the boys and - in the chart room.

B: All right. Fine.

HMJr: Do you think you'll have something for me?

B: I saw the charts they have - they had this morning. I know they'll have something for you. I don't think we'll have everything you'd like, but I know we'll have something for you.

HMJr: But you will have something?

B: Yes.

HMJr: Well, we've got to keep pushing.

B: That's right.

HMJr: Will you tell George?

B: I'll tell him.

HMJr: Some time between three and four.

B: Three and four and you'll call us?

HMJr: I'll call you.

B: Thank you.

HMJr: Thank you.

July 7, 1943
2:07 p.m.

HMJr: ....Haas on this stuff and now I learn that Banyas has lost a lot of men.

Norman Thompson: I see.

HMJr: Somebody - who's job is it to see if Banyas loses people - to see that O.W.I. is letting off somebody or some of these other agencies - I mean - who's job is it to restaff?

T: Well, it's the - it's Georgie Haas' job to recommend if he wants new people....

HMJr: Well, find....

T: ....and he'll get them.

HMJr: Well, find - get in on it. Will you, please?

T: I surely will.

HMJr: But I - here - I'm sitting here waiting for stuff and I can't get it.

T: That isn't right. I'll certainly do that. Yes, sir.

HMJr: All right.

T: All right.

HMJr: Thank you.

July 7, 1943
3:55 p.m.

HMJr: Hello.

Operator: I have Mr. Harrison. He's here in Washington.

HMJr: Oh, good.

Operator: Go ahead.

HMJr: Hello.

George Harrison: Hello, Henry.

HMJr: George.

H: I'm so glad to hear you.

HMJr: Hello.

H: Hello, I'm so glad to hear you. How are you?

HMJr: I'm all right. How are you?

H: Well, I'm first rate.

HMJr: How's your back?

H: Oh, it's all - all well. I just found out that I'm not as young as I thought I was.

HMJr: Well, I found that out long ago.

H: I was painting a front porch - you know - leaning over and I finally found I couldn't get up. (Laughs) I threw out my sacroiliac.

HMJr: Oh, gosh.

H: But it's all right now. So, I'm fine.

HMJr: George, what I'm calling you up about is this - uh - we've been doing some work with D'Olier....

H: Yes.

HMJr: ....in connection with exchange of letters on this War Bond thing....

H: Yes.

HMJr: ....and he's ready to go and we've been - but - I don't know - he said you sort of coordinate these various insurance companies or something....

H: Well, I'm chairman of that Coordinating Committee, yes.

HMJr: Now, I - I'd like for you to see this thing and - uh - see if I can't get your help. Could you come over tomorrow afternoon some time?

H: Yes, I'd love to. I had hoped to go down to the farm - uh - after a meeting at the Red Cross some time in the morning, but I can come any time - uh - I mention that only - uh - that I hope you will make it early rather than too late.

HMJr: Well, how's - how's two-thirty?

H: That's all right.

HMJr: What?

H: Yes, fine.

HMJr: Two-thirty?

H: That will be splendid.

HMJr: All right.

H: Well, then I'll come around at two-thirty, sir. That's quite a coincidence - I was going to call you, now, and see if I could come over and see you either this afternoon or tomorrow, so I....

HMJr: Well, I'd make it--I'm all tied up in the morning....

H: Yes.

HMJr: ....solid, but this will be the first time - that wouldn't hold you up very much would it?

H: Oh - no - no - that's all right. No, I'll be delighted to come. How is Mrs. Morgenthau?

HMJr: She's getting along slowly but she's making improvement.

H: Well, I've been distressed for you - I....

HMJr: She's been terribly sick.

H: Oh, it's been awfully bad. I'm so sorry.

HMJr: Well, thank you, George.

H: All right. Fine.

HMJr: Good bye.

July 7, 1943
4:00 p.m.
(Chart Room)

TAXES

Present: Mr. Sullivan
Mr. Paul
Mr. Smith
Mr. Blough
Mr. Haas
Capt. Kades
Mr. Lindow
Mr. Lynch
Mr. Shoup
Mr. Banyas

H.M.JR: All right, everybody, who is going to be the teacher?

MR. SULLIVAN: Wes Lindow is going to be the teacher.

MR. SMITH: This isn't quite complete; some of these are still in the process--

H.M.JR: I just want to make a little speech, but I want to wait until Paul comes in.

MR. LINDOW: Well, the project is in several sections. The first one deals with income payments to individuals. Then we take up the various individual situations of different people and consider what the various schemes to raise money would do to these various people with their different situations.

Income payments to individuals have gone up from about forty billion back in 1940 - these are semi-annual figures - to a level of about seventy-five billion for the last half of the calendar year that we are in now, or, in other words, the fiscal year will run to about one hundred and fifty billion for payments.

July 7, 1943
4:00 p.m.
(Chart Room)

TAXES

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Mr. Blough
Mr. Haas
Capt. Kades
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Spendings had gone up to forty-four billion by the end of '42. They are starting to go off, and are expected to go off even more shaprly as the fiscal year increases.

H.M.JR: Why?

MR. LINDOW: The situation is getting tighter.

H.M.JR: Haas, I saw in the paper a statement that Whiteside has gotten out a new list of Nelson's for civilian goods. Did you see that?

MR. HAAS: No.

(Mr. Paul entered the conference.)

H.M.JR: This is an exclusive show for me; these people are not here as an audience, but as kibitzers. You all know so much more about it than I do. I think we will let him run through it once for me alone. All right?

MR. PAUL: Sure. I haven't anything in particular to do.

H.M.JR: I would like to hear this.

MR. PAUL: Sure.

H.M.JR: I just want to absorb that.

MR. HAAS: I will get that Whiteside report, Mr. Secretary.

H.M.JR: He is making a report on the supply of civilian goods, and I think we ought to have it.

MR. LINDOW: The next figure shows Federal taxes. The next item is savings; and over here in the fiscal year of 1944 we have even greater savings than we have had before. We estimate the amount will be forty-eight billions.

H.M.JR: That is what is known as the gap?

MR. LINDOW: That is the gross gap. Some of the savings will take place, anyway.

Now, the next chart (chart entitled "Here is the Problem") is the same outline as this chart, but we have broken down the savings figures to get at what figures we can count on and get at what figures we have to worry about. The savings are these three colors (blue, yellow, and brown.) The first one is life insurance, debt repayment, and savings bank deposits. We figure there would be about six billion of those, and we take those off the forty-eight.

The pink area is the money which should be drawn off, that is, the forty eight billions of excess income less the six billion, which is estimated to go into insurance, debt repayment, and savings banks. We don't know just what part we are going to take.

The idea in this presentation is to say that this is the problem we want to work on. Later we will offer some solutions to the problem.

H.M.JR: How many people in this room have seen it?

MR. LINDOW: Mr. Haas, Mr. Blough, and Mr. Smith.

H.M.JR: The rest haven't? Have you seen it, Paul?

MR. PAUL: Not so far, but it is right in line with the figures I have seen.

H.M.JR: Go ahead.

MR. LINDOW: The next question is, who has this income - we have income of one hundred and fifty billions for the fiscal year - where it is by income groups. This is the same thought; all that is shown here (indicating chart "Income Payments to Individuals"). We split it up into two columns, seven-eighths of the income to people earning less than five thousand a year, and one-eighth to all others.

The next set of charts go on into the variations. We have picked six different types of people to show the variations, what they do with their income, their fixed obligations, and that sort of thing.

Not all families have extra money. Even though we have seven-eighths down here under five thousand, that doesn't mean that everybody earning five thousand has money that we can tap. Here the difference between two city families with the same income may be just as great.

Here (indicating) are two workers earning three thousand dollars a year; and the variation is continued in a higher income level. Here are two families each earning five thousand dollars (indicating).

Now to take up first the fifteen hundred dollar people - the first one is a school teacher. He had fifteen hundred dollars in 1940, and he is getting fifteen hundred dollars in 1943.

The next one is a farmer. He made seven hundred and fifty dollars in 1940, but he is making fifteen hundred dollars this year.

Now we will split up what they do with those incomes somewhat along the same lines we did in these charts back here, taxes, savings, and spendings.

This fellow, the school teacher, saves one hundred and forty dollars out of a fifteen hundred dollar income this year.

The farmer will save something like five hundred dollars. His spendings will go up a little bit as he gets the higher income, but they don't go up to the level the school teacher is at.

Now, to get to the three thousand - Brown is a white-collar worker. His salary has been three thousand dollars since before the war. Even with rising prices he has cut his living costs; but prices are up a lot and he can't save as much as he did in 1940. He takes some of it out of savings and some out of debt repayment.

Here is the war worker, Jones, who works in the shipyard. He gets double his old pay of fifteen hundred dollars. He spends more than he used to, but can't get lots of things he wants, particularly a better house. His savings are piling up in taxes.

The difference between these two people, while in most comparisons they have the same income - three thousand dollars - here is a fellow with three hundred sixty dollars of total savings, and here (indicating) is the same income with nine hundred and fifty-five dollars in total savings.

It gets even worse at five thousand. Here (indicating) is a small business man. The Martins have five thousand dollars, the same as in 1940, but with taxes up they have had to cut off other savings in order to keep up with war bonds. Taxes went up from one hundred and fifty dollars to seven hundred and fifty dollars.

The Blakes have five thousand dollars, too, but in 1940 they only had fifteen hundred dollars. Tom gets double his old pay, and Mary gets two thousand. Expenses are up, but after paying taxes they still have more than Mary's entire income left, twenty-one hundred and eighty dollars in savings with her income only two thousand dollars. That is compared to the twelve hundred and fifty dollars of savings over here (indicating column for Martin). These cases are cases which are typical of both sides of the average of each of these income levels. We have had to do some guessing to get the figures, and we relied on the polls and samples we got from Likert, BLS, and OPA to get figures out.

Now, let's look at the differences in the savings just quickly - what they do with the money. In the fifteen-hundred-dollar class the school teacher has insurance of sixty-five dollars both years. He has shifted his savings deposits. Formerly he put sixty dollars in a savings bank account, and now he puts this in war bonds. He has added a little bit to it; he saves seventy-five dollars, in fact.

The farmer had negative savings in 1940. He has gone up; he has five hundred dollars in savings with thirty-five - the same amount - in life insurance as he had in 1940. He is starting to pay off some debts now - two hundred and fifteen dollars. He is putting one hundred and fifty dollars into war bonds and one hundred dollars into cash and checking accounts. There is quite a little difference between what these two fellows are doing. The same goes for these two three-thousand-dollar cases.

The white-collar worker has cut out putting money in the bank account, and he has cut out most of his debt repayment. He has had to cut down on the payments of his house because he has been so pressed. Now he is putting about seven or eight percent into war bonds, but he is doing it by substituting those for something else he would have saved before. He can't do much more without cutting down on his insurance.

The war worker who had practically no savings has now a thousand dollars with almost half going into war bonds, three hundred and seventy dollars into cash and checking accounts, and fifty dollars into a savings account.

Again, the difference between the savings of these two and the fact that any scheme that we have to raise money is going to have an entirely different impact on them is the point we are driving at.

Now, for the five-thousand-dollar family the same thing holds. We have ten percent in war bonds - five hundred dollars out of five thousand. And over here where the war worker has a wife working they are putting eleven hundred dollars into war bonds, but they are still accumulating in cash and checking accounts nine hundred and fifty dollars.

We have had cases turn up like this in the Buffalo survey we made last fall.

H.M.JR: The first thing somebody is going to say is. "That is all very nice, but what evidence do you have that they put their money into bonds?"

MR. LINDOW: We have the surveys we made last fall like Buffalo; we have the Kaiser shipyard figures, and we know the variations in industry on war bonds, that is, from three or four percent up to much higher figures than the ten percent goal with an average of about nine percent.

Now, the way the averages work out the people who are a lot better off than before are doing more relatively than people who are not a lot better off, so these averages--

H.M.JR: The first thought that comes to me, George, is, I would like Likert to go out and do a similar survey in Buffalo now.

MR. HAAS: Repeat that?

H.M.JR: Yes, sir, go to the same place and repeat. Will you make a note of that?

MR. HAAS: Yes.

H.M.JR: Before we go on I will open it up to questions.

MR. SULLIVAN: Are these charts for publication, Wes?

MR. LINDOW: I hadn't thought of it in that way.

MR. SULLIVAN: They are labled as excess income. I don't think you mean it quite that way. You mean that that part of the income is available for, say, the war bonds.

MR. LINDOW: We have already made the assumption of price rises and assumed that the cost of living would continue to go up, but by small amounts, so that the one hundred and fifty billion of income payments - in relation we have already assumed a price level.

MR. SULLIVAN: The spending reflects the prices on available goods and services.

MR. LINDOW: We are thinking of a rise of one-half percent a month.

MR. BLOUGH: That assumes a solution?

MR. LINDOW: It assumes a solution of a rising price of one-half of one percent. That income has to be immobilized, because if people spend it you will have higher prices than we assume.

MR. HAAS: Excess over goods at present prices--

MR. PAUL: A slight rise in prices.

MR. LINDOW: Any other questions?

Now, to avoid the difficulty of examining these various schedules and how they affect these people, we put them together in this one chart. This is what they are doing with their money today - the fifteen hundred, the twenty-five, the three thousand, and the five thousand - we are going to show in this chart here (indicating) what the effect would be of a Treasury schedule for sixteen billions in new income taxes, how it would affect these people.

MR. HAAS: It is not a finished job, you might say.

MR. LINDOW: That schedule is a schedule that would have very little affect on the fifteen-hundred-dollar people.

H.M.JR: Sixteen billion of what?

MR. LINDOW: New income taxes.

Let's look at the three-thousand-dollar level to see how it works.

H.M.JR: You have out-Rumld Ruml, haven't you? (Laughter)

MR. LINDOW: This underneath bar is what is happening today. Here is Brown, the white-collar worker. We ran a dotted line to show how his taxes would go up under the sixteen-billion-dollar income tax. The dotted line is where his income would go to. Let's see what the initial impact would be on his life.

H.M.JR: Excuse me, why did you pick sixteen billion?

MR. SMITH: We have five and sixteen on all of these things all the way through, so we just took five and sixteen billions of income taxes for comparison purposes.

MR. LINDOW: When we get to it, we would like to do five, twelve, and sixteen, but we had a five and we had a sixteen that we could use. We thought we would have a sixteen now, whereas a compulsory won't bring out the prices.

MR. SMITH: The compulsory won't bring--

MR. LINDOW: We wanted to make as a common denominator the money we would get from each one of these various plans, so we picked on five, twelve, and sixteen.

H.M.JR: When you say sixteen - that is all income tax?

MR. LINDOW: That is right. That lowers exemptions and raises rates.

H.M.JR: You can get sixteen billion more through just straight income tax?

MR. BLOUGH: This is just a hypothetical chart to show what would happen if it were done this way.

H.M.JR: If it were done just through straight income taxes?

MR. LINDOW: We are going to try five, eleven, and twelve or sixteen. We have one on five billion of sales plus eleven of compulsory lending, one on the voluntary bond program, and then we want to go on to one on the voluntary program agumented with some system to induce savings like over-all rationing, spendings tax, or something like that.

H.M.JR: Are you going to have all that ready by Friday?

MR. LINDOW: I don't see how we can have it all ready by Friday.

MR. SMITH: We will have the spendings tax done; it depends upon whether we can get figures on the over-all rationing or not.

H.M.JR: How much would you have by Friday? Would this line up all right on Friday, Wes?

MR. LINDOW: We have sixteen billions of income taxes; sixteen billions of compulsory lending; a combined sales tax and compulsory lending; a combined income and a compulsory lending; and a voluntary program. That makes five different things; they will all bring out different parts of the problem.

H.M.JR: Where is Mr. Paul?

MR. PAUL: Right here.

H.M.JR: What I am trying to do is, I have found Mr. Baruch was very helpful the other day, and I invited him in for ten o'clock Friday. That is what I am shooting for, see, I want to get some combinations. Well, if you don't have them - it would take too long anyway, wouldn't it?

MR. LINDOW: It is pretty difficult to work out so you feel sure of the figures.

H.M.JR: I would rather postpone it to Tuesday and have it in one session. It would be better to have a combination of things with your suggested solutions.

What would be safe, next Tuesday?

MR. LINDOW: How does Tuesday seem?

MR. BANYAS: O.K.

H.M.JR: I would rather bring him in and then I will ask him - I could ask him for lunch and then have him after lunch. That would give you until Tuesday afternoon.

Are they giving you any more help?

MR. BANYAS: We are trying to get more.

H.M.JR: With all these agencies laying off people - I bet you could borrow some from the Army. (Laughter) I am serious.

MR. HAAS: The Navy has just taken some of your men.

H.M.JR: I'll borrow them back.

MR. BANYAS: All right, sir. I have lost most of them.

H.M.JR: Where are they?

MR. BANYAS: There are a couple in Africa. I have one down in the Pentagon; he is Meyers' head man on this stuff.

H.M.JR: Meyers?

MR. BANYAS: General Meyers.

H.M.JR: I will talk to you afterwards. Does he have a lot of men? Tell him you want to borrow a couple men over the week end.

MR. BANYAS: I don't know.

H.M.JR: Bennett Meyers - General Meyers of the Air Corps?

MR. BANYAS: Yes, sir.

MR. PAUL: I wish you would start this last one. I have lost that last one trying to get the two of them together.

MR. LINDOW: All right, I will start over on this one here. This is the way the situation looks today. This (indicating) is nothing but those three charts brought together into one place. Now the top chart - the transparency - shows what would happen if you had sixteen billion dollars of new income taxes. That is the sixteen billion dollar schedule that Tax Research has.

MR. PAUL: What would that do to Brown, for instance?

MR. LINDOW: That is what I want to bring out. The bar in the background is taxes today. The dotted line on the top is what taxes would be in the new schedule. So, taxes would go up from the top of the yellow bar to the dotted line here. Well, what would that hit in income? The first item is war bonds. Immediately Brown would say, "What can I do with my war bonds? I don't have enough money to keep them." The next thing is, it would cut into sixty dollars of fixed obligations and debt repayment.

MR. PAUL: Assuming that he cut those down first--

MR. LINDOW: I don't think that he will finally, but this is the initial impact. In a minute we will see what he would do. He would also have to cut some spendings. But actually, let's see what he does. The top bar shows what he would do after all the wheels had stopped turning; taxes would be up even with the dotted line; spendings would have been reduced a lot more than it looked like at first; he would keep fifty dollars in war bonds out of the two hundred that he has down; and he would reduce his fixed obligation. He might borrow on his life insurance.

MR. PAUL: What is the basis of that assumption, Wes?

MR. LINDOW: These are supposed to be typical cases. They either have very little ability to do more towards helping to finance the war, or they have a lot. It is by and large the war worker on the one hand and the white-collar worker on the other. This is our guess as to what they would do.

MR. SMITH: The plan shows that the man on the left has to make an awful lot of adjustment, while the other man is getting by very easily under the same penalty.

MR. LINDOW: Let's take up the other fellow who has a lot of ability and then get back to that. His taxes would go up to the dotted line again. What would they hit into? The first thing would be four hundred and twenty dollars of cash and bank accounts. If he was disposed to go right along on his spendings, he will just let the cash and bank accounts go; he will use that money for taxes. The next thing is, it would cut into war bonds a little bit; it would cut into just the bottom. What he actually does is shown here (indicating). He cuts his cash and bank accounts almost in half. He doesn't take all of the money he was going to put in the bank and pay taxes; he still keeps some of that money, but he cuts his war bonds from four hundred and fifty to two hundred and seventy-five dollars.

He keeps his fixed obligations the same, but he cuts his spendings. He wouldn't have had to cut his spendings at all; he was in a position where he could have taken the full burden with very little trouble, but he didn't. He decided he wanted to keep some cash, and there was still some impact on the savings.

Over here on the five thousand dollar - where it is perhaps a little easier to save - we have taxes in the left-hand column going up to this dotted line (indicating). The initial impact would be on war bonds, and five hundred dollars on fixed obligations - about three-quarters of them would be hit if he didn't cut his spendings.

Now, the final impact is quite different. He adjusts all along the line. He changes his spendings, and he changes his savings. What he does is to cut his savings from twelve hundred and fifty dollars to six hundred dollars. He cuts his fixed obligations from seven hundred and fifty to five hundred and eighty dollars. He either borrows on his life insurance or he doesn't make a payment on his house, or something like that. His taxes are up to the dotted line.

Here (indicating) is a war worker whose wife works. The taxes go up to the dotted line in his case. His tax burden is a little lower. He files a separate return because his wife is working, so the dotted line in his case is beneath the dotted line here. The first thing it cuts into is the nine hundred and sixty dollars he was going to put in his bank or wallet. The next thing it hits is his war bonds. The final impact would reduce the cash savings to about half; it would cut his war bonds from eleven hundred to six hundred and fifty dollars; and cut his spendings about one hundred dollars.

The point this chart brings out is that the sixteen billions of new income tax really hits Martin, the small businessman, pretty hard, harder than he can take. Maybe, on the other hand, it doesn't hit Blake, the war worker, enough. He still has excess income.

Now, their obligations were different. The small businessman had seven hundred and fifty dollars of fixed obligations, a lot of insurance and debt repayment.

The war worker had only one hundred dollars of fixed obligations. You can't treat those two people the same. Anything that hits this fellow (indicating Martin) to just the right amount is going to be very inadequate for the war worker; and if it is right for the war worker, it is going to crucify the small businessman here.

Now the same idea has been followed - we have charts for sixteen billions of compulsory lending that I don't have here to show you. The effect is the same as far as where the dotted line falls, but naturally, the effect on spendings and savings is quite different, because a lot of these people will say, "If I have to loan the Government so much money, then I won't buy bonds, I won't pay the insurance, or I will substitute one thing for another."

Here the tax is final, and they adjust quite differently than they would under the other.

Here (Indicating) is eleven billion dollars of compulsory lending and five billion dollars of income taxes.

The left-hand margin shows the taxes today. Now, taxes under this scheme, plus compulsory lending - the two together would run up to this dotted line. That would hit on his war bonds and fixed obligations.

On the other hand, the war worker's taxes would go up - would hit on all of the cash accumulations and only on a little bit of his war bonds. His adjustment would be entirely different than the adjustment over here. The net effect of impact on these two people would be to reduce the spending of the small businessman by only about two hundred dollars or thereabouts and a reshuffle here of his fixed obligations; whereas in the case of the war worker, spendings would be reduced by less, because his savings are able to take the impact.

Now, the other charts are not really up enough to show you yet. This is the sixteen billions of compulsory lending and sales tax.

The sales tax is principally different in its effect on the low income groups, that is, compared with this one where you have five billions of income tax. In this case the increase in the tax on a fifteen-hundred-dollar family is very small - negligible.

In this other case the tax would go up from this first section to the dotted line. It would about triple here, and it would about better than double for the farmer here.

Now in the case of the school teacher, that tax would be raised to there; the initial impact would be to wipe out all his war bonds, and it would start to hit into his obligations.

In the case of the farmer, however, the increase in taxes would only hit into the cash which he is accumulating at this time. It wouldn't get to his war bonds, and it wouldn't get to his fixed obligations.

Now, the final impact of the thing would be that the school teacher would have to cut his war bonds down from seventy-five dollars to fifty dollars.

The farmer would hold his war bonds the same, because he has enough absorbency in his cash accumulations, plus a very small reduction in his spendings so he could take it.

Over in the other groups you get about the same effect, roughly, as you do here. There is a breaking point where the sales tax and income tax would have about the same effect. The principal difference is how it hits the little fellow.

H.M.JR: Banyas, can you fix this so you can get this all on here?

MR. BANYAS: Yes, sir.

H.M.JR: You can be more conservative in your space.

MR. BANYAS: Yes.

MR. LINDOW: This is a voluntary lending program with a goal of twenty-five billions this year. In this case we don't show any dotted lines, because there is no levy. This is the scheme which is flexible enough to take care of all of these people. What it amounts to is, here we have Brown, the white-collar worker, raising war bonds from two hundred dollars to two hundred and fifty dollars. He cuts his spendings a little bit as a result of two things, first, there are going to be growing shortages in the supply of things available for him to buy; and as we go on with out campaigns with a wider and wider basis, the appeal is going to cause him to dig deeper so he would raise his bonds a little bit. But, he can't raise them very much because he is the fellow who is in the tight position.

Jones, the war worker, however, would raise his war bonds from four hundred and fifty, we figure, to seven hundred and seventy. And he would do it almost exclusively with the money he would put in the bank, in his pocket, or under the mattress. We assume that when we go ahead with our campaign we can get him to raise his war bonds from four hundred fifty to seven hundred seventy dollars.

In the case of the small businessman we figure he can raise his war bonds from five hundred to six hundred dollars, again as a result of goods shortages and more intensive appeal to get his money.

The worker with his wife working would raise his bonds from eleven hundred and fifteen dollars to nineteen hundred and forty dollars, all at the expense of his cash.

Now, this war worker, Mr. Secretary, is putting fifteen percent of his money into bonds. He is the fellow who got a raise from fifteen hundred dollars to three thousand dollars. His wife is working - gets two thousand dollars - and she is putting one-third of her money into bonds. That isn't by any means all the money they are saving. The idea is, they would put this money into bonds instead of putting it into a savings account or cash and checking accounts.

H.M.JR: Let me ask a question. Has anybody in the room heard of any plan of compulsory savings where they can take a rifle and direct it at the man and his wife who are working to get that amount of money and leave the small businessman exempt? Has anybody heard of any plan?

MR. BLOUGH: Only the plans that are based on increases in income.

MR. PAUL: This really presents a pretty good argument on one side of the question of an individual's excess profits as well as sale of bonds. It is only presenting one side of it, but as you listen to it, it raises some of the questions we have been discussing for some time as to whether you can raise income taxes any more on account of these stationary incomes.

MR. BLOUGH: I haven't seen any actual plans, except the one I worked up at your request last week, but Alvin Hansen, for example, has been urging that sort of a scheme in which the compulsory lending would be based on the increases in the income rather than on--

MR. PAUL: He wrote an article in "Harpers" or the "Atlantic Monthly."

H.M.JR: What are the floors in that?

MR. BLOUGH: You have several sets of floors. The first set, I hate to say, would have to do with the compliance problem of the taxpayer who probably in many cases will not know what his income was for the base period year. The integration of that with a collection at the source plan adds a lot to the compliance problem, but perhaps we would disregard that. Perhaps more serious is the fact that the base period year would not be a normal year for a great many people, and there would be a lot of complaints about the use of any year.

Moreover, there are many increases which have been almost imperative to meet the increasing costs of living, such as when a farm boy and his wife go into a war area where the expenses are very heavy. They would have to have substantial increases in order to be able to do that.

There are some types of increases that give increased stability, and sometimes they do not. There are others, but I think those are the principal ones.

MR. HAAS: Then there is the matter of equity. Why should you tax--

MR. BLOUGH: There is the basic question of equity in all cases as to whether that man with three thousand of income now who didn't have it before ought to be hit harder. He didn't have--

MR. PAUL: Hit harder because he didn't have it before?

MR. LINDOW: Our plan was to visualize all of these, plus the others I told you about, at different rates.

H.M.JR: Do it again - what you are going to work on.

MR. LINDOW: The five billion of income tax, the eleven or twelve billion, and the sixteen billion. Then I have it here - the same thing for compulsory lending. We will do sixteen billion of sales tax and compulsory lending, and income tax and compulsory lending, then the voluntary lending - this one. We would say that these are all different approaches.

H.M.JR: Randolph, as long as we are talking about the fiscal year, don't you think it would be more practical to talk about twelve and sixteen?

MR. PAUL: Yes, even twelve.

H.M.JR: Didn't I say twelve?

MR. PAUL: You said something about twelve.

MR. BLOUGH: You said twelve collected in the fiscal year. Of course, you would require sixteen or more to get anything like twelve.

MR. PAUL: More than sixteen.

MR. BLOUGH: Yes, at this stage of the game.

MR. PAUL: Before you get any bill passed the fiscal year will be half over, so you could almost double the annual basis. For instance, if you wanted twelve in the fiscal year, you would have to get twenty four or a little less than twenty-four on an annual basis.

H.M.JR: No, I said on a monthly basis. That is right, we can leave it five, eleven, or twelve.

MR. LINDOW: We weren't sure which was the better figure.

H.M.JR: Couldn't you use five, twelve, and sixteen?

MR. LINDOW: All right.

MR. PAUL: You are not ~~whetted~~ wedded to any figure here; you are just illustrating the point.

H.M.JR: We will settle that and use twelve.

MR. PAUL: If anything, you shouldn't use five.

MR. LINDOW: We wanted to show a little one, because almost anybody can take a little one without being hurt.

MR. PAUL: I would like you to show me how these white-collar workers can take it without getting hurt.

MR. LINDOW: There wouldn't be much of an impact on fifteen hundred dollars.

MR. BLOUGH: This is a man and his wife with two children.

MR. PAUL: Oh well, the exemptions stay up.

MR. SMITH: You need the five anyway for when you get the sales tax, because the sales tax comes out to about five.

MR. LINDOW: On the sales tax we are figuring on five billion with a thirteen-and-a-half-percent tax on all purchases, except food in restaurants and grocery stores.

MR. PAUL: Then that is only three billion.

MR. BLOUGH: It would have to be more than ten percent to do it.

MR. LINDOW: Thirteen and a half.

MR. SULLIVAN: On all these cases you assume that the last thing they are going to adjust is their spendings. It first affects their savings and their fixed obligations. Now, is that an assumption based on these surveys?

MR. LINDOW: That is not really an assumption. We are saying that the initial impact looks like that - that is what the man is going to say when it hits him. He is going to say, "What should I do?" He is going to have some things that are easier to change than others.

MR. SULLIVAN: That is the part of your whole narrative that strikes me - I wonder if people do act that way. I wonder if the first thing many people don't think of, particularly with fixed obligations, is to adjust their expenditures.

MR. LINDOW: You can put it that way, but that isn't the way he thinks of it; he thinks of it in terms of having war bonds and fixed obligations. We want to see what the initial impact would be on those things. We don't think that initial impact means anything in the long run, because we have shown what the final effect will be.

MR. PAUL: Your initial impact is purely a theoretical proposition.

MR. BLOUGH: What you mean is not initial impact, but to what extent could this fellow pay this without reducing his spendings. If he doesn't do it that way, how does he do it?

MR. PAUL: The second one is the only one that approaches reality.

MR. BLOUGH: The purpose of the first one is to show how much they would have to cut spendings, if at all, in order to meet their taxes.

MR. PAUL: After they have cut all their other savings.

MR. LINDOW: If they were willing to take it all out of spendings, how much could they get?

H.M.JR: Go ahead. This is being done for me - for my education. You are going to have the ration one, too?

MR. LINDOW: We thought we would say that all of these are just different proposals, stating how these things work. If we can't get enough on this voluntary proposition, what we should do is get something that will augment the voluntary program, and not something that will destroy it. There are two ways of inducing those savings. You can either control the fiscal purchases of goods or put a tax impact on the man when he tries to spend the money.

We will show them in a separate panel, because those are the ways that lead to a promised solution.

H.M.JR: That will be complete rationing?

MR. LINDOW: Yes.

MR. BLOUGH: I think the question there is the complete rationing - that would be equal spending of dollars at all income levels, I assume.

MR. PAUL: Is that rationing of all specific goods or of expenditures?

MR. LINDOW: I think you can do it a variety of ways. You can extend the point system to cover specific goods - the bulk of them all - or you can use expenditure rationing, everything beyond where we have rationing now.

H.M.JR: One thing I want to see worked out is the complete rationing on the point rationing system. We are going to have expenditure rationing, and then we are going to have expenditure rationing with the exemptions to the white-collar worker. He hasn't gotten an increase. If his income has not increased over fifteen percent during a certain period we are going to give that man exemptions. Isn't that right, Roy?

MR. BLOUGH: I didn't know we were going to do expenditure rationing, but there is such a plan of expenditure rationing that would do it. The one we were talking about is a special type of tax which would make some allowance for people who haven't had increases.

MR. PAUL: I was puzzled--

H.M.JR: What we were going to get down to - what I want worked out visually here for me are these three or four different ways that we have been talking about. Roy has it in his head, anyway.

MR. BLOUGH: I have something there. I don't know just what, but we will get that down on paper.

MR. LINDOW: The trouble with extending the point system is to do the whole job you will have areas like household furnishing that will be different.

H.M.JR: You may end up with a combination of both.

MR. LINDOW: I am not sure.

MR. BLOUGH: One of your basic problems in rationing is to decide whether that five-thousand-dollar family should have as much or more than the fifteen-hundred-dollar family as it appears on the chart; and if not, how much less.

MR. PAUL: In addition, there is the problem that rationing approaches - begs the question of whether rationing will hold without taking pressure off of the spending power. We are begging that real question when we discuss these direct controls, just as we are now not able to hold--

MR. BLOUGH: What we can do is make certain assumptions as we have made here.

H.M.JR: I am very anxious to have it done visually.

MR. PAUL: I don't want you to misunderstand - I would like to see it, but I don't want to get off on the line of thought that we can do this job by any rationing without taking away some spending power.

H.M.JR: I want to see it; and when we get it down here, I expect to have in the Treasury meeting after meeting until at least it is clear in my own head, and everybody can have a chance to talk. But for my purpose - somebody else can work some other way, but I can work better this way.

MR. LINDOW: I hope that serves the purpose if it brings out the difference.

H.M.JR: I don't know if there is any other place in town where they have approached it this way--

MR. LINDOW: We have tried to be very unbiased.

H.M.JR: You go ahead and aim for Tuesday. Why don't you ask the Army if you can't have a couple of men for a few days. Let Norman call up and see if we can't have them for two or three days. The Air Corps may have some.

MR. HAAS: We can pick out one of your former assistants over there and he can bring somebody with him.

H.M.JR: You had better ask for twice as many as you want to get. Will you do that?

MR. HAAS: Yes.

H.M.JR: Then if you think you could do it--

MR. HAAS: I think we can, yes, sir.

H.M.JR: Get hold of Norman. Have him call up and say that we want these people from now until Tuesday morning. I think that is all right.

As you get them - you won't have any done before Tuesday, will you?

MR. LINDOW: We have to get them done as we go.

H.M.JR: When you get some done, let me know. If you have some done Friday, call me.

MR. HAAS: The elementary solution would be a combination of these. Would you be interested in that?

H.M.JR: We have from now until the 8th of September, but I don't want to wait that long.

MR. HAAS: We will experiment and try out--

H.M.JR: What I want is a Treasury fiscal program that I can go out and sell to the President and to the people, one that I believe will do the job and will stand up against any criticism, any fair criticism. I want a program. I want an over-all fiscal program, and I don't care whose territory it goes into, whether it is rationing or price fixing. I won't hesitate to include that in the Treasury program just because that is somebody else's responsibility. If it takes a combination - I figure if we all get to thinking of it we can get a plan, I hope.

MR. SMITH: I located George Harrison; he will be in at two-thirty tomorrow. He postponed for two hours going down to his farm.

July 7, 1943
5:13 p.m.

HMJr: Hello, John.

John Hancock: How are you?

HMJr: Fine. Look, John, I find that this show we wanted to put on for you and B.M. will not be ready Friday morning. I don't want to give you part of a show.

H: All right. That'll suit us.

HMJr: Now, I wondered if you and Mr. Baruch could come over Tuesday for lunch and then we would be ready. Will you be here Tuesday, next?

H: So far as I know we will.

HMJr: Well, supposing unless I hear to the contrary, I expect the two of you at one o'clock.

H: Fine.

HMJr: And then....

H: Will you give me as good a lunch as the last one?

HMJr: I'll try to.

H: If you do that, you can guarantee we'll be there, I think.

HMJr: All right. And you'd better save a couple of hours afterwards.

H: One o'clock 'till three - we'll try to be there at that time subject to act of God and Congress and such.

HMJr: Uh - well, I can't take care of either of those parties.

H: (Laughs) - Well, that's all that will interfere with us - sometimes - that's a pretty high priority I'm giving you.

HMJr: All right. Thank you. Good bye.

Norman Tietjens July 7, 1943

Secretary Morgenthau

What I would like you to do, and I may have already told you this, is to trace the whole history of how prices are fixed. You better talk with Captain Kades and George Haas - they may already have this work done. Then I want the thing summarized in time-table form giving me the dates and just a brief paragraph. I believe it gives the power for all things to originate from Nelson's organization, and if it did, for example, did he get it by executive order or did he get it through an act of Congress. I want the whole thing traced down to the present mess. Finished

Norman Tietjens

July 7, 1943

Secretary Morgenthau

I wish you would read the story in today's Washington Post, second column, by Christine Sadler. You might get the original release, that is if there is one. And after you have read it, I wish you would explain it to me, because frankly, I don't understand it. Finished

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 7, 1943

TO Secretary Morgenthau

FROM Mr. Tietjens

Re: The Christine Sadler story.

The Sadler story apparently was based on the attached OPA and Agriculture releases. It is a confusion of fact, estimates and some wishful subsidy thinking. One of the OPA press section characterized it as "a dope story."

Boiled down, the OPA Act requires that no maximum prices shall be put on agricultural commodities below a price which will reflect to the producers the higher of (1) parity, or (2) the highest price received for the commodity between January 1, 1942, and September 15, 1942.

When maximum prices have been established for agricultural commodities, or for commodities processed from them, the Act provides for adjustments in such maximum prices to reflect increased labor or other costs to producers, or any increase in parity prices. It also provides that in fixing maximum prices on products resulting from processing agricultural commodities, a generally fair and equitable margin shall be allowed for such processing.

From the attached releases it appears that what OPA has done is simply to adjust maximum prices for some canned vegetables and fruits and to establish a ceiling price on berries which processors may pay to growers. In some cases the processors' ceiling prices are higher than last year's prices. I am advised that this was made necessary to reflect increased parity prices and also to reflect an increase in canners' labor costs recently permitted by the OES.

Not

Attachments

THE WASHINGTON POST: WEDNESDAY, JULY 7, 1943

Higher Farm Costs Crack Food Ceilings

[illegible]

By [illegible]
Post Staff Writer

Pushed by increased farm production costs, the Office of Price Administration is revising price ceilings upward on several foods—and will be forced to permit additional price increases soon, if money for subsidies is not forthcoming.

This became apparent yesterday when scrutiny of the long-awaited pricing formulas for the 1943 pack of canned vegetables showed increases of from 1½ to 4 cents a can for all packs except the subsidized four—tomatoes, corn, peas and beans.

Canned okra, parsnips, pickles, pimientos, pumpkins, rhubarb, squash, turnips, vegetable greens of all kinds, peppers, pickles, lima beans, beets, carrots, hominy, celery, artichokes, bamboo sprouts, and bean sprouts—all were forced up by the price control provision that ceilings must be set high enough to insure a parity price to farmers.

[illegible]

In addition to the price increases [illegible] cost increases, these packs are sub-[illegible] wage increases recently approved by the Office of Economic Stabilization for canning workers.

Part of this increase is subsidized by the Government and part absorbed by the industry—but packs canned in California will cost consumers an additional 2 per cent,

See FOOD, Page 12, Column 1.

Parity Farm Costs Force OPA To Hoist Many Food Ceilings

FOOD, from Page 1.

those from Oregon and Washington 3 per cent, and those from Colorado, Delaware, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, Ohio, Utah and Wisconsin an additional 4 per cent.

Another increase announced yesterday is indicative of the plight in which OPA finds itself as it endeavors to "hold the line" as of September 15, 1942, while at the same time being authorized by law to observe farm parity and to insure a fair margin of profit to distributors, wholesalers and retailers.

The difficulty is shown in a joint statement by OPA and the War Food Administration that growers must receive 8½ cents a pound for red sour cherries due to the "extremely short crop" that makes it impossible for them to harvest at the 7¼ cents set for them earlier this summer.

OPA Hesitates to Act

OPA has hesitated to put ceilings on fresh fruits and vegetables because observance of the parity provisions would set them above what many of them now are in the market place, but on Saturday it will announce a rollback for cabbage and vegetables.

It probably will wait until autumn starts forcing [illegible] before it tackles [illegible] five other vegetable [illegible]

fies as "major"—tomatoes, carrots, beans, peas and spinach.

[illegible] for OPA's delay on vegetable ceilings is that the WFA would like to let talk about ceilings subside until its 194[illegible] production plans are out, and would like to have the impression get around that ceilings will be placed "across the board" on all crops—and not just on the "majors."

The OPA, for many reasons, does not want to put ceilings on such items as watermelons, cucumbers, fresh strawberries and pumpkins. The WFA, however, knows that not all farmers are going to shift to regular major war crops if they can "make a killing" on the unceilinged extras. While the percentage of growers gambling on higher prices for the luxury crops is not great, it bothers WFA when new crops are being planned.

Not only from the farm-parity level are OPA ceilings under upward pressure. Congressional committees continue their recommendations that ceiling prices be permitted to go up. The Senate Small Business Committee yesterday added a plea that the farm price ceiling on poultry be raised from an average of 28½ cents a pound to 30 cents.

"Following a study of production costs throughout the Nation," the committee said, "it was deemed that a fair and equitable ceiling price at the farm level would be [illegible] for the present, of 30 cents per pound.

[illegible] to be adjusted upward in [illegible] where necessary. [illegible] farm [illegible] average [illegible] to production costs in the region. This adjustment should be so arranged that the serious situation in the feed market would not be aggravated by overexpansion of poultry production."

In addition, the committee urged OPA to seize black market poultry at ceiling prices, requisitioning it for the armed forces.

MPR 306

AMDT. 9
JULY 5, 1943

OFFICE OF PRICE ADMINISTRATION

(Document No. 18556)

PART 1341—CANNED AND PRESERVED FOODS

[MPR 306,[1] Amdt. 9]

CERTAIN PACKED FOOD PRODUCTS

A statement of the considerations involved in the issuance of Amendment No. 9 to Maximum Price Regulation No. 306 has been issued and filed with the Division of the Federal Register.*

Maximum Price Regulation No. 306 is amended in the following respects:

1. Section 1341.553 (a) (6), (7), (8) and (9) are added as follows:

Item	Section	Appendix
(6) Asparagus	1341.584	B
(7) Mustard Greens and Turnip Greens	1341.584	B
(8) Tomato products	1341.584	B
(9) Miscellaneous vegetables	1341.585	C

2. In section 1341.561 (a) the figure "9%" is amended to read "3%".

3. Section 1341.565 (e) is amended to read as follows:

(e) After May 15, 1943, no processor may sell more than one grade of any particular packed fruit or packed vegetable covered by this regulation under the same brand name unless the labels on the containers of the different items are clearly distinguished by appropriate words or symbols. For example, if a processor wishes to sell both Grade A and Grade B peas under the brand name "John Doe," he must sell Grade A as John Doe Grade A, Fancy, Supreme or other appropriate term and he must sell Grade B as John Doe Grade B, Extra Standard, Superior or other appropriate Grade A peas and Grade B corn under term. However, the processor may sell the same brand name without the addition of such distinguishing words or symbols on the respective labels.

4. Section 1341.565 (k) is added to read as follows:

(k) The foregoing provisions of this section apply:

(1) To all brand owners, whether or not processors, who affix labels or cause labels to be affixed to the packed fruits or vegetables covered by this regulation, packed by them or purchased by them for resale; and

(2) To any item covered by this regulation for which grades are established by the United States Department of Agriculture.

5. Section 1341.584 is amended to read as follows:

§ 1341.584 *Appendix B: Maximum prices for packed vegetables*—(a) *Peas*. (1) The maximum prices per dozen containers, f. o. b. factory, for sales other than to government procurement agencies, shall be as follows:

Column 1	Column 2	Column 3	Column 4	Column 5		Column 6		Column 7		Column 8	
				Region I		Region II		Region III		Region IV	
Item No.	Variety	Sieve size	Grade	No. 2 can and No. 303 glass jar (16-17 fl. oz.)	No. 10 can	No. 2 can and No. 303 glass jar (16-17 fl. oz.)	No. 10 can	No. 2 can and No. 303 glass jar (16-17 fl. oz.)	No. 10 can	No. 2 can and No. 303 glass jar (16-17 fl. oz.)	No. 10 can
1	Alaska	No. 1	A-Fancy	1.575	7.90	1.55	7.75	1.525	7.65	1.55	7.75
2			B-Ex. Std	1.425	7.15	1.40	7.00	1.375	6.90	1.40	7.00
3			C-Standard	1.275	6.40	1.25	6.25	1.225	6.15	1.25	6.25
4	Alaska	No. 2	A-Fancy	1.475	7.40	1.45	7.25	1.425	7.15	1.45	7.25
5			B-Ex. Std	1.325	6.65	1.30	6.50	1.275	6.40	1.30	6.50
6			C-Standard	1.175	5.90	1.15	5.75	1.125	5.65	1.15	5.75
7	Alaska	No. 3	A-Fancy	1.375	6.90	1.35	6.75	1.325	6.65	1.35	6.75
8			B-Ex. Std	1.225	6.15	1.20	6.00	1.175	5.90	1.20	6.00
9			C-Standard	1.125	5.65	1.10	5.50	1.075	5.40	1.10	5.50
10	Alaska	No. 4 and up	A-Fancy	1.275	6.40	1.25	6.25	1.225	6.15	1.25	6.25
11			B-Ex. Std	1.175	5.90	1.15	5.75	1.125	5.65	1.15	5.75
12			C-Standard	1.075	5.40	1.05	5.25	1.025	5.15	1.05	5.25
13	Alaska	Ungraded	A-Fancy	1.275	6.40	1.25	6.25	1.225	6.15	1.25	6.25
14			B-Ex. Std	1.175	5.90	1.15	5.75	1.125	5.65	1.15	5.75
15			C-Standard	1.075	5.40	1.05	5.25	1.025	5.15	1.05	5.25
16	Sweet	No. 1	A-Fancy	1.575	7.90	1.55	7.75	1.525	7.65	1.525	7.65
17			B-Ex. Std	1.425	7.15	1.40	7.00	1.375	6.90	1.375	6.90
18			C-Standard	1.275	6.40	1.25	6.25	1.225	6.15	1.225	6.15
19	Sweet	No. 2	A-Fancy	1.575	7.90	1.55	7.75	1.525	7.65	1.525	7.65
20			B-Ex. Std	1.425	7.15	1.40	7.00	1.375	6.90	1.375	6.90
21			C-Standard	1.275	6.40	1.25	6.25	1.225	6.15	1.225	6.15
22	Sweet	No. 3	A-Fancy	1.475	7.40	1.45	7.25	1.425	7.15	1.425	7.15
23			B-Ex. Std	1.325	6.65	1.30	6.50	1.275	6.40	1.275	6.40
24			C-Standard	1.175	5.90	1.15	5.75	1.125	5.65	1.125	5.65
25	Sweet	No. 4	A-Fancy	1.375	6.90	1.35	6.75	1.325	6.65	1.325	6.65
26			B-Ex. Std	1.225	6.15	1.20	6.00	1.175	5.90	1.175	5.90
27			C-Standard	1.125	5.65	1.10	5.50	1.075	5.40	1.075	5.40
28	Sweet	No. 5 and up	A-Fancy	1.275	6.40	1.25	6.25	1.225	6.15	1.225	6.15
29			B-Ex. Std	1.175	5.90	1.15	5.75	1.125	5.65	1.125	5.65
30			C-Standard	1.075	5.40	1.05	5.25	1.025	5.15	1.025	5.15
31	Sweet	Ungraded	A-Fancy	1.425	7.15	1.40	7.00	1.375	6.90	1.375	6.90
32			B-Ex. Std	1.225	6.15	1.20	6.00	1.175	5.90	1.175	5.90
33			C-Standard	1.125	5.65	1.10	5.50	1.075	5.40	1.075	5.40
34	Prince of Wales and Laxton	Ungraded	A-Fancy	1.475	7.40	1.45	7.25	1.425	7.15	1.425	7.15
35			B-Ex. Std	1.225	6.15	1.20	6.00	1.175	5.90	1.175	5.90
36			C-Standard	1.075	5.40	1.05	5.25	1.025	5.15	1.025	5.15

*Copies may be obtained from the Office of Price Administration.
[1] 8 F.R. 1114, 1313, 2931, 3733, 3853, 4179, 4633, 4840, 6617.

(2) The regions set forth in paragraph (a) (1) of this section shall be as follows:

Region I: Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, Pennsylvania, New Jersey, Delaware, Maryland, Virginia, West Virginia and North Carolina.

Region II: Ohio, Indiana, Michigan, Illinois, Wisconsin, Minnesota, Iowa, Nebraska, North Dakota, South Dakota, Kansas, Missouri, Oklahoma, Arkansas, Texas, Louisiana, Mississippi, Alabama, Georgia, Florida, South Carolina, Kentucky and Tennessee.

Region III: Montana, Idaho, Wyoming, Utah, Nevada, Colorado, Arizona, New Mexico.

Region IV: Oregon, Washington, California.

(3) The maximum price for any variety and sieve size below standard in grade shall be: In No. 2 cans or in No. 303 glass jars (16–17 fl. oz.) ten cents per dozen, and in No. 10 cans, fifty cents per dozen, less than the maximum price for standard grade of the same variety, sieve size, and container size for the particular region.

(4) Blends of sieve sizes:

(i) The maximum price for a blend of two sieve sizes of a variety and grade shall be the same as the maximum price for the largest sieve size in the blend.

(ii) The maximum price for a blend of three sieve sizes of a variety and grade in No. 2 cans or in No. 303 glass jars (16–17 fl. oz.) shall be five cents per dozen, and in No. 10 cans, twenty-five cents per dozen, more than the maximum price for the largest sieve size in the blend; except that:

(a) The maximum price for a blend of three sieve sizes of a grade of Alaska peas, No. 5 sieve size being the largest size in the blend, in No. 2 cans or in No. 303 glass jars (16–17 fl. oz.) shall be two and one-half cents per dozen, and in No. 10 cans, twelve and one-half cents per dozen, more than the maximum price for No. 4 and up sieve size of the same grade;

(b) The maximum price for a blend of three sieve sizes of a grade of Alaska peas which contains both No. 5 and No. 6 sieve sizes, shall be the same as the maximum price for No. 4 and up sieve size of the same grade; and

(c) The maximum price for a blend of three sieve sizes of a grade of sweet peas which contains both No. 5 and No. 6 sieve sizes, in No. 2 cans or in No. 303 glass jars (16–17 fl. oz.) shall be two and one-half cents per dozen, and in No. 10 cans, twelve and one-half cents per dozen, more than the maximum price for No. 5 and up sieve size of the same grade.

(iii) The maximum price for a blend of four or more sieve sizes of a variety and grade shall be the same as the maximum price for the ungraded sieve size of the same variety and grade.

(5) The maximum price for a variety, sieve size (including blends) and grade of peas packed:

(i) In twelve ounce vacuum cans, shall be ten cents per dozen less than the maximum price for the same variety, sieve size and grade packed in No. 2 cans;

(ii) In No. 303 cans, shall be 95% of the maximum price for the same variety, sieve size and grade packed in No. 2 cans; and

(iii) In No. 1 cans, shall be 70% of the maximum price for the same variety, sieve size and grade packed in No. 2 cans.

(6) The word "ungraded," when used in connection with peas, refers to the sieve size and means not separated by sieve sizes.

(7) The maximum prices per dozen containers, f. o. b. factory, for any sieve size or grade of black eye or crowder peas in any region, shall be the same as the maximum price for the same sieve size, grade and container size of Alaska peas in the same region.

(8) The maximum prices per dozen containers, f. o. b. factory, for sales to government procurement agencies, shall be computed as follows:

(i) For each variety, sieve size and grade of peas in No. 2 cans, multiply the maximum price for sales other than to government procurement agencies by .96, and add to the resulting figure the amount designated for the appropriate state or portion thereof as follows:

Region and State	*Cents per doz. No. 2 Cans*
Region I:	
Connecticut	$0.065
Delaware	.0975
Maine	.085
Maryland	.0975
Massachusetts	.085
New Hampshire	.085
New Jersey	.070
New York	.085
North Carolina	.07
Pennsylvania	.098
Rhode Island	.085
Vermont	.095
Virginia	.090
West Virginia	.07
Region II:	
Alabama	$0.095
Arkansas	.095
Florida	.095
Georgia	.095
Illinois	.0975
Indiana	.085
Iowa (Central)[1]	.1125
Iowa (balance of State)	.0925
Kansas	.085
Kentucky	.1125
Louisiana	.095
Michigan	.0725
Minnesota	.065
Mississippi	.095
Missouri	.045
Nebraska	.0925
North Dakota	.065
Ohio	.085
Oklahoma	.065
South Carolina	.095
South Dakota	.065
Tennessee	.1125
Texas	.065
Wisconsin (Southeastern)[2]	.0775
Wisconsin (balance of State)	.095
Region III:	
Arizona	.095
Colorado	.085
Idaho (Franklin County)	.11
Idaho (balance of State)	.095
Montana	.0925
Nevada	.095
New Mexico	.07
Utah	.11
Wyoming	.08
Region IV:	
California	.0675
Oregon	.085
Washington	.085

[1] Includes following counties: Hamilton, Story, Franklin, Benton.

[2] Includes following counties: Adams, Brown, Calumet, Columbia, Crawford, Dane, Dodge, Door, Fond du Lac, Grant, Green, Green Lake, Iowa, Jefferson, Juneau, Kenosha, Kewaunee, LaFayette, Manitowoc, Marinette, Marquette, Milwaukee, Oconto, Outagamie, Ozaukee, Racine, Richland, Rock, Sauk, Shawano, Sheboygan, Walworth, Washington, Waukesha, Waupaca, Waushara, Winnebago.

(ii) For each variety, sieve size and grade of peas in No. 10 cans, multiply by 5 the maximum price determined under paragraph (i) for No. 2 cans.

(b) *Tomatoes (except Italian pear shaped tomatoes)*. (1) The maximum prices per dozen containers, f. o. b. factory, for sales other than to government procurement agencies, shall be as follows:

Col. 1	Col. 2	Col. 3			Col. 4			Col. 5			Col. 6			Col. 7		
		Region I			Region II			Region III			Region IV			Region V		
Item No.	Grade	No. 2 Can	No. 2½ Can	No. 10 Can	No. 2 Can	No. 2½ Can	No. 10 Can	No. 2 Can	No. 2½ Can	No. 10 Can	No. 2 Can	No. 2½ Can	No. 10 Can	No. 2 Can	No. 2½ Can	No. 10 Can
1	Fancy	1.545	1.775	6.30	1.40	1.75	6.20	1.225	1.675	5.50	1.35	1.70	5.85	1.225	1.725	6.6
2	Extra-Standard	1.185	1.66	5.50	1.30	1.475	5.25	1.050	1.40	4.95	1.20	1.450	5.00	1.025	1.45	5.5
3	Standard	1.025	1.525	4.90	1.00	1.30	4.72	.920	1.275	4.40	.95	1.30	4.50	.875	1.225	4.8

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(2) The regions set forth in paragraph (b) (1) of this section shall be as follows:

Region I: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York and Northern Pennsylvania (all of the State of Pennsylvania not included in Region II).

Region II: Delaware, Maryland, Virginia, West Virginia, New Jersey, Ohio, Kentucky, Tennessee, Indiana, Michigan, Illinois, Wisconsin, Minnesota, Iowa, Nebraska, North Dakota, South Dakota, and Southern Pennsylvania (Bucks, Montgomery, Philadelphia, Delaware, Chester, Lancaster, York, Cumberland, Adams, Franklin, Fulton, Bedford and Somerset Counties).

Region III: North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Arkansas, Missouri, Kansas, Oklahoma and Texas.

Region IV: Montana, Idaho, Wyoming, Colorado, Utah, New Mexico, Arizona and Nevada.

Region V: Oregon, Washington and California.

(3) The maximum price for any grade below standard shall be: In No. 2 cans, ten cents per dozen, in No. 2½ cans, seventeen and one-half cents per dozen, and in No. 10 cans, fifty cents per dozen, less than the maximum price for standard grade in the same container for the particular region.

(4) The maximum price for any grade of tomatoes packed:

(i) In No. 303 cans, shall be 95% of the maximum price for the same grade packed in No. 2 cans; and

(ii) In No. 1 cans, shall be 70% of the maximum price for the same grade packed in No. 2 cans.

(5) The maximum prices per dozen containers, f. o. b. factory, for sales to government procurement agencies, shall be computed as follows:

(i) For each grade of tomatoes in No. 2 cans, multiply the maximum price for sales other than to government procurement agencies by .96, and add to the resulting figure the amount designated for the appropriate state or portion thereof as follows:

Region and State	*Cents per doz. No. 2 Cans*
Region I:	
Connecticut	$0.1025
Maine	.09
Massachusetts	.09
New Hampshire	.09
New York (Lower Hudson River Valley and Long Island[1])	.1025
New York (balance of State)	.08
Pennsylvania (Northern)	.08
Rhode Island	.08
Vermont	.08
Region II:	
Delaware	.08
Illinois	.065
Indiana	.065
Iowa	.065
Kentucky	.065
Maryland	.08
Michigan	.065
Minnesota	.065
Nebraska	.065
New Jersey	.08
North Dakota	.065
Ohio	.065
Pennsylvania (Southern)	.105
South Dakota	.065
Tennessee	.065
Region II—Continued	
Virginia	.08
West Virginia	.08
Wisconsin	.065
Region III:	
All States except Texas	.065
Texas (Webb, Duval, Jim Wells, Nueces, Zapata, Jim Hogg, Brooks, Kleberg, Kenedy, Starr, Willacy, Cameron and Hidalgo Counties)	.09
Texas (balance of State)	.065
Region IV:	
All States except Idaho	.075
Idaho (Boundary, Bonner, Kootenai, Benewah, Latah, Nez Perce, Lewis, Idaho, Clearwater and Shoshone Counties)	.0875
Idaho (balance of State)	.075
Region V:	
California (San Diego, Imperial, Orange, Riverside, Los Angeles, San Bernardino, and Ventura Counties, and that part of Santa Barbara County south of Gaviota Pass)	.07
California (balance of State)	.065
Oregon	.0675
Washington	.0675

[1] Includes area lying below the city of Albany and closely adjacent to the Hudson River.

(ii) For each grade of tomatoes in No. 2½ cans, multiply by 1.38 the maximum price determined under paragraph (i) for No. 2 cans.

(iii) For each grade of tomatoes in No. 10 cans, multiply by 4.75 the maximum price determined under paragraph (i) for No. 2 cans.

(c) *Corn*. (1) The maximum prices per dozen containers, f. o. b. factory, for sales other than to government procurement agencies, shall be as follows:

Col. 1	Col. 2	Col. 3	Col. 4			Col. 5			Col. 6			Col. 7		
			Region I			Region II			Region III			Region IV		
Item No.	Variety and Style	Grade	No. 2 Can	12 oz. Vacuum Can	No. 10 Can	No. 2 Can	12 oz. Vacuum Can	No. 10 Can	No. 2 Can	12 oz. Vacuum Can	No. 10 Can	No. 2 Can	12 oz. Vacuum Can	No. 10 Can
1	Whole grain, all varieties	A—Fancy	1.26	1.21	6.60	1.21	1.20	6.45	1.285	1.235	5.90	1.25	1.21	6.45
2		B—Ex. Std.	1.20	1.21	6.30	1.21	1.15	6.05	1.285	1.235	5.45	1.15	1.11	5.85
3		C—Std.	1.16	1.12	5.80	1.12	1.00	5.55	1.185	1.135	5.00	1.05	1.04	5.45
4	Cream style, except evergreen and narrow grain	A—Fancy	1.26	1.21	6.30	1.21	1.15	6.05	1.285	1.235	5.45	1.15	1.11	5.95
5		B—Ex. Std.	1.16	1.12	5.80	1.11	1.00	5.50	1.185	1.135	5.00	1.05	1.04	5.45
6		C—Std.	1.06	1.01	5.30	1.01	.95	5.05	1.085	1.035	4.55	.99	.94	4.95
7	Cream style, evergreen and narrow grain	A—Fancy	1.16	1.11	5.80	1.11	1.00	5.55	1.185	1.135	5.00	1.10	1.05	5.45
8		B—Ex. Std.	1.11	1.06	5.50	1.06	1.01	5.30	1.135	1.085	4.75	1.02	.99	5.25
9		C—Std.	1.06	1.01	5.30	1.01	.95	5.05	1.085	1.035	4.55	.99	.94	4.95

(2) The regions set forth in paragraph (c) (1) of this section shall be as follows:

Region I: Maine and New Hampshire.

Region II: Ohio, Indiana, Illinois, Iowa, Nebraska, North Dakota, South Dakota, Michigan, Montana, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada, Kentucky, Tennessee and that portion of Idaho not included in Region III.

Region III: Washington, Oregon, California and southwestern Idaho (Washington, Payette, Gem, Canyon, Ada and Owyhee Counties).

Region IV: All States not included in Regions I, II and III.

(3) The maximum price for any variety and style in a grade below standard shall be: In No. 2 cans, ten cents per dozen, and in No. 10 cans, fifty cents per dozen, less than the maximum price for standard grade in the same container for the particular region.

(4) The maximum price for any variety, style and grade of corn packed:

(i) In No. 303 cans, shall be 95% of the maximum price for the same variety, style and grade packed in No. 2 cans;

(ii) In No. 1 cans, shall be 70% of the maximum price for the same variety, style and grade packed in No. 2 cans; and

(iii) In No. 303 glass jars (16–17 fl. oz.) shall be two and one-half cents per dozen more than the maximum price for the same variety, style and grade packed in No. 2 cans.

(5) The maximum prices per dozen containers, f. o. b. factory, for sales to government procurement agencies, shall be computed as follows:

(i) For each variety, style and grade of corn in No. 2 cans, multiply the maximum price for sales other than to government procurement agencies by .96, and add to the resulting figure the amount designated for the appropriate state or portion thereof as follows:

Region and State	*Cents per doz. No. 2 Cans*
Region I:	
All States	$0.07
Region II:	
All States or portions thereof	.07
Region III:	
All States or portions thereof	.085
Region IV:	
Minnesota	.075
Wisconsin	.072
New York	.09
Pennsylvania	.09
New Jersey	.09

Region and State	Cents per doz. No. 2 Cans
Region IV—Continued.	
Delaware	.09
Maryland	.09
Virginia	.09
Vermont	.125
All other States	.08

(ii) For each variety, style and grade of corn in 12 ounce vacuum cans, subtract $.05 per dozen from the maximum price determined under paragraph (i) for No. 2 cans.

(iii) For each variety, style and grade of corn in No. 10 cans, multiply by 5 the maximum price determined under paragraph (i) for No. 2 cans.

X(d) *Snap beans.* (1) The maximum prices per dozen containers, f. o. b. factory, for sales other than to government procurement agencies, shall be as follows:

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5			Col. 6			Col. 7			Col. 8			Col. 9			Col. 10		
Item No.	Style	Sieve size	Grade	Region I—Bush beans—tin containers			Region II—Bush beans—tin containers			Region III—Bush beans—tin containers			Region IV—Bush beans—tin containers			Region V—Bush beans—tin containers			Region VI—Pole beans—tin containers		
				No. 2 Can	No. 2½ Can	No. 10 Can	No. 2 Can	No. 2½ Can	No. 10 Can	No. 2 Can	No. 2½ Can	No. 10 Can	No. 2 Can	No. 2½ Can	No. 10 Can	No. 2 Can	No. 2½ Can	No. 10 Can	No. 2 Can	No. 2½ Can	No. 10 Can
1	Whole, Regular (green or wax).	#1	A-Fancy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2			B-Ex. Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3			C-Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4		#2	A-Fancy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5			B-Ex. Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6			C-Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7		#3	A-Fancy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8			B-Ex. Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9			C-Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10		#4	A-Fancy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
11			B-Ex. Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12			C-Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
13		#5 and up	A-Fancy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14			B-Ex. Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15			C-Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16		Ungraded	A-Fancy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
17			B-Ex. Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
18			C-Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
19	Cut (green or wax).	#2	A-Fancy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20			B-Ex. Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21			C-Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22		#3	A-Fancy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23			B-Ex. Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24			C-Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25		#4	A-Fancy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26			B-Ex. Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27			C-Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28		#5 and up	A-Fancy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29			B-Ex. Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30			C-Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31		Ungraded	A-Fancy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32			B-Ex. Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33			C-Std.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

(2) The regions set forth in paragraph (d) (1) of this section shall be as follows:

Region I: Maine, New Hampshire, Vermont, Massachusetts, Connecticut and Rhode Island.

Region II: New York.

Region III: Pennsylvania, New Jersey, Delaware, Maryland, Virginia, West Virginia, Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, Texas, Oklahoma, Arkansas, Missouri and Kansas.

Region IV: Ohio, Indiana, Michigan, Illinois, Wisconsin, Minnesota, Iowa, Nebraska, North Dakota and South Dakota.

Region V: Arizona, Montana, Wyoming, Colorado, New Mexico, Utah, Nevada and that part of Idaho not included in Region VI.

Region VI: Washington, Oregon, California, and Southwestern Idaho (Washington, Payette, Gem, Canyon, Ada and Owhyee counties)

(3) Differentials for other types of snap beans for which maximum prices are not named in paragraph (d) (1) of this section:

(i) In Regions I, II, III, IV and V, the maximum prices for pole beans shall be: In No. 2 cans, five cents per dozen, in No. 2½ cans, seven and one-half cents per dozen, and in No. 10 cans twenty-five cents per dozen, higher than the maximum prices named for bush beans.

(ii) In Region VI, the maximum prices for bush beans shall be: In No. 2 cans, five cents per dozen, in No. 2½ cans, seven and one-half cents per dozen, and in No. 10 cans, twenty-five cents per dozen, lower than the maximum prices named for pole beans.

(4) Differentials for other styles of pack for which maximum prices are not named in paragraph (d) (1) of this section:

(i) The maximum prices for asparagus style, horizontal style or vertical style of pack shall be: In No. 2 cans, twenty-five cents per dozen, in No. 2½ cans, thirty-two and one-half cents per dozen, and in No. 10 cans, $1.25 per dozen, higher than the maximum prices for whole beans of the same variety and grade, as listed herein or as determined by differential under the provisions of this section.

(ii) The maximum prices for French style of pack shall be: In No. 2 cans, five cents per dozen, in No. 2½ cans, seven and one-half cents per dozen, and in No. 10 cans, twenty-five cents per dozen, higher than the maximum prices for whole beans of the same variety and grade, as listed herein or as determined by differential under the provisions of this section.

(5) *Blends of sieve sizes.* (i) The maximum price of a blend of two sieve sizes of a variety and grade shall be the maximum price of the largest sieve size in the blend.

(ii) The maximum price of a blend of three sieve sizes containing only No. 4 sieve size and larger shall be the same as the maximum price for the same variety and grade, ungraded as to sieve size, in the same container. The maximum price of a blend of three sieve sizes of a variety and grade, which blend includes at least one sieve size which is smaller than No. 4 sieve size shall be: In No. 2 cans, five cents per dozen, in No. 2½ cans, seven and one-half cents per dozen and in No. 10 cans, twenty-five cents per dozen, more than the maximum price of the largest sieve size in the blend, packed in the same container.

(iii) The maximum price of a blend of four or more sieve sizes of a variety and grade shall be the same as the maximum price for ungraded sieve size of the same variety and grade in the same container.

(6) The maximum price for any variety, style and sieve size (including blends) below standard in grade shall be: In No. 2 cans, ten cents per dozen, in No. 2½ cans, twelve and one-half cents per dozen, and in No. 10 cans, fifty cents per dozen, less than the maximum price for the same variety, style and sieve size (including blends) for standard grade in the same container for the particular region.

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(7) The maximum price for any variety, style, sieve size (including blends) and grade of snap beans packed:

(i) In No. 303 cans, shall be 85% of the maximum price for the same variety, style, sieve size (including blends) and grade packed in No. 2 cans;

(ii) In No. 1 cans, shall be 70% of the maximum price of the same variety, style, sieve size (including blends) and grade packed in No. 2 cans; and

(iii) In No. 303 glass jars (16–17 fl. oz.) shall be two and one-half cents per dozen more than the maximum price for the same variety, style, sieve size (including blends) and grade packed in No. 2 cans.

(8) The word "ungraded" when used in connection with snap beans, refers to the sieve size and means not separated by sieve sizes, and includes all blends of more than three sieve sizes.

(9) The maximum prices per dozen containers, f. o. b. factory, for sales to government procurement agencies, shall be computed as follows:

(i) For each variety, style, sieve size (including blends) and grade of snap beans in No. 2 cans multiply the maximum price for sales other than to government procurement agencies by .96, and add to the resulting figure the amount designated for the appropriate state or portion thereof as follows:

Region and State	*Cents per doz. No. 2 cans*
Region I:	
All States	$0.15
Region II:	
New York	.06
Region III:	
Alabama	.025
Arkansas	.075
Delaware	.075
Florida	.025
Georgia	.025
Region III—Continued.	
Kansas	$0.025
Kentucky	.025
Louisiana	.025
Maryland	.075
Mississippi	.025
Missouri (McDonald, Newton, Barry, Lawrence, Stone, Christian, Greene, Taney, Webster, Douglas, Ozark, Howell, Texas, Shannon, Oregon, Carter, Ripley, Butler, Stoddard, Dunklin, Pemiscot, Wright, New Madrid and Mississippi counties)	.075
Missouri (balance of State)	.025
New Jersey	.075
North Carolina	.025
Oklahoma (Delaware, Mayes, Wagoner, Tulsa, Cherokee, Adair, Muskogee, Sequoyah, Haskell, LeFlore, Pushmataha, Choctaw and McCurtain counties)	.075
Oklahoma (balance of State)	.025
Pennsylvania	.075
South Carolina	.025
Tennessee	.025
Texas (Fannin, Lamar, Red River, Bowie and Cass counties)	.05
Texas (balance of State)	.025
Region III—Continued.	
Virginia	$0.075
West Virginia	.075
Region IV:	
All States	.07
Region V:	
All States or portions thereof	.11
Region VI:	
California: pole beans	.18
other than pole beans	.08
All other States or portions thereof	.13

(ii) For each variety, style, sieve size (including blends) and grade of snap beans in No. 2½ cans, multiply by 1.35 the maximum price determined under paragraph (i) for No. 2 cans.

(iii) For each variety, style, sieve size (including blends) and grade of snap beans in No. 10 cans, multiply by 5 the maximum price determined under paragraph (i) for No. 2 cans.

(e) *Spinach.* (1) The maximum prices per dozen containers, f. o. b. factory, for sales other than to government procurement agencies, shall be as follows:

Col. 1	Col. 2	Col. 3	Col. 4		
			Container		
Item No.	Grade	State or area	No. 2 Can	No. 2½ Can	No. 10 Can
1	A or fancy	All	$1.175	$1.675	$6.15
2	C or standard	All	1.025	1.38	4.75
3	Below standard	All	.920	1.16	4.10

(2) The maximum prices per dozen containers, f. o. b. factory, for sales to government procurement agencies shall be 96% of the maximum prices for sales other than to government procurement agencies as set forth in paragraph (1).

(f) *Asparagus.* (1) The maximum price per dozen containers, f. o. b. factory, for sales other than to government procurement agencies shall be as follows:

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6			Col. 7		Col. 8	
					California			Washington and Oregon		All other States	
Item No.	Variety	Style	Grade	Size	No. 2 Cans	No. 2½ Cans	No. 10 Cans	No. 2 Cans	No. 10 Cans	No. 2 Cans	No. 10 Cans
1	All Green	Spears	A-Fancy	Colossal	$1.55			$1.675		$2.00	
2				Mammoth	1.520			1.430		1.45	
3				Large	1.45			1.35		1.30	
4				Medium	1.35			1.25		1.15	
5				Small	1.275			1.130		1.05	
6		Cut Spears			2.620		$14.50	2.70	$15.50	2.60	$15.00
7		Center Cuts			1.45		7.70	1.50	7.50	1.50	7.50
8	Green Tipped	Spears	A-Fancy	Colossal	1.025						
9				Mammoth	1.025						
10				Large	1.025						
11				Medium	1.025						
12				Small	2.725						
13	Other than All Green	Cut Spears	A-Fancy				12.20				
14		Center Cuts			1.075		5.20				
15		Salad Points					17.50				
16		Soup Cuts				$2.775	9.50				

(2) The maximum price for any grade below grade A or fancy shall be: In No. 2 cans, twenty cents per dozen, in No. 2½ cans, thirty cents per dozen, and in No. 10 cans, one dollar, less than the maximum price per dozen for the same container, variety, style and size for grade A or fancy for the particular region.

(3) The maximum price per dozen, f. o. b. factory, for each grade of blended spears in No. 2 cans shall be the canner's maximum price per dozen, f. o. b. factory, for the 1942 pack of the same grade of blended spears, plus the sum of thirty cents per dozen in the states of California, Washington and Oregon, or the sum of twenty cents per dozen in all other States.

(4) The maximum prices per dozen containers, f. o. b. factory, for sales to

government procurement agencies shall be 96% of the maximum price for sales other than to government agencies as set forth in paragraphs (1), (2) and (3).

(g) *Mustard greens and turnip greens.* (1) The maximum prices per dozen containers, f. o. b. factory, for sales other than to government procurement agencies, shall be as follows:

Col. 1 Item No.	Col. 2 Grade	Col. 3 State or area	Col. 4 Container Size: No. 2½ can	Col. 4 Container Size: No. 10 can
1	A or fancy	All	$1.35	$4.35
2	C or standard	All	1.075	3.75
3	Below standard	All	.95	3.40

(2) The maximum price per dozen containers, f. o. b. factory, for sales to government procurement agencies shall be 96% of the maximum price for sales other than to government procurement agencies as set forth in paragraph (1).

(h) *Tomato products.* (1) The tomato products covered by the following paragraphs are tomato catsup, chili sauce, tomato puree, tomato paste, tomato juice and tomato sauce, and Italian pear shaped tomatoes.

(2) The maximum prices per dozen containers, f. o. b. factory, for sales other than to government procurement agencies of the tomato products set forth in paragraph (1) shall be computed by the processor by adjusting his maximum price per dozen, f. o. b. factory, for the 1942 pack of the same tomato product of the same grade and in the same container as follows:

(i) Deduct the total 1942 raw tomato cost per dozen containers as required to be reported in column (8) of the report filed under Maximum Price Regulation No. 152.

(ii) Add to the figure so obtained the total raw tomato cost per dozen containers determined by dividing the resale price of the Commodity Credit Corporation for the region where the processor's factory is located by the number of dozens of containers obtained per ton of raw tomatoes as required to be reported in column (5) of the report filed under Maximum Price Regulation No. 152.

(3) The processor's maximum price per dozen No. 10 cans of tomato catsup, regardless of the provisions of paragraph (2), shall be at least equal to his maximum price per dozen for the same grade in 14 ounce bottles (determined under paragraph (2)) multiplied by 6.5.

(4) Any processor who established a maximum price for any grade and size of his 1942 pack of any particular tomato product set forth in paragraph (1) by the adoption of a competitor's maximum price shall adopt the same competitor's maximum price for the 1943 pack of the same product, grade and size.

(i) Where the same competitor does not pack such product in 1943, the processor shall establish his maximum price for such product by adopting his closest competitive seller's maximum price for the same grade and size of the 1943 pack of the same product.

(ii) Where the processor did not pack the same grade and size of any of such products in 1942, the maximum price of his closest competitive seller for the same grade and size of the 1943 pack of the same product shall be the processor's maximum price.

(5) In the event that a processor cannot establish a maximum price for any grade or size of any such tomato product under the foregoing provisions, he shall apply to the Office of Price Administration, Washington, D. C., for authorization of a maximum price. His application shall contain:

(i) A full description of the item which is the subject of the application, and an itemized statement of his costs therefor.

(ii) A description of the most similar grade and size of the same product, or if he does not pack the same product in another grade and size, his most similar product; an itemized statement of his costs therefor; and his maximum price for such item. Separate maximum prices will be authorized for government procurement agencies and for other sales.

(6) The maximum prices per dozen containers, f. o. b. factory, for sales to government procurement agencies shall be:

(i) 96% of the maximum price for sales other than to government procurement agencies as established under paragraphs (1) through (5) inclusive, plus

(ii) The increased cost of raw tomatoes computed as follows:

(a) Determine the amount of the difference between the Commodity Credit Corporation's purchase price and resale price per ton of raw tomatoes for the area where the processor's factory is located.

(b) Divide that amount by the number of dozens of containers obtained per ton of raw tomatoes as required to be reported in column (5) of the report filed under Maximum Price Regulation No. 152. The resulting figure is the processor's increased cost of raw tomatoes per dozen containers, which, when added to 96% of the maximum price for sales other than to government procurement agencies, constitutes the maximum price for sales to government procurement agencies.

6. Section 1341.585, Appendix C, is added to read as follows:

§ 1341.585 *Appendix C: Maximum prices for certain miscellaneous canned vegetables.* (a) The miscellaneous canned vegetables listed below include the canned juices of such vegetables. The miscellaneous canned vegetables covered in this section are as follows:

Group I:
- Artichokes
- Bamboo sprouts
- Bean sprouts
- Celery
- Hominy
- Okra
- Onions
- Parsnips
- Peppers
- Pickles
- Pimientos
- Pumpkins
- Rhubarb
- Squash
- Turnips
- Vegetable greens (except spinach, mustard greens and turnip greens)

Group II:
- Beans, Lima (fresh)
- Beets
- Carrots

Group III:
- Mixed vegetables or mixed vegetable juices

(1) *Maximum prices for vegetables and vegetable juices in Group I.* (i) The processor's maximum price per dozen containers, f. o. b. factory, for sales other than to government procurement agencies, shall be the processor's maximum price for the 1942 pack for the same variety, style, grade and container size of the same item, plus 20% of the raw vegetable cost per dozen as required to be reported in column (8) of the report filed under Maximum Price Regulation No. 152.

(ii) The processor's maximum price per dozen containers, f. o. b. factory, for sales to government procurement agencies shall be 96% of the maximum price for sales other than to government procurement agencies as established under paragraph (1).

(2) *Maximum prices for vegetables and vegetable juices in Group II.* (i) The processor's maximum price per dozen containers, f. o. b. factory, for sales other than to government procurement agencies, shall be computed by the processor by adjusting his maximum price per dozen, f. o. b. factory, for the 1942 pack of the same variety, style, grade and container as follows:

(a) Deduct the total 1942 raw vegetable cost per dozen containers as required to be reported in Column (8) of the report filed under Maximum Price Regulation No. 152.

(b) Add to the figure so obtained the total raw vegetable cost per dozen containers determined by dividing the applicable support price of the War Food Administration for the area where the processor's factory is located by the number of dozens of containers obtained per ton of raw vegetable as required to be reported in column (5) of the report filed under Maximum Price Regulation No. 152.

(ii) The processor's maximum price per dozen containers, f. o. b. factory, for sales to government procurement agencies, shall be 96% of the maximum price for sales other than to government procurement agencies as established under paragraph (1).

(3) *Maximum prices for mixed vegetables and mixed vegetable juices (Group III).* (i) The processor's maximum price per dozen containers, f. o. b. factory, for sales other than to government procurement agencies, shall be his maximum price for the same item of the 1942 pack, adjusted for the difference in raw vegetable cost, to be computed as provided herein. The difference in cost shall be separately computed for each vegetable in the combination, as follows:

(a) For raw vegetables in Group I, increase the raw vegetable cost for such vegetables required to be used in computing maximum prices for the 1942 pack, by 20%.

(b) For raw vegetables in Group II, deduct the raw vegetable cost for such vegetables required to be used in computing maximum prices for the 1942 pack and add the 1943 raw vegetable cost for such vegetables, obtained by dividing the applicable support price of the War Food Administration for the area in which the processor's factory is located by the dozen container yield per ton required to be used in computing the 1943 maximum price.

(c) For raw vegetable cost of corn, peas, snap beans or tomatoes used in the item, deduct the raw vegetable cost for such vegetables required to be used in computing the maximum prices for the 1942 pack, and add the 1943 raw vegetable cost for such vegetables, obtained by dividing the resale price of the Commodity Credit Corporation for the area in which the processor's factory is located by the dozen container yield per ton required to be used in computing the 1943 maximum prices.

(ii) The maximum prices per dozen containers, f. o. b. factory, for sales to government procurement agencies shall be 96% of the maximum prices for sales other than to government procurement agencies, except that for any item containing corn, peas, snap beans or tomatoes, the processor shall add the amount of the difference between the Commodity Credit Corporation's purchase price and resale price per ton of such raw vegetable for the area where the processor's factory is located, divided by the dozen container yield per ton required to be used in computing the 1943 maximum prices.

(4) *Maximum prices for vegetables and vegetable juices in Groups I, II and III in certain instances.* (i) Any processor who established a maximum price for any variety, style, grade and container of his 1942 pack of any particular item in Group I, II or III by the adoption of a competitor's maximum price, shall adopt the same competitor's maximum price for the 1943 pack of the same item.

(a) Where the same competitor does not pack such item in 1943, the processor shall establish his maximum price for such item by adopting his closest competitive seller's maximum price for the same variety, style, grade and container of the 1943 pack of the same item.

(ii) Where the processor did not pack the same variety, style, grade and container of any particular item in Group I, II or III in 1942, the maximum price of his closest competitive seller for the same variety, style, grade and container of the 1943 pack of the same item shall be the processor's maximum price.

(iii) In the event that a processor cannot establish his maximum price under the foregoing provisions of the regulation, he shall apply to the Office of Price Administration, Washington, D. C., for authorization of a maximum price. His application shall contain:

(a) A statement of the reasons for his inability to establish a maximum price for the item which is the subject of the application.

(b) A full description of the item which is the subject of the application, and an itemized statement of his costs therefor.

(c) A description of the most similar grade and container of the same item, or if he does not pack the same product in another grade and container, his most similar product; an itemized statement of his costs therefor; and his maximum price for such item. Separate maximum prices will be authorized for sales to government procurement agencies and for all other sales.

7. Section 1341.586, Appendix D, is added to read as follows:

§ 1341.586 *Appendix D: Adjustment of maximum prices for approved increases in wage rates.* (a) Processors whose factories are located in the States or portions thereof listed below, shall adjust their maximum prices for sales to government procurement agencies, computed under the foregoing provisions of this regulation, for the following items, by multiplying such maximum prices by the figure indicated for each such State or portion thereof:

(1) *Peas.*

Region	State	Grade	Multiply maximum price by—: Alaska, [illegible] and Crowder	Sweet	Laxton and Prince of Wales
I	Delaware, Maryland and New York	Fancy	[illegible]	[illegible]	[illegible]
		All other	[illegible]	[illegible]	[illegible]
II	Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin	Fancy	[illegible]	[illegible]	[illegible]
		All other	[illegible]	[illegible]	[illegible]
III	Colorado and Utah	Fancy	[illegible]	[illegible]	[illegible]
		All other	[illegible]	[illegible]	[illegible]
IV	California, Oregon and Washington	Fancy	[illegible]	[illegible]	[illegible]
		All other	[illegible]	[illegible]	[illegible]

(2) *Tomatoes (except Italian pear shaped tomatoes).*

Region	States	Grade	Multiply maximum price by—
I	New York	Fancy	[illegible]
		All other	[illegible]
II	Delaware, Illinois, Indiana, Maryland, Michigan, Minnesota, Ohio, Wisconsin	Fancy	[illegible]
		All other	[illegible]
IV	Colorado, Utah	Fancy	[illegible]
		All other	[illegible]
V	California, Oregon, Washington	Fancy	[illegible]
		All other	[illegible]

(3) *Corn.*

Region	States	Grade	Multiply maximum price by—: Cream Style	Whole Kernel
II	Colorado, Illinois, Indiana, Michigan, Utah	Fancy	[illegible]	[illegible]
		All other	[illegible]	[illegible]
III	California, Oregon, Washington	Fancy	[illegible]	[illegible]
		All other	[illegible]	[illegible]
IV	Delaware, Maryland, Minnesota, New York, Wisconsin	Fancy	[illegible]	[illegible]
		All other	[illegible]	[illegible]

(4) *Snap beans.*

Region	States	Grade	Multiply maximum price by— Cut	Whole
II	New York	Fancy	[illegible]	[illegible]
		All other	[illegible]	1.015
III	Delaware, Maryland	Fancy	[illegible]	[illegible]
		All other	[illegible]	[illegible]
IV	Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin	Fancy	[illegible]	[illegible]
		All other	1.040	1.040
V	Colorado, Utah	Fancy	[illegible]	[illegible]
		All other	1.025	1.025

(b) Processors whose factories are located in the States or portions thereof listed below, shall adjust their maximum prices for the following items, for sales to government procurement agencies and for other sales, respectively, by multiplying the maximum prices established under the foregoing provisions of this regulation by the figure indicated for each such State or portion thereof:

(1) *Spinach, mustard greens and turnip greens.*

State	Grade	Multiply maximum price by—
California, Colorado, Delaware, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, Ohio, Oregon, Utah, Washington, and Wisconsin	All	1.045

(2) *Asparagus.*

State	Variety and grade	Multiply maximum price by—
California	All	1.02
Oregon and Washington	All	1.02
Colorado, Delaware, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, Ohio, Utah and Wisconsin	All	1.04

(c) Processors whose factories are located in the States or portions thereof listed below shall adjust their maximum prices established under the foregoing provisions of this regulation for sales of the items designated to government procurement agencies if they have incurred wage rate increases approved by the Office of Economic Stabilization. Such adjustments are to be made only when the wage rate increases become effective after January 1, 1943. The adjustments are to be made for any item listed below, but only when 50% or more of the processor's pack of the particular item was made after the effective date of the wage rate increase. Such adjustments are to be made by multiplying the maximum prices for sales to government procurement agencies by the figure indicated for each such State or portion thereof.

(1) *Tomato juice.*

State:	Multiply maximum price by—
New York	1.04
Delaware and Maryland	1.035
Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin	1.045
California, Colorado, Oregon, Utah and Washington	1.02

(2) All tomato products set forth in § 1341.564 (h), except tomato juice.

State:	Multiply maximum price by—
California, Colorado, Oregon, Utah and Washington	1.02
Delaware, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, Ohio, and Wisconsin	1.04

(d) Processors whose factories are located in the States or portions thereof listed below shall adjust their maximum prices established under the foregoing provisions of this regulation for sales of the items designated to government procurement agencies and also their maximum prices for other sales if they have incurred wage rate increases approved by the Office of Economic Stabilization. Such adjustments are to be made only when the wage rate increases become effective after January 1, 1943. The adjustments are to be made for any item listed below, but only when 50% or more of the processor's pack of the particular item was made after the effective date of the wage rate increase. Such adjustments are to be made for sales to government procurement agencies by multiplying the maximum price for such sales by the figure indicated for each state or portion thereof, and such adjustments are to be made for sales other than to government procurement agencies by multiplying the maximum prices for such sales by the same figure.

(1) All miscellaneous vegetables set forth in Groups I, II and III in § 1341.585 (a).

State:	Multiply maximum price by—
California, Colorado, Delaware, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, Ohio, Oregon, Utah, Washington and Wisconsin	1.045

This amendment shall become effective July 10, 1943.

(Pub. Laws 421 and 729, 77th Cong.; E.O. 9250, 7 F.R. 7871; E.O. 9328, 8 F.R. 4681)

Issued this 5th day of July, 1943.

PRENTISS M. BROWN,
Administrator.

Pond - 71311

OFFICE OF WAR INFORMATION
OFFICE OF PRICE ADMINISTRATION

For Immediate Release
Monday, July 5, 1943 OPA-2773

The Office of Price Administration today completed its pricing of the 1943 pack of canned vegetables, establishing specific dollars-and-cents maximum prices for three commodities and setting up formulas to price a miscellaneous group. All prices are at the canner level.

The three vegetables for which specific maximum prices are established are asparagus, mustard greens and turnip greens. In addition to setting forth formulas for miscellaneous groups, today's action also revises in considerable detail the specific maximum prices set earlier for corn, tomatoes, snap beans and peas.

Further, those established for spinach are revised to allow an addition of 4½ per cent in 14 states for wage rate increases approved by the Office of Economic Stabilization. Maximum prices for sales of spinach to the Government are set at 96 per cent of the originally stated prices. The wage increase addition also is permissible in sales to the Government.

The specific maximum prices established for asparagus and mustard greens reflect an increase in raw material and labor costs as will the prices for the miscellaneous groups under the formulas. Since canned vegetables are sold under fixed mark-up at wholesale and retail, this increase will be passed on to the housewife. It will amount, for example, to approximately 4 cents on a No. 2 can, the most widely sold size, in the case of asparagus, and 1½ cents for mustard and turnip greens.

Retail maximum prices for spinach canned in the 14 states where OES has approved wage increases will reflect the allowed 4½ per cent addition. As wage rate increases are approved by OES for canners in other states, the 4½ per cent addition will be allowed for them.

The table of maximum prices of Grade A (or Fancy) asparagus, f.o.b. canner's factory, per dozen containers, on sales to others than Government agencies follows:

X-17652

(f) Asparagus

(1) The maximum prices per dozen containers, f.o.b. factory, for sales other than to government procurement agencies, shall be as follows:

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6			Col. 7		Col. 8	
					California			Washington and Oregon		All Other States	
Item	Variety	Style	Grade	Size	No. 2 Cans	No. 2½ Cans	No. 10 Cans	No. 2 Cans	No. 10 Cans	No. 2 Cans	No. 10 Cans
1	All Green	Spears	A-Fancy	Colossal	3.55			3.475		3.50	
2				Mammoth	3.525			3.425		3.45	
3				Large	3.45			3.35		3.30	
4				Medium	3.35			3.25		3.15	
5				Small	3.275			3.125		2.95	
6		Cut Spears			2.825		14.20	2.70	13.50	2.60	13.00
7		Center Cuts			1.45		7.70	1.50	7.50	1.50	7.50
8	Green Tipped	Spears	A-Fancy	Colossal	3.025						
9				Mammoth	3.025						
10				Large	3.025						
11				Medium	3.025						
12				Small	2.725						
13	Other than All Green	Cut Spears	A-Fancy				13.20				
14		Center Cuts			1.075		5.20				
15		Salad Points					17.30				
16		Soup Cuts				2.775	9.50				

X-17652

Any grade below Grade A (or Fancy) is priced by subtracting 20 cents a dozen from the No. 2 can maximum price, 30 cents a dozen from the No. 2½ can price and $1 a dozen from the No. 10 price. For blended spears in No. 2 cans, the 1943 maximum is obtained by adding 30 cents a dozen in California, Washington and Oregon, and 20 cents a dozen in all other states, to the canner's 1942 maximum price for the same grade.

As in the case of spinach, the maximum price on sales to Government procurement agencies is 96 per cent of the maximum price for other sales.

To these maximum prices, canners in California can add 2 per cent to cover wage increases approved by OES. In Oregon and Washington, the allowed addition is 3 per cent; in Colorado, Delaware, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, Ohio, Utah and Wisconsin, 4 per cent.

The maximum prices for mustard and turnip greens, f.o.b. canner's plant per dozen containers, follow:

Col. 1	Col. 2	Col. 3	Col. 4	
Item No.	Grade	State or Area	Container Size	
			No. 2½ Cans	No. 10 Cans
1	A or fancy	All	$1.20	$4.20
2	C or standard	All	1.075	3.75
3	Below standard	All	.95	3.30

As with spinach and asparagus, the maximum price on sales to Government procurement agencies is 96 per cent of that stated above.

Canners in the 14 states listed above can add 4½ per cent, as is the case with spinach.

The specific maximum prices for asparagus and mustard greens and turnip greens, and for sales of spinach to Government procurement agencies, were announced today by OPA to allow packers to know definitely what their maximum prices are for sales under the recently announced adjustable pricing provision of Maximum Price Regulation No. 152 (Canned Vegetables).

The action was taken through Amendment No. 9 to Maximum Price Regulation 306 (Certain Packed Food Products), issued today and effective July 10, 1943.

The amendment contains four pricing formulas.

One of these will be used by the packers to establish maximum prices for canned Italian pear-shaped tomatoes and for tomato catsup, chili sauce, tomato puree, tomato paste, tomato juice and tomato sauce.

Another will be used to establish maximum prices for canned artichokes, bamboo sprouts, bean sprouts, celery, hominy, okra, onions, parsnips, peppers, pickles, pimientos, pumpkins, rhubarb, squash, turnips and vegetable greens other than spinach and mustard and turnip greens.

(Over)

Another formula will be used to establish maximum prices for canned lima beans, beets and carrots.

The fourth formula will be used to establish maximum prices for canned mixed vegetables or mixed vegetable juices.

The formulas take into consideration increased raw material costs (except for tomatoes, where a Government subsidy is operative) and increased labor costs in the 14 states named.

The changes in the maximum price tables for corn, tomatoes, peas and snap beans were made on the basis of administrative experience with the operation of Maximum Price Regulation No. 306. They will cause no increase in the general cost of living.

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OFFICE OF WAR INFORMATION

DEPARTMENT OF AGRICULTURE

AG-593
X-17704

For Immediate Release
Tuesday, July 6, 1943

New Grower Prices For Red Sour Cherries

The War Food Administration and Office of Price Administration today explained that the canners', freezers' and manufacturers' ceiling for processed red sour cherries will reflect a grower price of 8 1/2 cents per pound instead of the $40 per ton increase over 1942 prices as previously announced.

The former increase of $40 per ton was predicated on a normal crop and would have resulted in an average price for all producing areas of approximately 7 1/4 cents per pound. In recent weeks an extremely short crop has developed which would make it impossible for growers to harvest sour cherries at prices originally designated.

The price of 8 1/2 cents per pound has been designated by the Office of Price Administration as a grower ceiling price for all sour cherries sold for processing purposes. A ceiling price for sour cherries for fresh distribution will be established to reflect ten cents a pound to growers for cherries packaged for fresh market shipments.

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OFFICE OF WAR INFORMATION
Department of Agriculture

For Immediate Release
Saturday, July 3, 1943

AG-588
X-17616

Growers Prices for Berries

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The War Food Administration today announced grower prices for seven types of berries which will go into the 1943 packs of canned and frozen berries.

Maximum prices for these packs will be established shortly by the Office of Price Administration at levels which reflect increases announced by WFA. This is mandatory under the amended Emergency Price Control Act, which provides that maximum prices set on agricultural commodities must reflect the higher of either parity or the highest price paid to the farmer between January 1 and September 15, 1942.

The ceiling prices to be established for canned and frozen berries will permit processors to pay berry growers the following prices:

	Cents per pound		Cents per pound
Red Raspberries	15	Loganberries	12
Black Raspberries	13	Blackberries	12
Youngberries	12	Gooseberries	8
Boysenberries	12		

In the case of all other berries except strawberries, ceiling prices for the 1943 pack will permit each processor to pay 3 cents per pound more than the weighted average price which he reported as his raw product cost under the provision of OPA price regulations covering the 1942 pack.

Ceiling prices for frozen stawberries have been established, under MPR 409, on the basis of a grower price of 12 cents a pound for stemmed berries.

In the Pacific Northwest, the chief area in which berries are processed, these prices will reflect an average increase of approximately 5 cents per pound for young berries, 4½ cents for boysenberries, 4 cents for black raspberries and strawberries, 3½ cents for loganberries, 3 cents for blackberries and red raspberries, and 2½ cent for gooseberries. Grower prices at those levels are necessary to meet the increased cost of producing and harvesting.

Since processed berries represent a minor element in the cost of living, the increases will have no appreciable effect upon the cost of the average diet.

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Ward: Ag 5606

OFFICE OF WAR INFORMATION
Department of Agriculture

For Immediate Release
Wednesday, June 23, 1943.

AG-555

Grower Prices on Sour Cherries

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An increase of $40 per ton in grower prices of sour cherries used for canning and freezing, over prevailing 1942 prices, was announced today by the War Food Administration.

The amended Emergency Price Control Act of 1942 requires that maximum prices on processed agricultural commodities be established by the Office of Price Administration so as to reflect to the grower the higher of either the parity price or the highest price between January 1 and September 15, 1942. In this instance, parity price is higher.

This increase required by law will be reflected in the maximum prices to be established in the near future by OPA for processed sour berries.

To maintain customary differentials in payments to growers, the increase of $40 per ton will apply to the generally prevailing 1942 price for each district, variety, size, and quality. It is not expected, however, War Food Administration officials stated, that the price received by every individual grower will be exactly $40 over his 1942 price.

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Foods: 71511

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OFFICE OF WAR INFORMATION
OFFICE OF PRICE ADMINISTRATION

For Immediate Release
Monday, July 5, 1943

OPA-2770

Specific prices which canners or other processors may pay for red sour [redacted] cherries and seven varieties of berries were announced today by the Office of Price Administration as part of a program to put as many varieties of fresh fruits, berries and vegetables for processors under price control as practicable. This action should have no effect on the retail prices of the processed foods.

The following ceiling prices, effective July 5, 1943, are the highest which canners or other processors may pay for the varieties listed. The seller to the processor will usually be either the grower or country shipper.

Variety	Cents per pound
Red sour [redacted] cherries	8½¢
Black Raspberries	15¢
Youngberries	13¢
Boysenberries	12¢
Loganberries	12¢
Blackberries	12¢
Gooseberries	8¢

Today's action, taken with the approval of the Economic Stabilization Director, is through the issuance of a new regulation, No. 425, (Fresh Fruits, Berries and Vegetables for processing). While the initial prices cover only the varieties of berries listed, the regulation provides the framework for similar action on other agricultural products bought by canners and processors.

Uncontrolled prices of these agricultural commodities at the processor level would place heavy pressure on the maximum prices applying to the canned and processed goods sold by canners and processors for ultimate use by consumers.

The maximum prices which processors may pay under the regulation should reflect reasonable returns to growers and secure highest utilization of these crops for processing uses, OPA said. These prices should also contribute to equitable grower returns and facilitate marketing of these products.

OPA's new regulation has the effect of relieving the pressure on processors' ceilings by requiring prices lower than those presently being charged. The amount of the reduction will vary widely from locality to locality.

The regulation, moreover, removes the incentive for the practice whereby processors' customers have avoided the application of ceilings at the processing level by buying fresh products from growers and paying the processor only for "servicing" them. In this way the regulation will help to maintain existing ceilings to consumers.

Determined in collaboration with the War Food Administration, the berry prices set in Regulation 425 clear the parity requirements and are higher than the highest prices received by producers between January 1, 1942, and September 15, 1942.

X-17655

TITLE 32 - NATIONAL DEFENSE

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CHAPTER XI - OFFICE OF PRICE ADMINISTRATION OPA-2770

PART 1439 - UNPROCESSED AGRICULTURAL COMMODITIES

(MPR 425)

FRESH FRUITS, BERRIES AND VEGETABLES FOR PROCESSING

In the judgment of the Price Administrator, the maximum prices established by this regulation are and will be generally fair and equitable and will effectuate the purposes of the Emergency Price Control Act of 1942, as amended. A statement of the considerations involved in the issuance of this regulation has been issued and filed with the Division of the Federal Register.

Section 1439.354 Maximum prices for sales of fresh fruits, berries and vegetables to processors. Under the authority vested in the Price Administrator by the Emergency Price Control Act of 1942, as amended, and Executive Orders Nos. 9250 and 9328, Maximum Price Regulation No. 425. (Fresh Fruits, Berries and Vegetables for Processing), which is annexed hereto and made a part hereof, is hereby issued.

Authority: Section 1439.354 issued under Pub. Laws 421 and 729, 77th Cong.; E.O. 9250, 7 F.R. 7871; E.O. 9328, 8 F.R. 4681.

Maximum Price Regulation No. 425

Fresh Fruits, Berries and Vegetables for Processing

Contents

X-17655

Article I - Explanation of the Regulation

Section 1 Purpose of the regulation. The purpose of this regulation is to establish dollars and cents maximum prices for certain fresh fruits, berries and vegetables in sales to processors. Prices are in effect from July 5, 1943.

The general provisions of the regulation shall apply to the extent that they are not inconsistent with the provisions of the pricing sections applicable to particular commodities.

Sec. 2 Definitions. Unless the context indicates otherwise, the definitions set forth in the General Maximum Price Regulation 1/ shall be applicable to similar terms used in this regulation. When used in this regulation, the term:

(a) "Processor" means a person who commercially processes the fresh fruit, berry or vegetable being priced. For example, one who cans or freezes the product being priced, or who uses it in making confectionery or bakery products, is a "processor".

(b) "Sales to processors" means sales by any person to a processor.

(c) "Commodity covered by this regulation" means any fresh fruit, berry or vegetable for which a maximum price for sales to processors is established by this regulation.

(d) "Fresh fruit, berry or vegetable of lower than specified grade" means any commodity covered by this regulation which does not conform to at least the minimum quality standard or grade specified for such commodity under the provisions of this regulation.

Article II - Pricing Sections

Section 3 List of maximum prices for fresh fruits sold for processing. In sales to any processor, the seller's maximum prices for the following listed fresh fruits shall be (prices include delivery to the processing plant):

Variety	Cents per pound
Cherries, Red Sour Pitted	8½¢

Sec. 4 List of maximum prices for fresh berries sold for processing. In sales to any processor, the seller's maximum prices for the following listed fresh berries shall be (prices include delivery to the processing plant):

Variety	Cents per pound
Red Raspberries	15¢
Black Raspberries	13¢
Youngberries	12¢
Boysenberries	12¢
Loganberries	12¢
Blackberries	12¢
Gooseberries	8¢

1/ F.R. 3096, 3849, 4347, 4486, 4724, 4978, 4846, 6047, 6962, 8511.

Article III - General Provisions

Section 6 Maximum prices for fresh fruits, berries and vegetables of lower than specified grade. The maximum price for sales of any fresh fruit, berry or vegetable of lower than specified grade shall be the maximum price established for the lowest specified grade of that particular commodity under the applicable provisions of this regulation.

Sec. 7 Adjustable pricing. Any person may agree to sell at a price which can be increased up to the maximum price in effect at the time of delivery; but no person may, unless authorized by the Office of Price Administration, deliver or agree to deliver at prices to be adjusted upward in accordance with action taken by the Office of Price Administration after delivery. Such authorization may be given when a request for a change in the applicable maximum price is pending, but only if the authorization is necessary to promote distribution or production and if it will not interfere with the purposes of the Emergency Price Control Act of 1942, as amended. The authorization may be given by the Administrator or by any official of the Office of Price Administration to whom the authority to grant such authorization has been delegated. The authorization shall be given by order.

Sec. 8 Records. A person, other than a producer, who sells or delivers any fresh fruit, berry or vegetable to a processor, or a processor who buys or receives any such commodity, shall keep for examination by the Office of Price Administration, so long as the Emergency Price Control Act of 1942, as amended, shall remain in effect, records showing in each case the date of sale, the quantity and grade sold, the price charged, and the name and address of the purchaser or seller, as the case may be. Records shall be available for examination by the Office of Price Administration at any reasonable time.

Sec. 9 Compliance with the regulation. (a) No buying or selling above maximum prices. After this regulation is effective, regardless of any contract, agreement or other obligation, no person shall sell or deliver any fresh fruit, berry or vegetable to any processor, and no processor shall buy or receive the commodity, at prices higher than the maximum prices established for it under this regulation; and no person shall agree, offer, solicit or attempt to do any of these things. However, prices lower than the maximum prices may be charged and paid.

(b) Evasion. The maximum prices established under this regulation shall not be evaded by direct or indirect methods, whether by commission, service, transportation or other charge or discount, premium or other privilege; by tying-agreement or other trade understanding; by business practices relating to grading or packing, or in any other way.

(c) Enforcement. Any person violating the provisions of this regulation is subject ot the criminal penalties, civil enforcement actions and suits for treble damages as provided in the Emergency Price Control Act of 1942, as amended.

Sec. 10 Geographical applicability. The provisions of this regulation shall apply only to the forty-eight states of the United States and the District of Columbia, except as may be otherwise provided for a particular commodity.

Sec. 11 Export sales. The maximum prices at which a person may export any commodity covered by this regulation shall be determined in accordance with the Second Revised Maximum Export Price Regulation, 2/ and amendments.

Sec. 12 Applicability of other maximum price regulations. The provisions of this regulation supersede the provisions of other maximum price regulations to the extent that those regulations apply to sales to or purchases by processors of commodities covered by this regulation.

Sec. 13 Petitions for amendment. Persons seeking modification of any provision of this regulation may file a petition for amendment in accordance with the provisions of Revised Procedural Regulation No. 1. 3/

Effective date

This regulation shall become effective July 5, 1943.

Issued this 5th day of July, 1943.

Note: All reporting and record-keeping requirements of this regulation have been approved by the Bureau of the Budget in accordance with the Federal Reports Act of 1942.

Prentiss M. Brown
Administrator

Approved:

Paul A. Porter
Acting War Food Administrator

2/ 8 F.R. 4132, 5987, 7662.
3/ 7 F.R. 8961; 8 F.R. 3313, 3533, 6173.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 7, 1943

TO Secretary Morgenthau

FROM Mr. Tietjens

Re: Control of agricultural commodity prices.

As a result of your call of yesterday afternoon to Judge Jones, I talked for over an hour this morning at the War Food Administration with his assistants, Grover Hill and Paul Porter, about agricultural commodity price fixing.

I outlined the difficulties we had run into on berry prices and stated that it was our desire to be helpful. I then suggested that a unification in WFA of price fixing control for agricultural commodities would do much to mitigate the delays and confusion that now seemed to exist and indicated that this could be accomplished by an amendment to the executive order establishing the Office of Economic Stabilization.

Messrs. Hill and Porter stated that if asked their personal opinion they would advise against such unification for the following reasons:

1. The President had on several recent occasions taken a firm stand against concentrating price fixing authority and production responsibility in the same agency.

2. That a desire for such unification by Chester Davis was one of the reasons for his resignation.

3. There was a fundamental inconsistency from their standpoint between wanting more food production and stabilizing food prices since the agency charged with encouraging production tended to "more production at any price."

4. That any move to unify price and production control in the same agency would immediately run into very strong opposition from labor groups.

5. That such a move would ultimately lead to the dismembership of OPA since, if WFA got control of farm prices, Ickes would ask for control of oil prices, and so on.

As an alternative, Messrs. Hill and Porter said they would rather try to work out something that would make existing tools effective. At present they were (1) having conferences with Prentiss Brown in an effort to establish procedures between OPA and WFA which would make staff consultation possible between the two agencies when price changes are initiated by either, and (2) trying to work out time schedules which would relate, as far as possible, price action to production and marketing practices.

In their opinion most of the delays and confusion resulted, partly from the necessary complexity of price fixing, and partly from the fact that their agency wasn't yet "shaken down."

I left with Porter a copy of a suggested amendment to the executive order establishing the Office of Economic Stabilization.

nor

Amend Title IV, paragraph 3 of Executive Order No. 9250 to read:

"3. Subject to the directives on policy of the Director, the price of agricultural commodities shall be established or maintained or adjusted by the War Food Administrator. The price of any commodity manufactured or processed in whole or in substantial part from an agricultural commodity shall be established or maintained or adjusted by the Price Administrator in the same administrative manner provided for under the Emergency Price Control Act of 1942."

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau July 7, 1943

FROM Mr. O'Connell

The man you spoke to me about the other day, and mentioned at staff meeting yesterday, is Thomas E. Murray of New York City.

Our files indicate that you asked Ed Foley about him in September of 1941, but they do not reveal any specific information about him. Presumably Ed reported to you verbally. In any event he has no present recollection of the man.

JJO'C

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 7, 1943

TO Secretary Morgenthau

FROM Mr. O'Connell

Mr. Paul is to meet with Congressman Doughton and Mr. Stam tomorrow afternoon at 3 o'clock. The Chairman set the time.

J.J.O'C. Jr.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JUL 7 1943

TO Secretary Morgenthau

FROM J. W. Pehle and J. J. O'Connell

We thought you would be pleased to learn that a check has confirmed your recollection that Napoleon's wife, Josephine, came from Martinique.

Josephine, whose full name was Marie Rose Josephine Tascher de la Pagerie, was born on the island of Martinique on June 23, 1763. When Josephine met Napoleon in 1795, she was the widow of the Vicomte Alexandre Beauharnais, who had incurred the suspicion of the Jacobins and whose lack of success as the head of the French Army on the Rhine had led to his execution during the Terror. In 1795, when Napoleon's fame was beginning, Josephine was one of the queens of Parisian society. They entered into a civil marriage in March 1796, a few days before Napoleon set out to command the Army of Italy. On December 1, 1804, the eve of Napoleon's coronation as Emperor, they were married anew with religious rites.

By this time relations between the two had become strained and Napoleon, wishing to keep open the alternative of a divorce, procured the omission of one formality in the ceremony, the presence of the parish priest. The impossibility that she should bear him an heir to insure the succession further strained the relations between Napoleon and Josephine. In 1809 Napoleon announced to her that reasons of state compelled him to divorce her. The most was made of the technical irregularity at the marriage ceremony of December 1804, and the marriage was declared null and void. In March 1810 Napoleon married Marie Louise, the daughter of Francis I, Emperor of Austria.

JWPehle
JJOConnell

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Mr. Heffelfinger

THE LIBRARIAN OF CONGRESS
Washington, D. C.

July 7, 1943

My dear Mr. Morgenthau:

The Provident Trust Company of Philadelphia has submitted an offer of $1200 cash for the purchase of the $1500 redeemable ground rent issuing out of 2925 Poplar Street, Philadelphia. A photostat copy of the communication is enclosed.

This offer is under consideration by the Under Secretary of the Treasury. Contingent upon his recommendation, I recommend acceptance of the offer.

Faithfully yours,

Archibald MacLeish
The Librarian of Congress

I vote (in favor of) (~~against~~) acceptance of the offer. HMJr.

The Honorable
Henry Morgenthau, Jr.
Chairman, Library of Congress Trust Fund Board
Secretary of the Treasury
Washington, D. C.

Enclosure

PROVIDENT TRUST COMPANY
OF PHILADELPHIA

REAL ESTATE DEPARTMENT

C. BARTON BREWSTER
FRANK J. SMITH
WILLIAM D. FULLER
FERDINAND J. SCHAEFER
JOHN H. ZANE

JUL 2 - 1943

SEVENTEENTH & CHESTNUT STS.

June 30, 1943

Librarian of Congress Trust Fund Board
GR 1 #80312

Mr. Archibald MacLeish, Librarian
Library of Congress
Washington, D. C.

Dear Mr. MacLeish:

In the above account is held a ground rent redeemable in the amount of $1500 issuing out of 2925 Poplar Street in which there is no default.

The owner of 2925 Poplar Street also owns the adjoining property 2923 Poplar Street which latter building has been taken possession of by the holder of a first mortgage due to defaults in interest and taxes. The property 2923 Poplar Street is subject to a $2000 first mortgage and a $1000 second mortgage. However, we understand that the mortgage on 2925 Poplar Street out of which issues the ground rent has been paid off. There are easements in these properties due to the fact that the heating system is in the 2923 property, not in the one held in your account, and also there are openings in the walls between the two properties from the basement up to the third floor, so that if at any time it was necessary to sue out under the ground rent and obtain possession of the building it would be necessary to instal a heating plant in 2925 Poplar and also close up the openings between the two buildings which, of course, would require papering and redecorating.

The owner has been trying to refinance, but cannot refinance either property, singly, but does have an opportunity of refinancing both properties and has made an offer of $1200 cash for the purchase of the $1500 redeemable ground rent.

We are submitting this offer to you due to the fact that a ground rent provides no means of enforcing the payment of principal if there is no default and considering the fact that the neighborhood is rapidly going down and the owner is in distress as far as the next door property is concerned, possibly it might be wise to give some thought to accepting this $1200 offer and avoid the danger of having to spend additional moneys at some later date, if action was necessary.

We have obtained an appraisal of the property under date of June

PROVIDENT TRUST COMPANY
OF PHILADELPHIA

TO Mr. Archibald MacLeish

NO. 2 65

June 30, 1943

16, 1943 which indicates the value of 2925 Poplar Street as $3300 for the real estate.

Will you please give this problem some consideration and advise us on the enclosed carbon copy of this letter if you approve or disapprove of accepting this offer for the sale of the ground rent.

Very truly yours,

John K. Bell
Real Estate Department

JKB:JW
Enc.

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July 7, 1943.

Dear Milo:

I have your letter of July 5, transmitting a copy of the one you addressed to Senator Glass. I appreciate your writing me, and shall read your letter to the Senator with much interest.

Sincerely,

(Signed) H. Morgenthau, Jr.

Complete file in Diary

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

GEF/dbs

BOARD OF ECONOMIC WARFARE
OFFICE OF EXECUTIVE DIRECTOR
WASHINGTON, D. C.

July 5, 1943

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary:

In view of the Vice President's absence from Washington, I felt obliged to write Senator Glass promptly with reference to Mr. Jones' letter of July 5th. A copy of my reply is enclosed.

Sincerely yours,

Milo Perkins

Executive Director

Enclosure

Release: morning papers,
July 6, 1943

BOARD OF ECONOMIC WARFARE
Washington

July 5, 1943

MILO PERKINS, EXECUTIVE DIRECTOR OF THE BOARD OF ECONOMIC WARFARE TODAY MADE PUBLIC THE FOLLOWING LETTER:

Hon. Carter Glass,
Chairman, Senate Committee on Appropriations,
Washington, D. C.

Dear Mr. Chairman:

Vice President Wallace is away from Washington today. In his absence I desire to make the following comments on Mr. Jones' letter of July 5th addressed to you. It will be appreciated if you will place this in the official record.

On June 29th the Vice President cited chapter and verse on a long list of strategic materials which the RFC failed to buy for government stockpiles. Mr. Jones has taken 30 pages in an attempt to justify his delays, frequently blaming the old OPM. Most of the good things he has to say about RFC deal with actions after April 13th, 1942, when all RFC imports were placed under BEW directives by Executive Order of the President.

Mr. Jones has thrown up a smoke screen but he has not proved and cannot prove that he bought what the Vice President charged him with not buying. The Vice President can deal with the many specific inaccuracies in Mr. Jones' statement at the appropriate time.

If Mr. Jones would publish a simple statement indicating the imported raw materials actually warehoused in government stockpiles as of either December 7, 1941, or April 13, 1942, it would become apparent to everyone that he failed dismally to build the government stockpiles authorized and directed by the Congress some 18 months before Pearl Harbor.

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Mr. Jones has attempted to defend the way in which RFC has delayed the aggressive BEW quinine programs. Within the last week he has quoted a figure on our total supply that wasn't within 50 per cent of being accurate. He thought we were in a comfortable inventory position. This Rip Van Winkle approach to a commodity that means life or death to our soldiers is simply incredible. The present BEW quinine programs have the vigorous support of Donald Nelson.

Sincerely,

Milo Perkins
Executive Director

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 7, 1943

TO Secretary Morgenthau

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. CCC-Subsidy Bill - Apparently, if the Senate has its way the CCC Extension Bill sent to the White House would be virtually the same one the President vetoed. After a day spent in reversing their vote several times yesterday, the Senate finally passed a resolution extending the CCC until January 1, but prohibiting all price roll-back subsidies. This contagion of revolt was also almost caught by the House, which has already passed a measure simply extending the CCC without referring to subsidies, when Representative Cannon moved that it accept the Senate action immediately. However, the House decided to send the matter to conference, where it still is tightly deadlocked after a first meeting between conferees this morning.

2. Appropriation Bills - Slowly Congress is narrowing down the major bills standing between it and a summer recess. Aside from the CCC Bill, only three appropriation measures remain to be ironed out in conference. Senate insistence on an amendment requiring Presidential appointment and Senate confirmation of all employees of agencies included in the measures, earning $4,500 or more a year, has both the War Agencies Bill and the Labor-Federal Security Bill stalemated. The Second Deficiency Bill, previously expected to be merely routine, turned out to be a point of controversy between the two houses when the Senate, which had surrendered the crop insurance program in dispute over the Agriculture Bill, returned to the attack by adding funds for crop insurance to this Deficiency measure. Meanwhile, it is rumored that the President may veto the first Urgent Deficiency Bill because of its so-called subversive amendment and a restriction on the use of his Emergency Funds prohibiting him from using any of the money for an agency denied funds by Congress or even by a Congressional committee.

3. Wallace-Jones Feud - Yesterday the House Rules Committee rejected a resolution authorizing a Congressional investigation of the BEW-RFC dispute between Vice President Wallace and Secretary of Commerce Jones. Chairman Sabbath said the committee had decided an investigation was unnecessary because "an effort is being made within the Administration to straighten out the trouble".

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 220

Information received up to 7 a.m., 7th July, 1943.

1. MILITARY

NORTHERN FRANCE. 5th/6th. A small patrol landed on CHERBOURG Peninsula and brought back useful information, but failed to obtain identification. Another patrol was prevented from landing by presence of enemy naval patrols.

2. AIR OPERATIONS

WESTERN FRONT. 6th. Typhoons damaged 2 minesweepers and a trawler off DUTCH Coast and possibly damaged one of 2 Destroyers in BOULOGNE Harbour. Spitfire sweeps caused enemy casualties: 8, 0, 2.

6th/7th. Aircraft despatched: Sea-mining - 46 (one missing), DUSSELDORF - 3, COLOGNE - 6, Intruders - 9, Anti-shipping - 5.

SICILY. 5th. 61 Liberators (B.24) bombed MESSINA. U.S. Bombers escorted by 146 Spitfires attacked COMISO, GERBINI and BISCARI Airfields. More than 89 enemy fighters encountered. Combat casualties: 5, 0, 6. Three Spitfires missing.

INDIA. 4th. 21 Medium Bombers attacked MEIKTILA and SHWEBO (MANDALAY Area).

· cc-D.W.Bell

July 8, 1943
12:16 p.m.

HMJr: Hello.

L. R. Rounds: Yes, Mr. Secretary.

HMJr: Mr. Rounds.

R: Yes, sir.

HMJr: As you know, Mr. Bell is away this week and I just wondered if everything was in order in our government bond market.

R: Yes.

HMJr: Is everything all right?

R: Yes, everything is very easy and there were no changes of any consequence at all.

HMJr: Well....

R: The market is very quiet.

HMJr: ....are you doing anything one way or the other?

R: No, not at the moment.

HMJr: Not at the moment?

R: There seems to be no occasion for it.

HMJr: Any particular - any comment one way or the other on our allotment of this last offering?

R: No. I think the banks are rather disappointed, of course....

HMJr: Yes.

R: .... in the smallness of it....

HMJr: Yes.

R: ....and there might have been the matter of some dissatisfaction to them....

HMJr: Yes.

R: ....but that's over the dam now and there's nothing to be done about that.

HMJr: Yes. But otherwise, all right?

R: Yes, sir. Everything is - I think everything is rocking easy and satisfactory.

HMJr: Thank you, Mr. Rounds.

R: Say, Mr. Secretary, I was just about to - I didn't realize that Bell was away....

HMJr: Yes.

R: ....but since he is - I was just about to call him....

HMJr: Yes.

R: ....in connection with the lists. He suggested that we furnish lists and I was just wondering who I'd better talk with.

HMJr: What lists?

R: Lists of the subscribers to the second loan - second drive.

HMJr: Oh.

R: Who's handling that in his absence?

HMJr: Well, could it wait 'till Monday?

R: Yes, I guess so.

HMJr: Did he ask you to furnish the lists?

R: Yes, I think he sent a wire probably to all the banks - Reserve Banks - asking that they send a list of the subscribers to the....

HMJr: Well, I would imagine you'd give it to Mr. Burgess.

R: Well, I've talked with Burgess about it and he wanted it sent to Washington apparently - and....

HMJr: I, frankly, don't know. I think - I think you'd better wait 'till Monday when Bell is back.

R: All right, sir.

HMJr: I - it's - he's been handling it and I, frankly, don't know.

R: Yeah. Okay.

HMJr: Thank you.

R: All right. Thank you.

HMJr: Good bye.

July 8, 1943
3:15 p.m.

THIRD WAR LOAN DRIVE - Organization

Present: Mr. Smith
Mr. Louis
Mr. Thompson
Mr. Charles Bell
Mr. Coyne

H.M.JR: Look, I have got about five minutes. I invited Mr. Louis to come down here to help me promote War Bonds and be in charge of publicity, generally. Now I arrived, after two years of wanting the best professional brains I could get in the advertising agency business - and Mr. Louis was recommended to me as one of the people that had made an outstanding success in that business.

Now he comes to me and says to me, very honestly, "Mr. Morgenthau, I can advise you on radio and copy and billboards, and I can create ideas, but once they are created, I do not have the experience to see that these things go through the production, and it bothers me."

"You have got a vast machine - all kinds of things going on." He hasn't said it, but I think somebody has given him the run-around. But he said - anyway, that is his job. And the administrative end of seeing the thing once it is created - you have a billboard, a poster, or a song, or an idea that he has created. He doesn't want to be bothered seeing that the thing goes into production.

Now, he is frank enough to say that he is worried - that I am not going to be satisfied. He comes in here and tells me this thing.

Now, this is a straight administrative job, and certainly in the whole Treasury we must have somebody that can do this thing and take that responsibility off Mr. Louis so that he can say, "All right, here is a billboard, and I expect forty thousand of them to go up on such and such a day. Here are thirty thousand pieces of this, and it is to be in the hands" - it isn't to go by airmail express and then get there a week late and I have to explain twenty thousand dollars of airmail express. Or, "Mr. Morgenthau wants this letter out" - and not only to get it out of Washington, but when it goes to forty-eight State administrators, see that they put it where it belongs and not do the experience I had up in New York with all sixes and sevens and they don't know what we want - this they don't like and they discard.

I mean, it is one thing to get it out of Washington, and the next thing to get it in the forty-eight States and see that somebody is there and does what we want.

Now, I have taken on the most enormous job. I promised the President this thing - give the people of the United States half an opportunity and they are going to cooperate with us, but it is a straight administrative job, and I don't want this man Louis bothered with it.

He hasn't said so, but I know enough about that organization and I think somebody has been doing a little sabotaging. He hasn't said anything.

MR. LOUIS: That isn't in any mind at all.

H.M.JR: Well, I wouldn't hold it beyond some of them over there. But I am asking the three of you (Coyne, Thompson and Bell) to take this on, and when I get back here Tuesday I want a recommendation from the three of you on how to take this thing - this part of the business - and make it work.

You get me, Coyne?

MR. COYNE: I do, sir. I don't think that there is an awful lot to worry about. Part of what Jack has said has been by way of modesty. He didn't want to step in here and pull every string and dot every "i". He wanted to be valuable in the field where he thought he was valuable. I think we are administratively set up so that we can take anything that he decides on or you decide on and get it out in minimum time. We have been around long enough--

H.M.JR: I think it is a pious hope. There has been no evidence - I am sorry to contradict you, but there is no evidence - I hate to be so flat in my statement that what you are saying isn't true, because if it was true,he wouldn't be worried about it.

MR. COYNE: I think Mr. Louis has been worried about his being held responsible for the methods whereby it is done. Now, I think that we have had a bottleneck in the Government Printing Office, but there has been no delay on special jobs.

H.M.JR: What has happened to the Chief Justice's letter, and the letter from the Congressmen and Senator Vandenberg?

MR. COYNE: I think the Chief Justice's letter and the letter from the Congressmen and Mr. Vandenberg are in Mr. Gaston's hands.

H.M.JR: Why? They shouldn't be there.

Coyne, you have got to get a fervor and an idea that time is everything. We are fighting time, time, time. Those letters - they must be a week or ten days old. They should be in the field within ten days.

I don't give a gawd damn whose desk they are on. There is no excuse - mine or anybody else's desk. I have tried to tell you to get tough. I have tried to tell you over there to fire people. I know where those letters are; they are not where you say they are. I know where they are, and I was coming over there tomorrow to find out what was done with them. But that wasn't why I was coming over.

MR. COYNE: I understand. I haven't seen the letters but I assumed they were being picked up by Mr. Gaston.

H.M.JR: Well, now - look, this is a good day for me and I am not going to spoil it, but I am going to look to you two fellows (Coyne and Bell), and you two fellows have got to take your coats off over the week end and dig into this thing for me. There are too many people that are being protected. There are too many alibis. I get too many alibis all the time. I am sorry if Coyne doesn't like what I am saying, but it is true. There are too many damned alibis. It is the old Army game.

You two fellows are my administrative assistants (Thompson and Bell). If you can't do it by Tuesday - but try to shoot for Tuesday. There is something wrong.

MR. BELL: I think Jack Louis ought to have a good man reporting directly to him that can take this ball when he is finished with it and carry it all the way through - somebody that knows their way around your organization. I have in mind somebody like Donlevy.

MR. COYNE: You mean Delehanty.

MR. BELL: He knows the workings of the whole place over there - good promotion man, brains on ice - I think it would go along good.

H.M.JR: I want you to go in - Mr. Louis can have a meeting. If he wants to lock himself up for a day and get an idea, he mustn't have to worry that it is stuck on Sullivan's, or Gaston's, or my desk. Once the thing is all right he should have no worry so he can go on and think up something else. He is like a painter. I mean, after all, if a man is going to paint a thing, he isn't going to have to worry about reproduction of it or he can't go on and do any more. He shouldn't have to worry about it. If he wants three copies of an etching, somebody should produce that.

But you can't both think and be a production man. He is honest enough to say that he is a creative man and he is not a production man.

Right?

MR. LOUIS: Practically right. I am not a creative man, but I know how to get the stuff.

MR. THOMPSON: He needs a man he can give each item to who will see that that functions.

MR. COYNE: I think Delehanty is the man. He is running the production end, and as far as is humanly possible, has done a good job. I don't mind your saying anything if you feel that way. So I don't resent anything that you have said, but I do want to place credit where credit is due, and young Delehanty has turned some wonders and he hasn't been part of my immediate show. I think he can please Jack and do anything that is humanly possible to do in this city, I believe.

H.M.JR: I don't know whether it is Delehanty or Brown or Jones. I don't want to be bothered with it at all. I don't want to hear it is on Mr. Gaston's desk - which is no excuse at all - or John Sullivan's, where I think you will find it, or on my desk if it is there. It doesn't happen to be.

To show you what I have done - for instance, one day there was a carry-over telegram on my desk. It will never happen again. When you fellows want to get out telegrams to your factories, and so forth, they clear here every day.

Now, let's let it cook. I don't like to talk like this, but I have yet to be sold on your (Coyne's) organization, and when I am sold I will be the biggest booster you have.

MR. COYNE: Will you let me expose you to certain parts of it sometime - because I do want to sell you?

H.M.JR: If I get back here tomorrow - I have to see Mr. Hull at nine-twenty, and normally I ought to be back here at ten o'clock - I hope to have a couple of hours tomorrow morning. If I have, I will bring these two gentlemen with me and we will come over and you expose us.

MR. COYNE: All right.

H.M.JR: But Thompson and Bell have got to get in on this thing until it gets straightened out. They have to turn their organization in on this thing. I don't know who it is or what it is, but it has got to go. And when I am sold, I will be the biggest booster you have, but you have got to sell me.

MR. COYNE: We can stand a booster or two.

H.M.JR: I don't talk this way outside the room here.

MR. COYNE: I understand.

H.M.JR: This is upsetting.

Now, I don't know Delehanty. Do you (Louis) know him?

MR. LOUIS: Yes, sir, I know him.

H.M.JR: Do you think he can do it?

MR. LOUIS: I think he is too busy doing what he is doing, offhand, but I couldn't know.

H.M.JR: I don't know what he is doing.

MR. LOUIS: I am delighted to have a group here, and I will tell them my problem.

H.M.JR: Do you want to do it now?

MR. LOUIS: We will go along somewhere.

H.M.JR: All right. Go in Thompson's office. But I would like, by Tuesday, to have an answer. I should think I would have - let's say Tuesday.

But if this can be lifted from this fellow (Louis) so he can concentrate on what he is best fitted for, which he knows himself - my own feeling is there are some niggers in the woodpile, see? And I don't care who it is or what it is, but let's get rid of them. Not only the thing of getting the thing out of here, but getting it to the forty-eight States and then getting it in the hands of the right people, and we have to have inspectors out following the thing through. Supposing they get it out in twenty-four hours here, and then it goes and lays in the back office in Rockefeller Center; that won't help me any.

MR. COYNE: As I recall, sir, on the Chief Justice's letter we were going to prepare a second ad as a follow-up to the President's letter. Of course the President's letter is now getting the front space, so I don't believe that we have lost any time. I agree that it probably should be in production, but I didn't understand from the conversations that afternoon that it was ready for production then. I thought Mr. Sullivan and Mr. Gaston, and whoever else your advisors are, were going to determine which three letters would be placed, and how. However, I will get behind it and find out where they are, and we will push them along, but I don't think any time is lost because the letter from the President is--

H.M.JR: You don't know whether it is or it isn't.

Now, look into it, and, Norman, you and Charlie spend a little time on it. Let's get this thing straightened out and don't hesitate. I don't care where it is. If the fellow is right we will build him up. If wrong, heave him out.

Fred Smith

July 8, 1943

Secretary Morgenthau

Will you please put the War Finance Group on notice that some time Friday morning I'm coming over there to see them? I want to know particularly what they've done with the Chief Justice's letter, also the letter to Senators and Congressmen on payroll deductions. Tell whoever's in charge of War Finance to put it down tentatively for ten-thirty that I'll come over and they should be together. And, I want to know what they've been doing this past week, and anything new which they've gotten started. Notify FitzGerald as to the date, please. O.K. — HMJr decided not to go —

cc-Mr. FitzGerald

July 8, 1943.
3:27 p.m.

Robert Haas: ....which I thought you might not....

HMJr: Yeah.

H: ....and that is that the ship came in Monday night.

HMJr: I see.

H: Did you know that?

HMJr: No.

H: Well, she did and a couple of the officers called up the night - day before yesterday....

HMJr: Yeah.

H: ....and said that they were coming to to - flying up to see us today....

HMJr: Do you know....

H: ....from Norfolk....

HMJr: ....where it came in, Bob?

H: I believe Monday night.

HMJr: Where?

H: Some time Monday.

HMJr: You don't know where?

H: Yeah, Norfolk, Virginia.

HMJr: Norfolk.

H: And, then they called us that they were coming - they were going to be at Floyd Bennett Field at 11:30 this morning.

HMJr: Yeah.

H: And one of them called up about that time and said there was a delay and they would be up about 3:30....

HMJr: Yeah.

H: And then about three o'clock they - he called up again and said they would not be able to get up....

HMJr: Yeah.

H: ....and they might not be able to get up 'till next week....

HMJr: Yeah.

H: ....so that is the situation, and as long as the ship was in....

HMJr: Yeah.

H: ....I just wondered....

HMJr: Well, I'll have my man contact Mr. Knox's office and find out.

H: Well, I hope you don't mind the bothering you....

HMJr: No. No. No bother - it's a - it's the least - I'm more than pleased if I can be a little bit helpful.

H: Well, that's fine. And - well, Henry, we'll be home tonight.

HMJr: Yeah.

H: We will be home tonight.

HMJr: Well, I - I'll - I'd better turn this over to Fitz-Gerald....

H: Yes, surely.

HMJr: And, if he gets anything, I'll have him call you direct....

H: And, as I say, I'll be home tonight....

HMJr: Right.

H: ....and I'll be in my office tomorrow....

HMJr: Right.

H: ....and then be home over the week-end.

HMJr: I'll pass it on to him at once, Bob.

H: Thank you ever so much.

HMJr: Not at all, Bob.

H: Good bye, Henry.

Mr. Bell to talk to the Secretary about this bankers' committee. The Secretary wants to bring them in the next time we have financing.

Tom K. Smith
Burgess
Edwards
Brown
Spencer
Harrison

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 8, 1943

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Letter from Mr. Winthrop W. Aldrich with Respect to United States Savings Bonds

Mr. Aldrich makes three recommendations in his letter:

(1) Series F and G savings bonds should be discontinued entirely.

(2) The annual limit on Series E savings bonds should be reduced from $3,750 to $1,500 issue price.

(3) The waiting period before bonds can be redeemed should be extended to 6 months, and 30 days' notice of redemption should be required.

Mr. Aldrich sets forth two main reasons for these recommendations. These are the following:

(1) Savings bonds constitute a large demand debt which is likely to have to be redeemed in large part shortly after the end of the war.

(2) To the extent that the redemption privilege is not utilized, the sale of a large volume of securities with maturities of 10 and 12 years brings about an undue concentration of public debt maturities.

Neither of Mr. Aldrich's reasons for his recommendations is new, and neither of them has ever appeared very persuasive to us. On the other hand, the arguments in favor of continued reliance on non-negotiable savings bonds to absorb the savings of the recipients of wages and salaries in the low and middle income groups are as compelling today as they ever were.

Secretary Morgenthau - 2

The logical consequence of the adoption of Mr. Aldrich's recommendations would be the introduction of a small denomination negotiable security for purchase by those individuals who acquired $1,500 of Series E bonds in any one year. The number of such individuals is probably quite large in the present period of full employment and enlarged individual incomes.

We agree with Mr. Aldrich that the volume of savings bond redemptions immediately after the war will be large and that such redemptions will undoubtedly require some bank borrowing by the Treasury. Investors in war securities will be moved by a variety of considerations to liquidate their holdings of these securities after the war and it would seem to us that the type of security they hold at that time will make no real difference in the volume of such liquidation. If the securities are negotiable, however, liquidation is not likely to occur without a substantial depreciation in the market value of the bonds such as occurred in the case of the Liberty bonds.

We have considered this problem in detail from time to time and have come to the conclusion that, on the whole, the economy would be better served if the responsibility for such liquidation as may be called for were assumed by the Treasury rather than by the individual holders. There are several important reasons for this conclusion.

(1) In the event that liquidation of Government security holdings is very large at any time after the war, it would probably be less demoralizing to the bond market if the Treasury were in a position to refinance the obligations by a large scale market financing operation, or a series of such operations, than if individuals holding negotiable bonds -- and most of them inexperienced in security market transactions -- were to dump their holdings on the market.

(2) Every redemption of a savings bond would tend to dispel any fears on the part of the holder or his acquaintances that the bonds would not be redeemed, and would tend to minimize the volume of redemptions actuated by such fears; whereas every decline in the price of a

negotiable security widely held by low income groups would be likely to produce a renewed and increased flood of sales, which, of course, would serve further to depress the price. It is almost certain, it seems to us, that the volume of liquidation would be greater in the case of a negotiable security than in the case of savings bonds; that a price decline would be more likely to stimulate than to retard liquidation.

(3) To many laymen the only clear memory of World War I financing is the experience of the Liberty bonds which had fallen, in some cases, nearly 20 points below par at the time that the market reached its post-war low in May 1920. United States savings bonds were designed to avoid a recurrence of this experience. Some people who do not understand the workings of the bond market firmly believe that the United States Government did not pay its Liberty bond obligations in full. They have not, at this date, grasped the difference between liquidation by sale in the market and redemption at maturity. There are a number of letters in the files of the Treasury indicating that the writers would not buy War savings bonds unless they could be assured that they would not suffer losses such as they and others suffered in 1920. Other letters indicate a preference on the part of the small investor for the assurance that their principal will be returned even if to get such assurance they must forego all interest returns. In this connection I am attaching a copy of a recent letter which you received from the Hillsboro Lodge No. 2161, of the Brotherhood of Railroad and Steamship Clerks.

(4) The end of the war will find the Treasury faced with the task of managing and servicing an enormous debt. It is highly desirable that the Treasury should be free to seize such opportunities as may arise to refund and refinance its obligations to its advantage. It

is important to bear in mind that the refinancing of savings bonds presented for redemption would probably be accomplished by borrowing from the commercial banks at very considerable interest savings, whereas the issuance of a negotiable term security would commit the Treasury to the payment of the interest stipulated in the contract until the maturity of the bonds regardless of where those bonds finally came to be held. In the event of the probable sales of negotiable bonds by their original purchasers, the chances are that the bulk would eventually come to be held by commercial banks which would thus be enabled to earn an interest rate considerably in excess of the rates which they can now obtain on marketable issues of comparable maturity which are available to such banks.

It should also be noted that the issuance of a negotiable security in small denominations, which would be widely held by individuals in the lower and middle income classes, would create a basis for tremendous political pressure to maintain the securities at par and thus to maintain approximately the level of interest rates existing at the time that the bonds were issued. The Treasury might, therefore, find its hands tied if after the war it should appear desirable to establish interest rates at some other level than the present. Should such pressure be effective, of course, the problem of losses through depreciation in market value would not occur. The point is, however, that the Treasury need not permit itself to be confronted with the dilemma of choosing between maintaining a level of interest rates which is inappropriate to economic conditions at the time in order to maintain the value of the popular small denomination negotiable bond or allowing holders of Treasury bonds to lose through market price depreciation in order to maintain its control of interest rates.

It is true that in redeeming savings bonds after the war the Treasury might have to sell its marketable obligations to commercial banks; which, of course, would result in an increase of bank credit. It is not certain, of course, whether the post-war period will be marked by a predominance of inflationary forces or of deflationary forces; but, wholly aside from this question, it cannot be taken as a foregone conclusion that the liquidation of marketable securities would not result in an equal expansion of bank credit. To whom would the marketable securities being liquidated be sold after the war? The obvious answer is that the commercial banks would either purchase them directly or advance funds to customers to enable the customers to purchase the securities. In either case there would be an expansion of bank credit. Inasmuch as the major forces tending toward liquidation would be the same, regardless of the type of security, there is no reason to expect that the expansion of bank credit in the case of liquidation of negotiable securities would be less than if the Treasury were to finance the redemption of savings bonds by bank borrowing.

Mr. Aldrich's second point was that if savings bonds are not redeemed they will result in an undue concentration of maturities in the 10- and 12-year ranges. The argument overlooks the fact that each month the maturity date of a savings bond issued in that month becomes one month later than the maturity date of a bond issued the month before, and that each year the year of maturity is one year later. Series E bonds issued in 1942 mature in 1952, while Series E bonds issued this year will mature in 1953. The maturities are thus automatically spread over a period corresponding to the period during which the sales were made. Furthermore, by the time that the public debt reaches the levels contemplated by the program of war expenditures, it will have been necessary to concentrate large volumes of maturities of marketable issues in every year to the maturity date of the longest outstanding issue.

Attachment

2450 - 1st Ave., South
St. Petersburg, Fla.
June 13th, 1943

48313

Mr. Henry Morganthau
Secretary, U. S. Treasury
Washington, D. C.

Dear Mr. Morganthau:

In our today's St. Petersburg Times, Drew Pearson's Washington Merry Go Round calls our attention to pressure being put upon you and your office to place War Bonds on the market.

We, the St. Petersburg, Fla. members of the Hillsboro Lodge No. 2161 of the Brotherhood of Railway and Steamship Clerks, at a regular meeting today voted unanimously to go on record against such a plan.

We feel that we would much rather loan our money free from interest, with the principle guaranteed after a given date by our Government, than to buy bonds on the market and contend with the losses to bankers during any possible depression that may follow.

We have loaned our sons and daughters to our "Uncle Sam" without guarantee of return and are willing to loan our money either free from interest or with interest, but we will not, unless it is made compulsory, buy or subscribe to any war bond issue placed on the market to enable the vast majority of our peoples to lose their savings to the benefit of the bankers.

We are sincere in our belief and feel we are voicing the opinion of the vast majority of the peoples of our good old U. S. A.

Sincerely and respectfully yours,

THE ST. PETERSBURG, FLA. MEMBERS
OF HILLSBORO LODGE NO. 2161

By. J. B. Torpey TORPEY (?)

July 2, 1943.

Dear Mr. Aldrich:

It was good of you to take the time and trouble to outline the ideas that you indicated in your recent telephone conversation. I am glad to have your letter, with its enclosures, and shall study it very carefully. This is just to let you know that it has been received, and that I appreciate your getting these suggestions to me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Winthrop W. Aldrich,
Chairman, Board of Directors,
The Chase National Bank,
New York, New York.

GEF/dbs

The Chase National Bank

OF THE CITY OF NEW YORK

New York

48767

Winthrop W. Aldrich
Chairman Board of Directors

June 30, 1943

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

Dear Mr. Morgenthau,

In our recent telephone conversation you were good enough to suggest that I write you about certain features of the Treasury financial program which I told you had been troubling me. The problems which have given me some concern have to do with Series "E", "F" and "G" War Savings Bonds, which were first placed on sale on May 1, 1941.

According to data contained in the Daily Treasury Statement of June 1, 1943, the amount of savings bonds outstanding at the end of May, 1943, classified by series, was:

Series "A" - "D"	$ 3,606,835,000
Series "E"	10,603,238,000
Series "F"	1,209,513,000
Series "G"	4,982,002,000
Unclassified sales	105,795,000
	$20,507,383,000

The dollar volume ($20,507,383,000) of all savings bonds for the date given approximated 15 per cent of the total interest-bearing public debt. If this ratio should persist for the duration of the war and if the total interest-bearing public debt at the cessation of hostilities should amount to $300,000,000,000, the volume of savings bonds outstanding would be $45,000,000,000. Actually, the volume might exceed this sum by reason of more intensive sales efforts.

As I view the situation, it seems that a large volume of these obligations might prove embarrassing to the Treasury in two respects:

1. In the first place, it is possible that the redemption privilege might be utilized extensively in the post-war period by holders of these obligations.

Whether this proves to be the case will depend upon economic conditions and psychological attitudes at that time. While no one knows what these will be, the fact is that the percentage of redemptions to sales reported (as shown by Table I attached) has been increasing. The rapid rate of increase in the proportionate amount of redemptions is a disquieting trend.

Should redemptions prove large in the post-war period, the Treasury, in order to meet its liability, might have to sell its marketable obligations to commercial banks.

2. In the second place, even if the redemption privilege is not utilized, the sale of a large volume of war savings bonds, with maturities of 10 and 12 years, tends to bring about an undue concentration of public debt maturities.

Both the redemption feature and the concentration of maturities of the war savings bonds are, therefore, aspects of war finance which may later lead to financial difficulties for the Treasury. Whether such difficulties will arise can only be determined by the passage of time. However, to reduce potential threats, I would like to make the following suggestions:

1. That the sales of Series "F" and "G" bonds be discontinued in the near future.

   The bulk of the Series "F" and "G" bonds, as shown by Table II attached, are purchased in large denominations. Undoubtedly many investors who can purchase in these amounts do not stand in need of protection against interest rate fluctuations which is accorded them by a redemption obligation. In consequence, they should be expected to purchase marketable issues.

2. That purchases of the Series "E" bond, beginning January 1, 1944, be limited to $1,500 (issue price) in any one calendar year.

   Individuals who can purchase Series "E" bonds in amounts exceeding $1,500 (issue price) in any one calendar year do not stand in need of the protection accorded by redemption obligations. Like present purchasers of the Series "F" and "G" bonds, they should buy marketable issues. In addition, the redemption privilege might be accorded only if the bonds were held for a period of not less than six months and then only after thirty days notice.

The proposed restrictions on the Series "E" bonds would not work a particular hardship on wage earners. As indicated in the letter written you by President Roosevelt under date of the 24th of June, about 90 per cent of those participating in the voluntary pay roll savings plan are earning less than $5,000 per annum. Doubtless their subscriptions would not be reduced by the maximum limitation of $1,500 suggested on annual sales of the Series "E" bond. The proposed restrictions on the redemption privilege, too, would not prove a hardship inasmuch as most individuals participating in the voluntary pay roll savings plan already have a backlog of Series "E" bonds, subject to immediate redemption.

The two suggestions that I offer would have the effect of restricting the sale of redemption obligations to the small investor. In consequence, a smaller total volume of redemption obligations would be outstanding in the post-war period and the Treasury would be in a better position to handle its fiscal problems.

If these proposals were adopted, the Treasury, on the occasion of the market drives, should stand ready to offer a coupon marketable bond, which would be made available to investors on a partial payment basis. Doubtless such an obligation would be in demand by many of those who had used up their yearly allotment of "E" bonds and who had formerly purchased the "F" and "G" bonds.

Sincerely yours,

Winthrop W. Aldrich

Winthrop W. Aldrich,
Chairman.

Table I

SALES OF U. S. SAVINGS BONDS

(amounts in millions of dollars)

	Sales Reported		Redemptions		Redemptions as a Per Cent of Sales	
	Series "E"	Series "F" & "G"	Series "E"	Series "F" & "G"	Series "E"	Series "F" & "G"
1941						
May	100.6*	362.9	-	-	-	-
June	102.5*	163.5	-	.5	-	.3%
July	144.1	190.0	.5	.2	.3%	.1
Aug.	118.8	136.2	1.0	.1	.8	.1
Sept.	112.8	131.0	1.7	.1	1.5	.1
Oct.	122.0	147.9	2.3	.1	1.9	.1
Nov.	111.4	122.7	2.5	.6	2.2	.5
Dec.	402.6	251.4	3.1	.9	.8	.4
1942						
Jan.	667.4	461.7	2.9	1.5	.4	.3
Feb.	366.0	219.6	4.5	1.6	1.2	.7
Mar.	327.5	192.7	9.2	2.1	2.8	1.1
Apr.	333.2	200.6	9.9	2.0	3.0	1.0
May	416.5	202.0	10.4	2.8	2.5	1.4
June	419.1	209.1	12.0	2.9	2.9	1.4
July	500.5	403.7	14.8	3.0	3.0	.7
Aug.	440.5	229.5	19.0	4.2	4.3	1.8
Sept.	545.1	282.2	22.5	3.4	4.1	1.2
Oct.	585.6	218.7	28.1	4.1	4.8	1.9
Nov.	542.6	183.4	32.0	4.8	5.9	2.6
Dec.	745.6	292.5	43.8	4.1	5.9	1.4
1943						
Jan.	811.7	421.5	49.7	5.8	6.1	1.4
Feb.	629.2	241.6	62.7	6.7	10.0	2.8
Mar.	712.7	224.9	116.6	7.0	16.4	3.1
Apr.	1,030.1p	514.3p	87.7	7.7	8.5	1.5

* On a funds received basis.
p Preliminary.

Table II

SALES OF U. S. SAVINGS BONDS
CLASSIFIED BY DENOMINATION
(percentage distribution of sales)

	Series "E"		Series "F" and "G"	
	$25, $50 and $100	$500 and $1,000	Under $5,000	$5,000 and $10,000
1941				
May	31.6%	68.4%	21.6%	78.4%
June	36.3	63.7	28.6	71.4
July	33.3	66.7	32.9	67.1
Aug.	38.6	61.4	32.9	67.1
Sept.	41.5	58.5	32.7	67.3
Oct.	42.3	57.7	34.1	65.9
Nov.	45.2	54.8	35.3	64.7
Dec.	46.2	53.8	39.0	61.0
1942				
Jan.	39.3	60.7	33.3	66.7
Feb.	47.0	53.0	37.4	62.6
Mar.	54.7	45.3	40.5	59.5
Apr.	57.6	42.4	40.7	59.3
May	61.1	38.9	43.1	56.9
June	67.7	32.3	41.1	58.9
July	66.3	33.7	29.5	70.5
Aug.	72.9	27.1	36.3	63.7
Sept.	72.3	27.7	36.9	63.1
Oct.	72.8	27.2	42.1	57.9
Nov.	74.8	25.2	44.0	56.0
Dec.	71.7	28.3	41.4	58.6
1943				
Jan.	66.1	33.9	30.5	69.5
Feb.	70.6	29.4	34.6	65.4
Mar.	73.3	26.7	39.9	60.1
Apr.	62.7	37.3	40.9	59.1

July 6, 1943

My dear Mr. Lovett:

You may be interested in the attached War Finance Bulletins, which are prepared for the information and guidance of the chairmen of our State War Finance Committees. They provide a means of keeping these groups in closer touch with the Treasury Department, and, through the contact they develop with my office, they keep the Treasury Department in closer touch with people in the field.

From time to time we may forward copies of these bulletins to you so that you may keep informed on the progress of the bond program.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Robert Lovett,
Assistant Secretary of War for Air,
Pentagon Building,
Washington, D. C.

Enclosures.

Initialed copy to Thompson,
Copy and enclosures in Diary.

FS:cf

July 6, 1943

My dear Mr. Forrestal:

You may be interested in the attached War Finance Bulletins, which are prepared for the information and guidance of the chairmen of our State War Finance Committees. They provide a means of keeping these groups in closer touch with the Treasury Department, and, through the contact they develop with my office, they keep the Treasury Department in closer touch with people in the field.

From time to time we may forward copies of these bulletins to you so that you may keep informed on the progress of the bond program.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable James V. Forrestal,
Under Secretary of the Navy,
Washington, D. C.

Enclosures.

Initialed copy to Thompson,
Copy and enclosures in Diary.

FS:cf

July 8, 1943

My dear Mr. McCloy:

You may be interested in the attached War Finance Bulletins, which are prepared for the information and guidance of the chairmen of our State War Finance Committees. They provide a means of keeping these groups in closer touch with the Treasury Department, and, through the contact they develop with my office, they keep the Treasury Department in closer touch with people in the field.

From time to time we may forward copies of these bulletins to you so that you may keep informed on the progress of the bond program.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable John J. McCloy,
Assistant Secretary of War,
Pentagon Building,
Washington, D. C.

Enclosures.

Initialed copy to Thompson,
Copy and enclosures in Diary.

FS:cf

July 6, 1943

My dear Mr. Bard:

You may be interested in the attached War Finance Bulletins, which are prepared for the information and guidance of the chairmen of our State War Finance Committees. They provide a means of keeping these groups in closer touch with the Treasury Department, and, through the contact they develop with my office, they keep the Treasury Department in closer touch with people in the field.

From time to time we may forward copies of these bulletins to you so that you may keep informed on the progress of the bond program.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Ralph Bard,
The Assistant Secretary of the Navy,
Washington, D. C.

Enclosures.

Initialed copy to Thompson
Copy and enclosures in Diary.

FS:cf

July 6, 1943

My dear Mr. Patterson:

You may be interested in the attached War Finance Bulletins, which are prepared for the information and guidance of the chairmen of our State War Finance Committees. They provide a means of keeping these groups in closer touch with the Treasury Department, and, through the contact they develop with my office, they keep the Treasury Department in closer touch with people in the field.

From time to time we may forward copies of these bulletins to you so that you may keep informed on the progress of the bond program.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Robert Patterson,
Under Secretary of War,
Pentagon Building,
Washington, D. C.

Enclosures.

Initialed copy to Thompson
Copy and enclosures
in Diary

FS:cf

WAR FINANCE BULLETIN
Office of the Secretary of the Treasury

Issue No. I June 19, 1943

Redemptions of Savings Bonds

A lot of loose, uninformed talk on the subject of Savings Bonds redemptions has crept into the news. The effect has been to create in some quarters an impression that redemptions have become a menace to the success of the voluntary savings campaign. Nothing could be farther from the truth. Here are the facts.

Between May 1, 1941, when United States Savings Bonds Series E, F and G were first issued, and May 31, 1943, cash receipts from the sale of these issues have exceeded $17½ billions. Cumulative redemptions for this period amounted to $700 millions -- or only 4 percent of sales. <u>In other words, about 96 percent of the funds invested in these securities since they were first offered for sale is still invested in them.</u>

The record on Series E -- the people's bond -- is almost as good -- a notable achievement indeed when one takes into consideration the kind of money these bonds in large part represent. Between May 1, 1941 and May 31, 1943, sales of Series E bonds amounted to $11.3 billions.

Cumulative redemptions have amounted to $623 millions -- or only 5.5 percent of sales. About 94.5 percent of the funds received from the sale of E bonds, therefore, is still invested in those securities.

The figures for monthly redemptions are even more heartening, and indicate there is no substance to the talk about the growing magnitude of the redemption problem. Last March redemptions for E, F and G bonds taken together amounted to 87/100 of 1 percent of the securities outstanding; in April they amounted to 61/100 of 1 percent; and in May to only 58/100 of 1 percent. The figures speak for themselves.

There will be an appreciable increase in redemptions in June, but the reason will be the same as for the increase in March -- i.e., the necessity of making a payment on the 1942 Income tax.

Redemptions of War Bonds for the first 5 months of 1943 have increased over those for the corresponding period of 1942. But this is to be expected. Most of the increase has been due to the larger volume of securities outstanding. It has not been due to a growing widespread desire to cash in Savings Bonds.

With Pay-as-you-go in effect starting July 1, there will be less need to cash in Savings Bonds to meet quarterly Income tax payments. The vast majority of taxpayers will soon be current. Others will have smaller quarterly instalments to pay. This should result in reducing considerably the number of redemptions for tax payment purposes.

The fear has been expressed in some quarters that Pay-as-you-go will cut into bond purchases and increase the number of redemptions. This should be a temporary phenomenon and should pass as soon as individuals become accustomed to the new tax-paying system. The new Withholding tax is not really a new tax at all. It is not a tax in addition to existing taxes. It is simply a change in the mechanism of collecting taxes. The ability to forego saving for taxes from now on should make it all the more easy to save for other things -- War Bonds, for instance.

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WAR FINANCE BULLETIN
Office of the Secretary of the Treasury

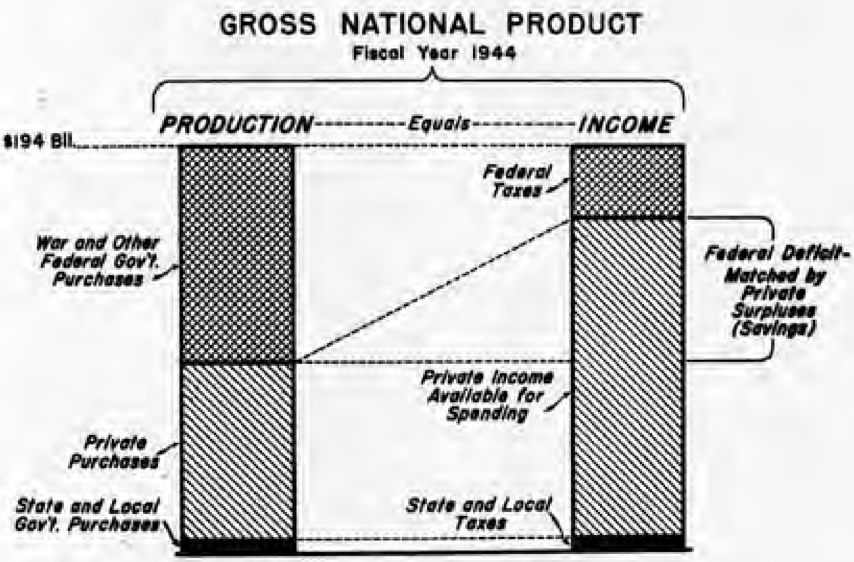
Issue No. 2 July 1, 1943

The Job Ahead

The Treasury has raised its sights considerably on War Bonds for the rest of the year. During the first half of this year we sold approximately $7 billion in War Bonds to individuals. During the second half we propose to sell $18 billion -- or more than twice as much. To some people the task seems impossible. They say we're shooting for the moon. Let's see.

There is no mystery as to the sources from which these funds might be obtained. Production in general -- and war production in particular -- is creating the very funds we want to tap. War production is not only turning out the planes, tanks, and ships that will crush the enemy; it is also generating at the very same moment incomes equal in amount to that production. What the people of the nation receive in the way of incomes is simply the equivalent of what they produce in the way of goods and services. If the Government, therefore, is spending more than it is receiving in taxes, and is thus faced with a deficit, the people of the country are receiving more than they are spending, and are thus possessed of a surplus. It is precisely this surplus (or savings) that the Government is in search of.

It is important to bear in mind here that this increase in surplus (or savings) represents a national total that will be distributed among individuals in varying amounts. Some individuals -- those living on fixed incomes, pensions, annuities and so on -- may find it impossible to increase their savings appreciably. Other individuals, however, with larger than usual wages -- a large proportion of our people -- are saving far in excess of the national average. It is the great merit of the voluntary savings program that it can separate the wheat from the chaff and provide the mechanism for mobilizing wartime savings.

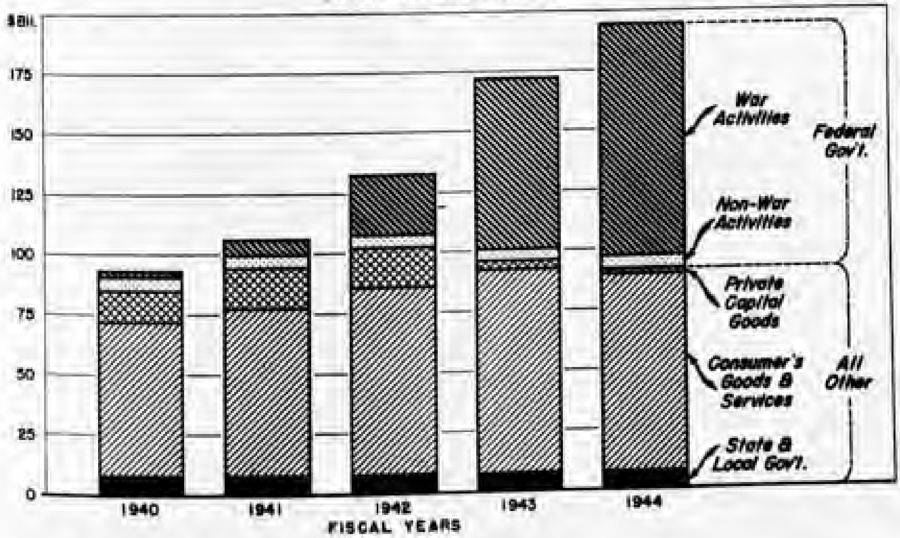


The chart above shows that in fiscal 1944 approximately one-half of the Gross National Product -- that is, the value of all the goods produced and of all the services rendered by the whole nation in a year -- will be bought by the Government for war activities, and approximately half will go for everything else. Under existing tax legislation, however, only slightly more than one-third of Government expenditures will be covered by taxes, the remaining two-thirds by borrowing. The deficit will be something like $70 billion -- and this deficit in turn will necessarily be matched by corporate and individual surplus (or savings) of an approximately equal amount. Only minor adjustments keep the two figures from being identical.

The fundamental task of war finance is to transfer this excess income from private to public use; to draw back into the Treasury out of the incomes created by our ever-expanding national production an amount equal to what the Government is spending. This can best be done by increasing taxes and by increasing the sale of War Bonds. Unless these measures are employed, either alone or in combination, excess funds now accumulating are likely to lead to an inflationary price rise, for the supply of goods and services is severely limited, and cannot be increased.

Our task in fiscal 1944 is to make our production and financial gears mesh. To accomplish this we must raise our sights even further on taxes and War Bonds. Only by so doing can we remove inflationary pressures at their source and preserve a reasonable measure of economic stability

GROSS NATIONAL PRODUCT
Fiscal Years, 1940-'44



The chart above shows the absolute increase in our national production since 1940, as well as the relative changes in the components that go to make up that production. The country's gross production of goods and services will have increased from $92 billion in fiscal 1940 to an estimated $194 billion for fiscal 1944 -- an increase of 110 percent. The production of war materials and services will have soared from $2 billion in fiscal 1940, or about two percent of gross product, to an estimated $100 billion for fiscal 1944, or 52 percent of gross product.

We are producing for war alone as much as was produced for all purposes as recently as 1940 -- and, in addition, enough to feed and clothe our population and maintain essential civilian activities. War is the principal activity in the economic life of the nation. It must be our job from now on to make financing the war as important an activity to the individuals of the nation.

It is impossible at the present time to set a goal for the sale of War Bonds for the whole of fiscal 1944. That depends upon what Congress does about additional taxes for next year. We have set a goal of $18 billion, however, for the first half of this fiscal year -- that is, through December. In a future issue of the War Finance Bulletin we hope to discuss this goal in some detail.

July 8, 1943.

Dear Mr. Tripp:

I received and have looked over your report of the activities of the Allied Newspaper Council in the Second War Loan.

I think you know how much we appreciate what the newspapers did for us during the Second War Loan, and what they and their advertisers have been doing for us since the beginning of the War Loan program.

It is, of course, difficult to evaluate the effectiveness of any one of our major activities, but I believe it is safe to say that without such help as the newspapers have given us, we could not have had the success we had in the Second War Loan.

I look forward to discussing the coming Third War Loan Drive with you and the Council. Plans are now being made for this drive by Mr. Gamble's organization, and promotion is being set up under the direction of John J. Louis, our new advertising manager. When he is far enough along so that we can discuss your part in the next drive, we will call you.

As you know, we are setting out to get an unprecedented amount of money in the last six months of this year. If we are to succeed, it will take the complete cooperation of every group who helped us in the Second War Loan, and will be necessary to get even more help from them than in the past. I know we can count on the Allied Newspaper Council to come through for us again.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. F. E. Tripp, Chairman,
Allied Newspaper Council,
War Finance Committee,
709 Twelfth Street, N. W.,
Washington, D. C.

FS:cf FS

Mr Smith

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

TREASURY DEPARTMENT

WASHINGTON

July 1, 1943

WAR FINANCE COMMITTEE

ALLIED NEWSPAPER COUNCIL

FRANK E. TRIPP CHAIRMAN

SEND REPLY TO 709 12TH STREET NW WASHINGTON 25, D. C.

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

Dear Mr. Secretary:

I am handing you herewith for your review and your files a decidedly abbreviated, but high light report which the Allied Newspaper Council feels now can be made with reference to newspaper participation in the Second War Loan.

In preparing this, complicated details have been omitted because we felt that the important thing was the result obtained. I am sure you will find this report justifies the statement which you made at the close of the Second War Loan in substance that this was the most stupendous newspaper publicity and advertising accomplishment in the history of journalism.

The newspapers are looking forward to being equally as helpful in the Third Loan and I am looking forward to the opportunity to discuss some newspaper phases of it with you.

With kindest personal regards

Yours very truly,
ALLIED NEWSPAPER COUNCIL

F.E. Tripp

F. E. Tripp
Chairman

NEWSPAPER COOPERATION

SECOND WAR LOAN - APRIL 1943

Activities of Allied Newspaper Council

March 20, 1943

Representatives of newspaper associations met with Secretary Morgenthau in Washington and the Allied Newspaper Council was formed.

March 25, 1943

Frank E. Tripp, General Manager, The Gannett Newspapers, accepted appointment as Chairman, Allied Newspaper Council, and discussed plans with Secretary Morgenthau and other officials of the Treasury Department.

April 2, 1943

Joint letter sent to all daily and weekly newspapers by Secretary Morgenthau and Mr. Tripp, stating the necessity for complete cooperation with the Second War Loan.

April 3, 1943

Letter mailed to publishers of all daily and weekly newspapers by Mr. Tripp, urging complete support in news columns and the sale of advertising. A letter from Secretary Morgenthau and a statement from Commissioner Helvering were enclosed.

April, 1943

Other activities during April included:

1. Several messages from Mr. Tripp to publishers and editors were sent over the wires of the Associated Press, the United Press, and the International News Service. These stimulated local stories, press association releases, news boxes, advertising, etc.

2. Series of news dispatches by the press associations.

3. Telegrams, bulletins and letters sent by national, regional and state associations of publishers, editors and advertising managers to their members urging action.

4. Hundreds of individual letters, telegrams, and telephone calls to newspapers where this action was indicated.

5. Cooperation of newspaper advertising mat services.

6. Discussions at the convention of the American Newspaper Publishers Association in April.

7. Meeting in New York on April 19th of the Allied Newspaper Council. Action stimulated for the remainder of April.

ADVERTISING

Never did so much newspaper advertising support the sale of any product or service and never was so much of anything sold.

Number of Newspapers	Number of Advertisements	Agate Lines	Dollar Value
Daily-1758	40,774	30,585,481	$ 3,362,890
Weekly-7735	33,164	42,048,321	1,201,380
Total -9493	73,938	72,633,802	4,564,270

This newspaper advertising was equivalent to more than 30,000 full pages. It was greater than the total retail advertising during April of all newspapers published in the 52 large cities included in reports of Media Records. Second War Loan advertising exceeded by 13,000,000 lines the combined total in April of all department store and all classified advertising published by all newspapers in the 52 large cities.

NEWS

About 8,700,000 lines - approximately 29,000 columns - of news material were published by newspapers to support the Second War Loan. This cooperation included releases from the Treasury, press association stories, local features and stories, pictures, cartoons, editorials (many of which were published on page one), 8-column page one banner heads, imprints, etc.

RESULTS

Among the many factors contributing to the success of the Second War Loan, we believe the unprecedented and almost fantastic support of the newspapers in both news and advertising was primary. This applies particularly to influence in the sale of bonds to investors other than commercial banks.

Not only was the quota of $13,000,000,000 oversubscribed by more than $5,000,000,000 but the excess came from sources other than commercial banks. Particularly gratifying to us was the fact that sales to individuals were about $3,250,000,000 as compared with a quota of $2,500,000,000 and sales during the First War Loan of about $1,500,000,000.

It is interesting to observe, after eliminating all bank and commercial sales, and projecting newspaper advertising cost against only the three and a quarter billion sales to individuals, that the cost to sell a $25.00 bond was three and one-half cents.

FUTURE

In view of the necessity for substantially greater purchases by individuals, the role of newspapers must assume even greater importance. The vital function of the newspapers, as the primary medium to reach individuals, will increase in direct proportion to the requirements for purchase of war bonds by individuals.

F. E. Tripp
Chairman
Allied Newspaper Council

July 1, 1943

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

AN APPRAISAL OF THE SECOND WAR LOAN DRIVE

Participation and Implementation

CONFIDENTIAL

For Administrative Use Only

Study 60
Report No 46

Program Surveys Division
July 6, 1943

CONFIDENTIAL

INTRODUCTION *

The material presented in the following pages is an analysis of certain aspects of a total appraisal of the Second War Loan. Discussion is restricted to the phases of the survey which deal with participation in the drive and implementation for producing actual sales. Interpretation of these findings should be made in conjunction with previous reports of the total research project. These reports are listed below.

A total of 1358 interviews with a cross section of the adult population of the United States was conducted.

Sample points for the survey were the following cities: New York, New York; Chicago, Illinois; Detroit, Michigan; and Los Angeles, California. In addition, the following counties were sampled: Lackawanna, Pennsylvania; Clarke, Georgia; Grant, Louisiana; Natchitoches, Louisiana; Rockland, New York; Santa Cruz, California; Sanilac, Michigan; Ogemaw, Michigan; Jackson, Missouri; Leon, Florida; Monroe, West Virginia; Hamilton, Illinois; Hennepin, Minnesota; Bennington, Vermont; Howard, Nebraska; Custer, Nebraska; Douglas, Kansas; Columbia, Oregon; Giles, Virginia; Cumberland, Maine; Blue Earth, Minnesota; and Worth, Iowa.

Previous reports on the Second War Loan:

An Appraisal of the Second War Loan Drive - Identification and Motivation, June 14, 1943

An Appraisal of the Second War Loan Drive - Identification and Motivation (A Comparison of Farm and Non-Farm Populations,) June 23, 1943

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* This study was conducted for the Treasury Department

CONFIDENTIAL

SUMMARY

1. About a fifth of the income-receiving population bought extra bonds during the April drive.

The people who bought tended to be individuals who were already "sold" on the idea of war bonds and regularly investing ten percent or more of their income in bonds. Those on payroll deduction, however, were less likely to buy than those who buy regularly on their own.

People with larger incomes were somewhat more likely to buy, but it is surprising how many individuals with high incomes did not buy. Two-thirds of the individuals making over $65 a week did not buy.

Among occupational groups, fewer skilled workers bought in proportion to their income than any other occupational group.

2. The solicitation campaign reached a quarter of the income-receiving population, but some of these merely attended a meeting at which a speaker asked them to buy.

The quarter of the population that was reached includes a somewhat larger proportion of individuals with the higher incomes, but two-thirds of the individuals with incomes of over $65 a week were entirely missed.

3. For those whom it reached, however, the solicitation campaign was extremely effective.

Two out of three of those solicited by individuals working for the War Savings Staff and Victory Committee did buy. Considering solicitors of all types, from school children to investment bankers, an average of 35 percent of those visited report that they bought as a result of solicitation. Altogether 47 percent of those who were solicited bought during the campaign, either as a direct result of the solicitation or for other reasons, while only 12 percent of those who were not solicited bought.

Conclusion:

In brief this is what happened in April. The cumulative effect of all the promotion and publicity was not enough by itself to sell bonds to more than a relatively small number of people. Yet it quite successfully brought many people to a point where they would buy *if* someone personally asked them. The major weakness of the drive was that many of these people were never asked to buy. A willingness was set up, but it was not widely converted into action.

I. HOW MANY PEOPLE BOUGHT EXTRA BONDS DURING THE APRIL DRIVE?

One Out of Every Five Wage Earners in the Country Increased His Bond Purchases During April *

While it is a major accomplishment to "sell" 20 percent of the wage earners of the country in so short a period of time, the untapped market left was tremendous.

To be maximally effective it should be a major objective of the Third War Loan Drive to increase materially the number of people who buy at least one bond during the drive.

* The term "wage earner" as used throughout this report refers to all people who receive any income. It does not denote the manner in which income is received.

Table 1 . How many people bought extra bonds during April?

Bought first bond	2%
Started payroll deduction	*
Increased payroll deduction	2
Bought extra bonds	15
Signed pledge to buy	1
Made no increased purchase	76
Not ascertainable	4
	100%
	N=1358

* Less than one percent

II. WHO BOUGHT EXTRA BONDS IN APRIL?

People Who Were "Sold" on Bonds Prior to April Participated Most Widely in the Drive

Four out of every ten people who regularly invest more than 15 percent of their income in war bonds bought extra in April. In contrast to those people who are regularly heavy buyers, only 18 percent of those who invest from one to five percent of their income in bonds made extra purchases in the drive.

Table 2. Bond Purchases in April Related to Proportion of Income Usually Put into Bonds

Bond-buying in April	Usual Bond Purchases							
	Never Bought Before April	Buys Irregu-larly	Regularly 1-5%	Regularly 6-9%	Regularly 10%	Regularly 11-15%	Regularly over 15%	Amount Not Ascertain-able
Bought extra bonds or increased payroll deduction	5%	29%	18%	14%	27%	34%	41%	19%
Did not increase bond-buying	94	66	77	86	72	66	59	70
Not ascertainable	1	5	5	0	1	0	0	11
	100%	100%	100%	100%	100%	100%	100%	100%
	N=549	N=410	N=48	N=28	N=242	N=60	N=50	N=191

People Who Buy Regularly According to Their Own Plan Were More Apt to Buy in April

There is additional evidence that the April Drive sold bonds primarily to people who had demonstrated an interest in bonds prior to the drive. Two out of five people who have been buying bonds regularly "on their own" bought extra in April. In contrast, only one person in four who usually buys on the Payroll Savings Plan bought an extra bond or increased his allotment during the drive.

Even counting as "extra" all purchases made by irregular buyers in April, only three out of ten bought. And, only five percent of those who owned no bonds before April were induced to buy during the drive.

Table 3. Usual Method of Purchase Related to Buying Extra in April

Bond-buying in April	Usual Method of Purchase			
	Payroll Deduction	Regular Buyer - Own System	Irregular Buyer	Never Bought Before April
Bought extra bonds or increased payroll deduction	24%	41%	29%	5%
Did not increase bond-buying	74	57	66	94
Not ascertainable	2	2	5	1
	100%	100%	100%	100%
	N=398	N=87	N=410	N=349

The Greater a Person's Income the More Apt He Was to Buy Extra in April

As was to be expected, more people in the upper income groups than in the lower bought extra during the drive. The deviations from this relation, however, are striking.

Nearly two out of every three persons who receive more than 65 dollars a week did not buy extra during April. It is this group from which the largest sums of money might be expected.

Another important fact is that fewer people in the 46 to 55 dollar bracket bought in April than did people in the 36 to 45 dollar range. The deficiency in this income group results largely from the fact that bonds were not sold to skilled workers as extensively as to other occupational groups who receive equal or even smaller incomes (see Table 6).

Table 4. Relation Between Income and Buying Extra Bonds in April

Changes in Bond-buying in April	Individual Weekly Income (or Breadwinner's Income) $0-25	$26-35	$36-45	$46-55	$56-65	Over $65
Bought extra bonds or increased payroll deduction	10%	18%	28%	18%	30%	35%
Did not buy extra bonds	87	81	66	79	66	64
Not ascertainable	3	1	6	3	4	1
	100%	100%	100%	100%	100%	100%
	N=249	N=126	N=152	N=146	N=84	N=96

People Whose Income Has Risen During the Past Year Were More Apt to Buy in April

Again, the most striking fact is that the relationship is not greater. Seven people in ten who have experienced a recent increase in income did not buy in April. Since extra dollars coming from recent increases add greatly to the forces making for inflation, particular effort should be exerted to tap them more fully in the next drive.

Table 5. Changes in Income in the Last Year
Related to Buying Extra Bonds in April

Bond-buying in April	Income: Higher	Income: About the Same	Income: Lower
Bought extra bonds or increased payroll deduction	29%	15%	11%
Did not buy extra bonds	68	81	83
Not ascertainable	3	4	6
	100%	100%	100%
	N=553	N=560	N=219

Professional People and Businessmen Were More Apt to Buy in April

The proportion of each occupational group who bought in April corresponds closely in most instances to the median income of that group. Thus, people engaged in professional and managerial occupations and independent businessmen were more apt to buy extra bonds than were any other occupational groups.

One outstanding exception is found in the skilled workers, where considerably fewer people bought extra bonds than would be expected from their income. The reason for this deficiency among skilled workers, however, is not fully known. It is not due to a lack of willingness to buy bonds since a larger proportion of skilled workers regularly invest ten percent or more of their income in bonds than do members of any other group. In general, it would seem that the total effect of the Treasury promotion was more compelling among business and professional people than among workers of comparable income. Special effort to reach working people with larger incomes should prove fruitful in the next drive.

Table 6. Occupation Related to Usual Bond-Buying and Participation in the Campaign

Occupation	Median Weekly Income	Percentage of Each Group Who Bought Extra in April	Number of Cases
Skilled workers	$53	21%	191
Professional and managerial	52	31	140
Independent businessmen	43	28	43
Clerical and sales	39	25	92
Semi-skilled and unskilled workers	33	18	194
Service workers	25	13	90
Retired, students, unemployed	21	16	82
Farmers	-	21	466

As Large a Proportion of Farmers as Non-Farmers Bought During April

Although there are several sections of the country in which farmers were almost completely missed by the campaign, farmers as a whole participated in the drive as extensively as city people. This is true because in those rural areas where the drive was organized very large proportions of the farmers were personally solicited, and the solicitation was extremely effective (See Table 10).

Certain problems for drives of this sort among farmers arise from the seasonal nature of farm income. Thus, about one-fifth of the farmers who are counted as increasing their bond-buying during April actually only signed a pledge to buy. Drives coming at slump periods in farm income will probably have to rely considerably upon pledges for future purchases.

Table 7. Changes in Bond-buying During April

Changes	Farm	Non-farm
Bought extra bonds, increased payroll deduction, or pledged to buy	18%*	20%*
Did not increase bond-buying	74	77
Not ascertainable	8	3
	100%	100%
	N=466	N=884

* These frequencies are slightly lower than the preliminary frequencies given in: "An Appraisal of the Second War Loan, Identification and Motivation, A Comparison of Farm and Non-farm Populations, Preliminary Tabulations", Table 2. The differences are due to the use of weights, which make the frequencies in this table more reliable.

III. HOW DID THE SOLICITATION CAMPAIGN WORK?

The Solicitation Campaign Reached One Quarter of the Wage Earners of the Country

During the April Drive somewhat more than a million people served as solicitors. In all, they reached approximately one-fourth of the income-receiving population. Conversely, this means that three-fourths of those with income were not asked to buy.

Most of the solicitation took place in people's homes. A moderately large group was approached at work while still others were asked at such other places as the bank, on the street, or at a club.

Table 8. How Many People were asked to Buy during the April Campaign?

Asked at home	16%
Asked at work	6
Asked elsewhere (at the bank, on the street, etc.)	2
Served as a solicitor	2
Not asked	74
Not ascertainable	1
	100%
	N=1358

Solicitation Was Extremely Effective in Selling Bonds

Thirty-five percent more of those who were solicited than of those who were not bought extra bonds during April. Only 12 percent of those who were not solicited bought. Part of this difference is due to the fact that the solicitors went to the better prospects (Table 12). But even allowing for this effect it is clear that most people bought bonds <u>because they were asked to buy.</u>

Table 9. Effectiveness of Personal Solicitation in April

Bond-buying in April	Solicitation: Asked to Buy	Solicitation: Not Asked to Buy
Bought extra bonds or increased payroll deduction in April	47%	12%
Did not increase bond-buying in April	49	85
Not ascertainable	4	3
	100%	100%
	N=287	N=1007

Farmers Were More Likely to Buy as a Result of Being Solicited

A quarter of the wage-earners were asked to buy bonds. The same proportion of farmers and non-farmers were asked to buy, but over half of the farmers who were solicited bought, compared to a third of the non-farmers. An important reason for this difference is that many of those living in cities and towns were asked to buy in a group such as a meeting at work. This form of solicitation ordinarily put less pressure on them than having a solicitor call on them individually at home.

Table 10. Solicitation Among Farmers and Non-farmers

Solicitation	Farm	Non-farm
Asked to buy	25%	22%
Was a solicitor	2	2
Not solicited	75	75
Not ascertainable	*	1
	100%	100%
	N=474	N=884

Results of Solicitation	Farm	Non-farm
Bought extra bonds or increased payroll deduction as a result	34%	32%
Pledged to buy	20	1
Didn't buy as a result of visit	34	57
Not ascertainable	12	10
	100%	100%
Percent of weighted sample	25%	22%

*Less than one percent

Solicitation Sold Bonds to Five Times as Many People as Rallies and Exhibits

Thirty-five percent of the people who bought bonds say they bought because of solicitation, while only seven percent say they bought because of a rally, exhibit, or promotional stunt. This difference is particularly great in rural areas where 54 percent of the farmers who bought say it was because of solicitation while only two percent state that they bought because of rallies or other promotion.

Table 11 How Did You Happen to Buy in April?

Reasons	Farm	Non-farm	Total Weighted Sample
Because I was personally asked	54%	29%	35%
Because I attended a rally, exhibit, etc.	2	8	7
Because they had the campaign	26	35	33
Because of other reasons	18	28	25
	100%	100%	100%
	N=91	N=195	N=286

Solicitors Tended Somewhat to Visit People in the Upper Income Brackets

A third of the wage-earners with an income of over 65 dollars a week were asked to buy compared to less than a fifth of those with an income under 35 dollars a week. While this tendency to solicit people with larger incomes is certainly sound, two-thirds of those making more than 3300 dollars a year were not reached. Special effort to reach more people in these income groups should prove rewarding in the next drive.

Table 12. Proportion of Each Income Group Who Were Asked to Buy Bonds During April

Solicitation	Weekly Income: $0-25		$26-35		$36-45		$46-55		$56-65		Over $65	
Asked at home	13%	19%	6%	12%	12%	23%	20%	27%	8%	19%	21%	32%
Asked at work	3		4		8		4		8		8	
Asked elsewhere	2		1		1		2		2		1	
Was a solicitor	1		1		2		1		1		2	
Not solicited	81		87		76		72		81		67	
Not ascertainable	*		1		1		1		*		1	
	100%		100%		100%		100%		100%		100%	
	N=249		N=126		N=152		N=146		N=84		N=96	

* Less than one percent

Occupational Groups Differ Widely
in the Proportion Who Were Asked to Buy

Professional and managerial people, independent business men, skilled workers, and farmers were most often asked to buy bonds, but even among these groups two-thirds were not asked to buy. Fewer semi-skilled and unskilled workers than skilled workers were asked to buy. Still a smaller number of service workers and of clerical and sales people were solicited, and of those solicited a very small number were asked at home.

Table 13. Proportion of Each Occupational Group Who Were Asked to Buy Bonds During April

Solicitation	Occupation: Professional and Managerial		Clerical and Sales		Service		Agriculture		Skilled		Semi-skilled and Unskilled		Independent Business-men		Retired Students Unemployed	
Asked at home	16%		5%		5%		23%		13%		9%		16%		17%	
Asked at work	5	35%	13	22%	7	12%	-	27%	14	30%	10	19%	8	29%	-	20%
Asked elsewhere	6		2		0		2		3		0		5		3	
Was a solicitor	8		2		0		2		0		0		0		0	
Not asked	65		78		86		73		70		79		71		78	
Not ascertainable	*		0		2		*		0		2		0		2	
	100%		100%		100%		100%		100%		100%		100%		100%	
	N=140		N=92		N=90		N=466		N=191		N=194		N=43		N=82	

* Less than one percent

Solicitors Did Not Emphasize Reasons for Buying Bonds

Most people report that the solicitor simply asked them to buy bonds and that he gave no sales talk about the reasons for buying bonds. When salesmen did mention reasons for buying, the one most frequently given was to help fill a quota. Apparently most of the solicitors assumed that the people they talked to were already familiar with the reasons for buying and that all they had to do was to ask them to buy.

It is significant that only one percent of those visited by solicitors report that the solicitor spoke of the financial advantages to them personally of bond owning. It would seem that personal solicitation provides an excellent opportunity for stressing reasons of this sort. Only when these reasons are put in terms of the individual's financial situation are they maximally effective.

Table 14. What Reasons for Buying Bonds Did Salesmen Give?

Reasons	
To fill a quota	12%
Government needs the money	9
Other patriotic reasons	8
Personal financial reasons	1
National economic reasons	*
No reasons	38
Can't remember	2
Not ascertainable	30
	100%
	N=315

* Less than one percent

People Bought Bonds Whether or not Solicitors Gave Reasons for Buying

The success or failure of a solicitor in selling bonds to an individual did not depend on whether he advanced any reason for buying bonds. Solicitors were not important in the campaign because they brought home to people reasons for buying, though it is possible that they could be led to use to good purpose the reasons that have been shown to be most effective in getting people to buy bonds. In the April campaign, however, the pressure they put on the individual by asking him to buy was much more important than the reasons they gave.

These findings do not necessarily mean that reasons could not be effectively used by solicitors. Had the reasons been more carefully selected and more skillfully presented they could have been a more effective part of the solicitation.

Table 15. Effectiveness of Reasons Given by Salesmen

Result of Solicitation	Behavior of Salesmen: Gave a reason	Behavior of Salesmen: Gave no reason
Bought	46%	44%
Did not buy	44	49
Not ascertainable	10	7
	100%	100%
	N=103	N=115

Men Were More Successful Solicitors than Women

There were three times as many masculine as feminine solicitors, and the men sold bonds to a much higher proportion of the people they asked to buy. A small part of the difference might be due to the women's having poorer prospects, but the total difference is so large that it seems certain that men were more successful as solicitors than women in the April campaign.

Table 16. Sex of Solicitors

Sex	
Male	74%
Female	26
	100%
	N=272

Table 17. Result of Solicitation Related to Sex of Solicitor

Result of Visit	Sex of Solicitor	
	Male	Female
Bought or pledged to buy	49%	21%
Didn't buy	43	69
Not ascertainable	8	10
	100%	100%
	N=211	N=61

IV. HOW EFFECTIVE WERE ORGANIZATIONS IN SELLING BONDS?

<u>A Large Number of Organizations Took Part in the Solicitation Campaign</u>

Representatives of the War Savings Staff and the Victory Committee reached more people than representatives of any other organization. Next most important, in order of the number of people reached, were the establishments where people work, civilian defense, civic groups and clubs, and Government officials.

Table 18. Organizations Represented by Solicitors

Organization	Percentage of People Asked by Each Organization
War Savings Committee, Victory Committee	3%
Establishment where the individual works	3
Civilian defense	2
Civic groups, clubs, etc.	2
Government official (Triple A committeeman, postman, etc.)	2
School children	1
Church or Synagogue	*
Bank, investment company, insurance salesman	*
School board	*
Boy and Girl Scouts, Campfire Girls	*
Parent Teachers Association	*
Miscellaneous	*
Organization not ascertainable	10
Not asked to buy	74
	100%
	N=1358

* Less than one percent

Representatives of the War Savings and Victory Committees and Other Government Officials Were the Most Effective Solicitors

Not only did they reach the most people, but when representatives of the Treasury staff asked people to buy bonds in April, two times out of three they bought. On the other hand, when an individual was asked to buy at work, two times out of three he didn't buy. As has been suggested above, this difference probably reflects a difference in the type of solicitation used. Many of the individuals who were asked to buy at work were simply asked to buy in a meeting, which is very different from having someone come around to see one personally.

Table 19. Effectiveness of Solicitors from Different Organizations

Organization	Proportion of those asked to buy who bought: Bought	Didn't buy	Not ascertainable	Totals	N
War Savings Committee, Victory Committee	67%	27%	6%	100%	50
Government official (Triple A committee-man, postman, etc.)	59	36	5	100%	28
Civic groups, clubs, etc.	45	44	11	100%	21
Civilian defense personnel	35	54	11	100%	34
Establishment where the individual works	28	56	16	100%	39
School children	28	52	20	100%	15

Only One Percent of Wage Earners
Bought in April as Members of Organizations

Rotary clubs, women's clubs, churches and similar groups sold bonds to only one percent of the income-receiving population during the April campaign. This represents only a twentieth of those who bought bonds. The sale of bonds by organizations to their members played a rather minor part in the April campaign.

Table 20. How Many People Bought in April as Members of Organizations?

Bought in April	
Bought as a member of an organization	1%
Bought in April, not as a member of an organization	19
Did not buy	76
Not ascertainable	4
	100%
	N=1358

<u>One Out of Four Families with Children of School Age Buys Stamps Through Schools</u>

Nine percent of the respondents in the survey spontaneously mentioned that children in the family had bought stamps at school. This represents one out of every four families with children of school age in the country. Of these, two out of nine bought extra stamps in April.

Table 21. Spontaneous Mentions of Stamp-buying by School Children

Mentions		
Children bought extra stamps in April	2%	9%
Children usually buy at school, no mention of extra buying in April	7	
No mention of buying by school children	91	
	100%	
	N=1358	

V. THROUGH WHAT OUTLETS DID PEOPLE BUY?

Most People Bought Their Bonds at the Bank or Post Office

Overwhelmingly the largest number of people who bought extra bonds in April bought them at a bank or post office. The next largest number bought at work, and the third largest through the schools. The rest are scattered among theaters, Triple A committeemen, stores, radio stations and other outlets. In other words, the extra bonds were bought primarily through the usual outlets. Setting up special outlets for the duration of the Third War Loan Drive might serve to emphasize the idea that it is a special drive to sell extra bonds during a definite period.

Table 22. Outlets for Bonds

Outlet	Weighted Proportion of those Buying Extra Bonds Who Bought at the Outlet
Bank or post office	39%
At work (not an increase in payroll deduction)	6
School	3
Theater	2
From Triple A committeeman	2
Store	1
Radio station	*
Other	7
Increased payroll deduction	12
Pledged to buy	4
Not ascertainable	24
	100%
	N=319

* Less than one percent

VI. DID THE MONEY COME FROM SAVINGS OR OUT OF CURRENT INCOME?

Three Times as Many People Used Current Income as Used Savings to Buy Bonds

From the point of view of controlling inflation it is interesting to note that nearly three times as many people bought their extra bonds in April from current income as from savings. (This is not counting those who increased their payroll deduction or pledged to buy bonds.) Only a very few, about two percent, bought out of windfalls of some sort which happened to be available during the campaign.

Table 23. Source of the Money Used to Buy Bonds in April

Source	
Current income	45%
Savings	16
Both current income and savings	5
Gifts, other windfalls	2
Increased payroll deduction, bought no other extra bonds	12
Pledged to buy	4
Not ascertainable	16
	100%
	N=319

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 8, 1943

TO: Secretary Morgenthau

FROM: John J. Louis

I am sure you will be interested to know that we are enlisting the support of all the Senators for the Third War Loan.

The device is to ask each one to make a one-minute recording in the interest of the Third War Loan to be played on stations in his own State. Detailed information is attached.

JJL

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 8, 1943.

TO: Mr. Callahan

FROM: Miss Spriggs MS

On Monday, July 5, letters were sent to 96 Senators inviting them to make three one-minute recordings in support of the 3rd War Loan.

By telephone and letters we have received twenty-six Senatorial approvals. The only refusal came from Senator Nye.

Suggested copy for talks have been supplied to 15 Senators. Three were recorded on Wednesday, July 7th. Eleven are being recorded today July 8th. At least eleven will be scheduled for tomorrow.

Four Senator's offices contacted are out of the city. We are contacting them by mail and arrangements are being made to record them in their home cities. Until the job is completed we will record a minimum of eleven each day.

Attached is the schedule of recordings for July 7, 8 and 9.

Senator Hugh A. Butler has recorded.
Senator Hattie W. Caraway has recorded.
Senator Claude Pepper has recorded.

The following are to be recorded today:

Senator Homer Ferguson	Michigan
Senator Joseph F. Guffey	Pennsylvania
Senator Arthur Capper	Kansas
Senator Mon C. Wallgren	Washington
Senator Elmer Thomas	Oklahoma
Senator James G. Scrugham	Nevada
Senator Chapman Revercomb	West Virginia
Senator James M. Tunnell	Delaware
Senator James M. Mead	New York

The following Senators have been contacted:

Senator Hugh A. Butler
Senator Arthur Capper
Senator John L. McClellan
Senator Carl A. Hatch
Senator John Thomas
Senator Tom Connally
Senator W. Lee O'Daniel
Senator Joseph F. Guffey
Senator Allen J. Ellender
Senator John H. Overton
Senator Homer Ferguson
Senator Peter G. Gerry
Senator George D. Aiken
Senator Warren R. Austin
Senator Charles O. Andrews
Senator Josiah W. Bailey
Senator Robert R. Reynolds
Senator Joseph H. Ball
Senator John H. Bankhead, 2nd
Senator Lister Hill
Senator Alben W. Barkley
Senator Theodore G. Bilbo
Senator Homer T. Bone
Senator Mon C. Wallgren
Senator Ralph O. Brewster
Senator Scott W. Lucas
Senator James M. Tunnell
Senator Harlan J. Bushfield
Senator Edwin C. Johnson
Senator W. Warren Barbour
Senator Hiram W. Johnson
Senator Chapman Revercomb
Senator William Langer
Senator Burnet R. Maybank
Senator Ellison D. Smith
Senator Pat McCarran
Senator James G. Scrugham
Senator Elmer Thomas
Senator Abe Murdock
Senator James M. Mead
Senator James E. Murray

3RD WAR LOAN COPY FOR SENATOR ALLEN J. ELLENDER

(Please edit or revise as you wish)

From the very first day that Old Glory waved in battle in this war, men of Louisiana perpetrated acts of heroism to advance our cause of freedom. Our pride is with our men on the battle fronts ... and our love. Before this war is won our fighting men not only will have to establish footholds on the continent of Europe and the Islands of Japan, but will have to fight many terrible battles. We expect great things from our fighting men. And, to keep faith with them, we must measure up to our jobs. The 3rd War Loan Drive is now on. Our job is to put every possible dollar ... and more ... into War Bonds during the month of September. That money is needed for more weapons and all kinds of equipment for our fighting men. To help furnish that equipment, it is up to every one of us in the United States, every resident of Louisiana to buy at least one extra $100 War Bond this month. Our way of doing more to help our fighting men is to cut down our expenses and put into War Bonds every possible dollar of our income beyond our necessary living expenses. ~~Remember...THE MORE BONDS AND SWEAT -- THE LESS BLOOD AND TEARS.~~

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 8, 1943

TO: Secretary Morgenthau

FROM: John J. Louis

This is to report an extension of the Army Show at Bloomingdale's, which you mentioned to me the other day. Mr. Duffus' memorandum, which is attached, indicates that we are taking full advantage of this activity for the War Finance Committee.

JJL

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 5, 1943

TO: John J. Louis

FROM: Carlton Duffus C.D.

In response to the memo you handed me yesterday regarding the Army Show at Bloomingdale's I contacted the ~~Army~~ and we are in a sense taking over the show in that as soon as I have the available man power we will prepare appropriate signs for all exhibits in the show tieing them in with War Bonds, and the War Department has also asked us to assist them in developing this exhibit along showman-like lines which they state it now lacks.

The show will open at the Frederick Loeser Department Store in Brooklyn on Monday and will move from there to the Fox Department Store in Hartford. The War Department does not have exact bookings, but we will work out a real booking routine with them.

They have also agreed to produce two more units; one for the Mississippi Valley and one for the far West.

To save the War Department any embarrassment the show is now being booked by NRDGA and the stores are being selected according to the available space, but if they is any question as to which store in any city should receive it the store which has received our Retail Section's award will be given preference.

We also arranged today to tie in War Bonds with the War Show which will be produced at Dayton, Ohio for the Third War Loan.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 8, 1943

TO Secretary Morgenthau

FROM Captain Kades

The Vice President telephoned me this afternoon and said that it would be well worth while to see Dr. Ezekiel, the Economic Advisor to the Secretary of Agriculture. I have made an appointment to see Dr. Ezekiel at 10:00 Friday morning.

I will send you a memorandum on what I learn as soon as I return from Dr. Ezekiel's office.

C.L.K.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 8, 1943

TO Secretary Morgenthau

FROM Mr. O'Connell

A little earlier this afternoon the Senate, on a motion by Senator Maloney, voted (33 to 32), to instruct their conferees to recede from the so-called Tydings- Danaher amendment to the Commodity Credit extension bill.

Since then the conferees have reported the bill out and it has been approved by both Houses. In substance the amendment prohibiting any subsidy or roll-back programs has been eliminated from the bill and it is presumably in form satisfactory to the Administration.

JJO'C

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 8, 1943

TO Secretary Morgenthau

FROM Mr. Tietjens

I thought you would be interested to know that during my talk with Paul Porter yesterday he mentioned, incidentally, that they thought it might be desirable for the Commodity Credit Corporation, or some other agency, to buy up for the Government all of certain canners' packs but that it was too late to start any such program this season. I understand this is along the lines of a plan outlined to you by Captain Kades.

WOT

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 8, 1943

TO Secretary Morgenthau

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

Chief obstacle in the way of Congressional recess is still the question of continuing the Administration's program of subsidies to rollback prices. Joint conferees yesterday were unable to reconcile differences between a House measure simply extending the Commodity Credit Corporation without referring to subsidies one way or the other, and a Senate bill which, while extending the CCC, very definitely calls a halt to all food subsidies. Between these two sharply divergent methods are compromise plans, such as the Taft proposal, allowing only a limited amount for the Administration's food subsidy program, but not completely discontinuing it. Further complicating the matter was Senate action yesterday raising the ceiling price of corn 33 cents. Although the House is not expected to concur, if the bill became law and the price change went into effect without subsidies to cover the raise, it reportedly could throw the whole anti-inflation campaign out of line by necessitating price raises in related products, livestock etc. Although the CCC-Subsidy measure is the tightest snarl to be untangled before Congress can take a summer recess, three major appropriation bills are still deadlocked in conference, too. The Second Deficiency Bill is held up chiefly by Senate demands for funds for a crop insurance program, and the War Agencies Bill and the Labor-Federal Security Bill by the Senate's job confirmation amendment. As a possible solution to the tie-up on the two latter measures, Representative Taber has offered a modified proposal requiring Presidential appointment and Senate confirmation only of employees (included under the two bills) earning $5,500 yearly and appointed after June 30, 1943.

JUL 8 - 1943

My dear Mr. Secretary:

This is to acknowledge your letter of July 2, 1943, regarding the Minister of Finance of Panama who is now in this country.

I am inviting Dr. Sosa to call at the Treasury when he is in Washington.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

The Secretary of State.

File ret. to Dr. White.
Photo of incoming and
copy of reply in Diary.

EMB/jm 7/7/43

DEPARTMENT OF STATE
WASHINGTON

July 2, 1943

My dear Mr. Secretary:

I understand that your Office has already been informally advised through this Department of the presence in the United States of Dr. José A. Sosa A., Panamanian Minister of Finance and Treasury. I am informed that the Minister is here for a vacation of four or five weeks and that he will be residing at the Savoy Plaza Hotel in New York City. Any courtesy or attention which you might wish to extend him undoubtedly would be very much appreciated.

Sincerely yours,

Cordell Hull

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

JUL 8 - 1943

Excellency:

I am informed by the Department of State that you will be in the United States during the next three or four weeks.

I am gratified to learn that you are in this country and I hope you will find occasion to come to Washington. You are at all times welcome at the Treasury, and you may be sure that I shall be glad to discuss with you the financial problems of interest to Panama and the United States.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury

His Excellency, Jose A. Sosa,
Minister of Finance,
Republic of Panama,
Savoy Plaza Hotel,
New York, New York.

File copies ret. to Dr. White.
Copy in Diary.

HMB/jm
7/7/43

COPY

FEDERAL RESERVE BANK

Of New York

July 8, 1943

CONFIDENTIAL

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

I am enclosing our compilation for the week ended June 30, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke,
Vice President.

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

Enclosure

TREASURY DEPARTMENT

OFFICE OF THE SECRETARY

July 9, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended June 30, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

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

Week Ended June 30, 1943

Strictly Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT) DEBITS: Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	CREDITS: Total Credits	Gold	Proceeds of Sales of Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)	Net Incr.(+) or Decr.(-) in $ Funds (d)	BANK OF FRANCE: Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in $ Funds (d)
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+229.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+125.9	18.5	4.4	- 14.1
1942													
Sept. 3 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.3	+ 0.1
Dec. 3 - Dec. 30	30.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
1943													
Dec. 31 - Feb. 3	168.6	20.9	125.0	22.7	58.9	-	-	8.0	50.9	-109.7	-	-	-
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	120.8	-	-	15.0	105.8	+ 33.6	-	-	-
Mar. 4 - Mar. 31	35.3	12.9	-	22.4	64.4	-	-	5.0	59.4	+ 29.1	-	-	-
Apr. 1 - Apr. 28	37.0	16.3	-	20.7	87.4	-	-	15.1	72.3	+ 50.4	-	-	-
Apr. 29 - June 2	90.4	74.3	-	16.1	103.4	-	-	19.0	84.4	+ 13.0	-	-	-
June 3 - June 30	31.6	11.6	-	20.0	130.7	-	-	20.0	110.7	+ 99.1	-	-	-
WEEK ENDED:													
June 9	12.4	3.0	-	9.4	41.2	-	-	15.0	26.2	+ 28.8	-	-	-
16	6.7	3.2	-	3.5	32.0	-	-	4.0	28.0	+ 25.3	-	-	-
23	6.2(r)	1.9	-	4.3(r)	38.3	-	-	-	38.3	+ 32.1(r)	-	-	-
30	6.3	3.5	-	2.8	19.2(j)	-	-	1.0	18.2(j)	+ 12.9	-	-	-

Average Weekly Expenditures Since Outbreak of War
France (Through June 19, 1940) $19.6 million
[illegible] 1940) $27.6 million
[illegible] 12, 1941) $54.9 million
[illegible] 22.2 million

See attached sheet for footnotes.

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

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

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

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

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

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

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

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

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

(j) Includes $10.7 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.

(r) Revised.

Strictly Confidential

Week Ended June 30, 1943

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

PERIOD	BANK OF CANADA (and Canadian Government) DEBITS: Total Debits	Transfers to Official British A/C	Others Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C: For Own A/C	Transfers from Official British A/C: For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in $ Funds (d)	COMMONWEALTH BANK OF AUSTRALIA (and Australian Government) DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Dec. (-) in $ Funds (d)
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war(b)	460.4	-	460.4	462.0	246.2	1.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
1942																
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	56.5	-	56.5	80.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	41.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
1943																
Dec. 31 - Feb. 3	52.5	-	52.5	217.1	-	125.0	-	92.1	+ 164.6	16.2	8.0	8.2	17.3	-	17.3	+ 1.1
Feb. 4 - Mar. 3	35.1	-	35.1	101.2	-	37.7	-	63.5	+ 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1
Mar. 4 - Mar. 31	36.2	-	36.2	51.6	-	-	-	51.6	+ 15.4	7.1	5.0	2.1	6.7	-	6.7	- 0.4
Apr. 1 - Apr. 28	29.0	-	29.0	39.6	-	-	-	39.6	+ 10.6	16.4	15.1	1.3	19.3	-	19.3	+ 2.9
Apr. 29 - June 2	79.9	-	79.9	95.8	-	-	-	95.8	+ 15.9	21.8	19.0	2.8	20.1	-	20.1	- 1.7
June 3 - June 30	53.8	-	53.8	77.2	-	-	-	77.2	+ 23.4	20.0	20.0	-	27.3	-	27.3	+ 7.3
WEEK ENDED:																
June 9	7.6	-	7.6	35.8	-	-	-	35.8	+ 28.2	15.0	15.0	-	18.3	-	18.3	+ 3.3
16	17.3	-	17.3	14.6	-	-	-	14.6	- 2.7	4.0	4.0	-	0.1	-	0.1	- 3.9
23	9.0	-	9.0	10.3	-	-	-	10.3	+ 1.3	-	-	-	0.3	-	0.3	+ 0.3
30	19.9(e)	-	19.9	16.5(e)	-	-	-	16.5(f)	- 3.4	1.0	1.0	-	8.6(g)	-	8.6(g)	+ 7.6

Average Weekly Expenditures

First year of war [illegible]	6.2 million.
[illegible]	8.9 million.
[illegible]	10.1 million.
[illegible] June 30, 1943)	8.9 million.

(a) For monthly breakdown see tabulations prior to April 23, 1941.
(b) For monthly breakdown see tabulations prior to October 8, 1941.
(c) For monthly breakdown see tabulations prior to October 14, 1942.
(d) Reflects changes in all dollar [illegible] demand or maturing in one year.
(e) Does not reflect [illegible] ities.
(f) Includes $10.9 million deposited [illegible] and $5.5 million received from New York accounts of Canadian Charte[illegible]
(g) Includes $7.0 million held [illegible] credit of U. S. Ar[illegible]

Regraded Unclassified

July 8, 1943

To: Mr. Livesey

From: Mr. White

Please transmit the following cable to Ambassador Winant from the Secretary of the Treasury.

Halifax has informed me that you or Averill Harriman are to discuss with the Chancellor of the Exchequer the advisability of extending the scope of the reciprocal aid program to cover certain U.S. imports from the British Empire.

For your information, the developments to date have been:

An Interdepartmental Committee consisting of representatives of the Departments of State, Treasury and War, the Office of Lend-Lease Administration and the Board of Economic Warfare was established last December to deal with matters concerning our policy of financial assistance to our Allies. Britain's gold and dollar balances are rising and Lend-Lease Administration is very eager for political reasons to have the British agree to the extension of the reciprocal lend-lease program to cover purchases of certain goods being made by the United States in British Empire countries. After considering the matter from all angles, the Interdepartmental Committee decided to explore the possibility of reducing Britain's current dollar receipts during the coming year by \$200-\$300 million through this procedure. On May 27 we wrote a letter to Sir Frederick Phillips advising him of the Committee's decision and asking him for his views on the subject.

Phillips had informed us prior to his departure for London that Halifax had received a memorandum from London which he would submit to the appropriate Government official upon his return from the Mid-West. Halifax, however, says that Phillips is taking up this matter in London and that he, Halifax, has received a cable to the effect that you or Harriman are to talk to Sir Kingsley Wood about it. I should appreciate anything you can do to speed the British reply.

TMK:rl 7/7/43

COPY

May 27, 1943

My dear Sir Frederick:

As you know, we have an Interdepartmental Committee dealing with matters of financial assistance to our Allies. One of the questions now before the Committee is the advisability of bringing within the scope of the reciprocal and program purchases of certain goods being made by the United States in British Empire countries which will aggregate between $200-$300 million during the coming year. Discussions are still in the preliminary stages.

The Committee wanted you to be informed of what we are thinking and would like your views on the above proposal. The Committee also thought it would be helpful at this time to have a memorandum from you reviewing Britain's international financial position and summarizing your views on the appropriate reserve of gold and dollars which this Government should assist the British Government to maintain.

The Committee would appreciate receiving a statement which could be made available to all members and which could serve as a useful basis of future discussions.

Very truly yours,

/s/ H. D. White

H. D. White,
Assistant to the Secretary.

Sir Frederick Phillips,
The British Supply Council in North America,
Box 680,
Benjamin Franklin Station,
Washington, D. C.

TMK:rl 5/27/43

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NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 221

Information received up to 7 a.m., 8th July, 1943.

1. MILITARY

RUSSIA. Heavy fighting continues on OREL-KURSK and BYELGOROD Sectors. In latter area, Germans have made some advance.

2. AIR OPERATIONS.

WESTERN FRONT. 7th/8th. Aircraft despatched: COLOGNE - 4, DUISBURG - 4, Intruders - 7.

SICILY. On 5th, 6th and 7th, a total of 650 bombers and 700 fighters operated. Main concentrations on airfields at BISCARI, COMISO, GERBINI and TRAPANI. Combat casualties: Enemy - 37, 4, 10; Allied - 11, 1, 23 (21 of latter by A/A gun fire).

NORTH WEST AFRICA. 5th/6th. BIZERTA attacked by 50 enemy aircraft of which 4 were shot down. M.T. and barrack huts destroyed.

Correction to Optel No. 220.

1. MILITARY

NORTHERN FRANCE. Line 1.

For: "on CHERBOURG Peninsula......"

Read: "near BIVILLE-SUR-MER in DIEPPE area...."

July 9, 1943

I was with Mr. Hull from 9:20 until 10 o'clock and I broke up the meeting. He took 95% of the time in blowing off on his troubles with the President.

Now, he has never made a blunder since he has been Secretary of State. Now, Mr. Welles has made half a dozen. Now, the President lets Welles go over his head. Now, he lets Welles talk on foreign policy.

But his chief gripe was about Wallace. Milo Perkins is one of the most dangerous men in town and Milo Perkins puts Wallace up to these things and I will remember how, at a meeting at the White House,(which I did) Wallace, like a 16-year old boy, said to the President in connection with the setting up of Economic Warfare, "Well, you know, Mr. President, we did not show it to the State Department because if we did we never would have got it through" and that the President had been assured that it had been shown to the State Department, which it never had. And that on the home front that this fight between Jones and Wallace has done more harm than anything that has happened, because people on the home front are told they should unite and look at this fight that is going on here!

Then he went on to say that Jimmie Byrnes had called him up and told him to come on over. There was to be a sort of trial of Cabinet members in connection with transferring this oil to Saudi Arabia and that he, Hull, did not go; he sent Feis to get the facts and then he filed a memorandum with the President of which he sent a copy to Byrnes. So I told him of my experience, of how Byrnes had ordered me over there publicly, on inflation and taxes, and I had sent Paul and I said I did not intend to go; I would go whenever the President sent for me. He said, "You see how I felt. I sent Feis."

He kept saying, "What is it we can do to improve the situation?"

He said, "The President runs foreign affairs. I don't know what's going on." He said, "I asked to see the political part of the cables between the President and Churchill, because I have to find out from Halifax what's going on between the President and Churchill." He said, "I sent Welles over there to ask them to see that I get copies of what he says to Churchill and the President said to Welles he would give it to me and, three hours later, I got a message that the President had decided he would not do it."

He said, "There is somebody over there who passes on everything the State Department sends to the President." He said, "Do you think it is Hopkins. I don't know that it's Hopkins, but I know the President is running foreign affairs and I know the President will not let me help him any more. For example, a memo came down from Hyde Park on how we should proceed with Martinique completely overlooking our agreement with the South American countries that before we stepped into any country, the way the memo suggested, that we would do it only after consultation with these countries and together." He said, "We had to take the President's memorandum, throw it in the ash can and write a completely new one. But," he said, "the President is doing those kinds of things all the time." He said, "Since Pearl Harbor he does not let me help in connection with foreign affairs and," he said, "Welles goes out and talks about foreign affairs, stimulated by Milo Perkins and backed up by Wallace and," he said, "I just don't know what's going on and the President won't let me help him." He says, "On the home front, things are terrible." Before I could get a chance to even answer him, he said, I suppose you have to recognize that's the way the President works. Nothing you can do about it. Not that I have any feeling against the President, but that's the situation."

He said, "Harold Smith was over here yesterday to see me and was talking about what they could do." (Knowing that Hull was never frank with me, I did not tell Hull that the President told me, Saturday, that he intended to put all of these agencies, like Jones' and Wallace's agencies and Rockefeller's in the State Department. I thought that was up to the President. I imagine that's why Harold Smith was over there.)

I told Hull I think the trouble with the President is that some of the old line agencies don't run to his satisfaction. Then he creates an independent agency and then another independent agency and before he's through he has 30 or 40 independent agencies. Then he needs a coordinator and then a commission to run the independent agencies and the commission fails and my answer is he has ten Cabinet members and if they don't function properly, fire them, but leave this responsibility with them, but he should let some of us go home if we don't give him the service. Then, instead of having to have these constant commissions all outside the Cabinet -- as a result, when you go to Cabinet, it's 1-1/2 hours to relax because nothing of importance is discussed and everything is done outside. And I said, "The President tries to do it all and he can't do it." Well, Hull agreed with me. The whole trouble is he keeps setting up wheels within wheels and everyone falls down because they always cut across the old line Departments and the President is constantly trying to supersede them. I said, "I don't know whether Jones was in the wrong on the rubber situation, but Baruch made an exhaustive report, and if Jones was wrong and did not come through with the necessary production, the President should have dismissed him or taken that authority away from him." Hull said, "I have a drawerful on the rubber situation - what the State Department has done since 1935." Then I said, "I wrote the President myself, stimulated by Feis, asking for $100,000,000 for strategic materials. He turned me down and gave me $15,000,000 to buy through Procurement in the Treasury." I said, "We have given everybody satisfaction on what we buy. We do it in 24 hours. Everybody is satisfied, but," I said, "they give that buying to somebody else. They could have perfectly well left it with Procurement." I said, "The President personally turned me down on the request for $100,000,000."

(The President's whole record on a lot of these things, unfortunately, is not too good, but it's very disturbing to me to hear a man like Hull talk this way, because if he talks to me, who is not close to him, how much must he talk to people like Arthur Krock and anybody else who listens.)

Then he also went into a long criticism of Senator Connally. He's terrible! This thing has gone to his head and, he said, he just can't work with him. How he, Hull, came to Congress long before Connally did and what things he has done for Conally, and so forth and so on.

So then I asked him about Martinique. He said, "That's being handled by the Navy," but he read me a paragraph from the Navy's communication which I already knew from Admiral King. But there is a paragraph in there saying that no gold should be transferred or any accounts in any banks should be transferred. Now, I don't know who put that in, but I had talked personally to Hull and I had also talked to the President about it. So I said, "Well, we are very anxious to have a Treasury man go down there at the right time." He said, "Tell your man to keep in touch with Atherton and Feis." I said I would.

Then, after we got through all this, I said, "Now, look, Cordell. It's just this kind of thing that you are complaining about that I don't want to happen between your Department and mine. That's why I came over rather than write you a letter. I am sure you don't know that I, personally, have been chairman of just the same kind of Committee you have outlined in your letter and,"I said, "Berle, Paslovsky and Acheson at different times have represented you, Will Clayton has represented Jones, and Lauch Currie has been present and the Federal Reserve and BEW." He said, "That's the same crowd," showing he knew what was in the letter. I had put him on notice. I said, "I take it from my conversations with you that where we are dealing with foreign exchange, World Bank and such matters, and other Treasuries, you would like me to continue to handle it. He said, "Absolutely!" He said, "Give me that letter. I want to look into it. I can't keep track of all these things." I said, "For whatever it's worth, I understand this is something that Berle has stimulated. He's ambitious." Hull did not like that. He said, "I can't keep track of all these back-scene intrigues." He said, "Let me have that letter back," which I did.

Certainly, after giving me this diatribe on how the President can't keep things straightened out, when I told him I have been Chairman of a Committee like this for a year and reminded him how he wants me to deal with foreign financial matters, I don't see how he could do anything but withdraw the latter. As a matter of fact, he asked me for the letter back, and it will be interesting to see what happens.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 6, 1943

TO Secretary Morgenthau

FROM Mr. White

1. About two years ago, Secretary Morgenthau directed the Treasury staff to study the problem of currency stabilization and the provision of international credit. As a result of these studies an extended memorandum was prepared in the Treasury proposing tentatively the establishment of an international stabilization fund and an international bank for reconstruction and development.

2. On May 16, 1942, Secretary Morgenthau submitted to the President a memorandum on these tentative proposals. The President authorized the Secretary to have the studies continued in cooperation with the State Department, the Board of Economic Warfare and the Export-Import Bank. From time to time the Secretary has informed the President of the progress of the studies and discussions on these questions. one year

3. In accordance with the President's authorization, Secretary Morgenthau brought together a Cabinet group for the purpose of advising the President on these projects. A committee of technical experts from other departments and agencies was also formed to work with the Treasury experts in formulating a program on currency stabilization and international credit.

Berle
Paslovsky
Acheson
Will Clayton
Currie
Federal Reserve
B.E.W.

4. On March 4, 1943, with the approval of the Cabinet group and the State Department, the Secretary of the Treasury wrote to the Ministers of Finance of the United Nations and the countries associated with them, enclosing a tentative draft proposal for an international stabilization fund and requesting them to send technical experts to Washington to discuss the proposal on an informal basis. The covering memorandum mentioned the need for an international bank to provide international credit for reconstruction and development.

5. During the discussions, frequent inquiry was made by the technical experts of other countries regarding an agency on international credit. They were informed that

preliminary studies were nearing completion and that a tentative draft proposal would soon be available. Furthermore, on several occasions Mr. Berle of the State Department and Mr. White of the Treasury spoke informally to the British technical representatives about later discussions on the tentative draft proposal for an international bank. It was agreed by Mr. Berle and Mr. White that the only reason for separating the discussions on the fund and the bank was expediency, and that the bank proposal should be considered as soon as feasible.

6. The questions of currency stabilization and international credit are inseparably linked, and have always been matters for discussion by Treasuries, of course with the cooperation of the State Departments. The technical experts sent by other Treasuries for preliminary discussions in Washington expect quite reasonably that the problem of international credit will be discussed by the same technical experts with whom they have discussed the problem of currency stabilization.

7. The creation of another committee on international credit will result in unnecessary confusion. The agencies invited by Secretary Hull to serve on the committee he wishes to establish are already represented on Secretary Morgenthau's committee. With the exception of Mr. Pierson, all of the individuals are now on Secretary Morgenthau's committee, and Mr. Pierson can be added as a second representative of the Federal Loan Agency. By proceeding with Secretary Morgenthau's committee, the work already done can be completed without undue delay and needless duplication. The recommendations of the committee and the technical experts would be brought to Secretary Hull for his advice in accordance with the instruction of the President to Secretary Morgenthau.

July 9, 1943
11:01 a.m.

HMJr: Hello.

Robert Coyne: Yes, sir.

HMJr: Coyne, do you remember the meeting in my chart room - I said I didn't want any campaigns on stamps this summer; that you should concentrate on payroll savings? I said, "Whatever campaigns you had on stamps - please to kill it."

C: I remember the occasion, sir, and I remember your ending up by telling Mr. Graves in response to his farm question that you didn't want anything that would interfere with payroll savings.

HMJr: But I said to kill - specifically to kill any program or promotion on stamps.

C: Well, I remember your saying that, sir.

HMJr: Yeah, well....

C: We - the matter was reviewed with Mr. Graves and Mr. Gamble and they thought that this promotion would absolutely not interfere with the payroll and they were afraid that the retail stores would not be in line for September unless we gave them something to keep them busy.

HMJr: Now, look, Coyne. I hope before it's too late you're going to get to know me. When I give a direct order, I don't want anybody to interpret that without coming back to me. Now, is that clear?

C: That's very clear, sir.

HMJr: I gave it - I said, "Kill any stamp plans." Now, I don't want my orders interpreted....

C: Well, I can assure you, sir, that I did not interpret them.

HMJr: ....well - except by myself....

C: Right.

HMJr: ....I'm the only fellow that can interpret - if it isn't understood - God Almighty, you see me enough and - fellows do it - and you've got to take it when Gamble is not here.

C: Right.

HMJr: Now, you can tell that to Gamble the next time you talk to him.

C: I'll be talking to him this afternoon.

HMJr: I told him to kill any stamp plans. Now, that's plain unadulterated Anglo-Saxon English....

C: Right.

HMJr: ....and when somebody wants it interpreted, they can come around and say, "Well, do you want this or don't you?"

C: Yes, sir.

HMJr: Now, then - I mean - I can't work when people hedge on me and fudge on me and do things behind my back....

C: Right.

HMJr: ....and I'm not going to stand for it.

C: Well, I'm sure neither Ted nor Mr. Graves intended to do anything behind your back.

HMJr: Well, God damn it, they did.

C: Well, I - I'm merely reporting to you what happened.

HMJr: All right. Now you're acting in charge and you've got to take it on the nose. I don't know whether you're man enough to take it but we can find out.

C: Well, you will find that out.

HMJr: Now, I want my orders carried out literally the way that I give them.

C: Yes, sir.

HMJr: And, if somebody has any doubt - and that's the whole trouble with War Bonds - they always have done that

HMJr: (Cont'd) and I'm sick and tired of it. The whole God damn organization can't carry out an order.

C: Well, now, I....

HMJr: And I'm going to go along so far and one of these days - if you fellows don't do it my way - it's just going to be too bad.

C: We will do it your way, sir.

HMJr: Well, you'd better wake up soon. The time is ticking against you awful fast. Now, when I give a clean-cut order, I don't want somebody else to interpret it. They've always done it. I don't like a poster - it's too late - it's in the works - I don't like this - it's too late. Now, I gave an order and I don't want the thing interpreted without coming back and say, "Well, now, we thing you're wrong." Okay. I'll sit down and listen. I'm wrong a hundred times.

C: All right.

HMJr: But I expect the courtesy of being asked am I wrong or "Won't you please reconsider it?

C: Huh.

HMJr: The thing that he asked me that day was on the farm program....

C: That's correct.

HMJr: ....and nothing else.

C: That's right, and you said, "Well, nothing that interferes with payrolls."

HMJr: That's right.

C: Now, if this interferes with payroll, sir, it should be killed. I don't think it does and I assumed that someone had perhaps spoken to you about.

HMJr: Nobody did and there should be some form of records - when I say something - that a record is made - that's an order - that's what I want.

C: Right.

HMJr: Now, if Ted Gamble thinks I'm wrong or you think I'm wrong, you can walk in here any time - day or night - and say, "Mr. Morgenthau, won't you please reconsider it?"

C: Well, I - I appreciate that, sir.

HMJr: But I want the courtesy of being asked to reconsider an order.

C: Well, you're entitled to that. Now, may I have an opportunity to discuss this promotion with you this noon.

HMJr: Yes.

C: If you don't like it, it's out. But I know that Mr. Graves and Ted did believe that it presented no interference.

HMJr: Coyne.

C: Yes, sir.

HMJr: It's the trouble with War Bonds - it's always the trouble - they're always fudging on me.

C: Well....

HMJr: I - I can't work like that. I just can't have people around me that work like that. I don't know who it is but I just can't take it any more.

C: Well, we don't intend to fudge, sir, and I'm quite sure that Ted didn't, and if, after I explain this promotion to you, you still think that it's a sideshow, why out she goes.

HMJr: Fair enough.

C. Righto.

HMJr: Thank you.

July 9, 1943
12:20 p.m.

THIRD WAR LOAN DRIVE

Present: Mr. Thompson
Mr. Charles Bell
Mr. Smith
Mr. Louis
Mr. Coyne
Mr. Delehanty
Mrs. McHugh
Miss Morris

MR. COYNE: We would like, first, if you don't mind, sir, to let you look at this presentation of what we have done with the important letter.

(Presentation to the President on the President's letter on pay-roll savings plan handed to the Secretary.)

H.M.JR: Whose work is this?

MR. COYNE: Mr. Delehanty's.

H.M.JR: What did you do before you came with me?

MR. DELEHANTY: An advertising man, Mr. Secretary.

H.M.JR: Where?

MR. DELEHANTY: I worked with Bruce Barton for a time, and also Geyer, Cornell, and Newell Advertising Company.

H.M.JR: This is what I wanted.

MR. COYNE: Mr. Callahan also collaborated with the make-up.

H.M.JR: This is nice. Why do I have to pound the desk to get it? I am getting to be a desk pounder as far as War Bonds is concerned. I never was one in my life.

MR. COYNE: We told the complete story of the merchandising job.

MR. DELEHANTY: This shows the envelope stuffer that went out and the poster, and the letter - the facsimile - and then a story on the publicity, and then radio.

H.M.JR: Good.

MR. COYNE: That was done in thirty-six hours.

H.M.JR: All right - that is all right. You got what I want.

MR. COYNE: This is a dummy of the ad that embraces these two letters. (Advertisement incorporating Justice Stone's and the Congressmen's letters handed to the Secretary.)

H.M.JR: Isn't that better than coming in and just laying the one copy of a shiny ad on my desk?

MR. COYNE: Much better. I don't believe Ted quite knew the use you were to make of it, sir.

H.M.JR: What is this?

MR. COYNE: That is the two letters that are to follow up the President's letter.

H.M.JR: Are you going to do them together?

MR. COYNE: Do the two letters together, yes, and this is the treatment that we will give them. It will be pretty much the same treatment as the President's letter as far as the posters are concerned.

H.M.JR: I don't like it. I think it buries the Chief Justice. That is what I think.

MR. DELEHANTY: We can make the pictures larger, Mr. Secretary. We can enlarge the pictures and make those more important.

MR. LOUIS: I think if you do them separately you wear out the device.

H.M.JR: I see. Isn't there some way to blow up the Chief Justice's letter a little bit more than the other? I would give a little bit more prominence to the Chief Justice. It is unheard of that he has ever done anything like this.

I don't know if you people agree with me, but I think I would give his a little more prominence. I wouldn't put him on an equal footing.

MR. DELEHANTY: Very easy to do.

H.M.JR: Do you agree? I don't want you to just nod your head. What do you think, Fred?

MR. SMITH: Whose is the other one?

(Advertisement handed to Mr. Smith by the Secretary.)

MR. SMITH: I don't know, you have got all those names - I would be afraid.

MR. LOUIS: One of them is a group, Fred, and the other is an individual. Even that is emphasis, it seems to me. You have one letter signed by four people; it is logical to have them in a group. The other is an individual letter, and you can play it up a little more.

H.M.JR: The other thing is that you can't read these signatures. You don't know who they are. There is no explanation.

MR. COYNE: In the letterhead, sir, it is explained - the Joint Committee.

H.M.JR: But in the ad it doesn't. The fellow on the street doesn't know who Walter George is. You can't read Vandenberg or Doughton or Knutson. You don't know who they are. I think they lose the fact that George is chairman of Finance and Vandenberg a minority member - it is just lost on the fellow.

MR. LOUIS: That can be easily fixed.

H.M.JR: You see, in the case of Harlan Stone it is typewritten under his name, and it says "The Chief Justice." But in the other cases they don't know who they are.

MR. LOUIS: That is easy to fix.

H.M.JR: I still think that the Chief Justice should get more space than the other gents.

MR. COYNE: Why don't we fool around with it and see if we can't come up with something else?

H.M.JR: I still think he should, and some way tell who these people are.

Now, if you have their photographs maybe you can have arrows around to their signatures, saying who they are. I mean, have the name under the photographs and an arrow around to the signature.

MR. LOUIS: I would just put the name under the picture. That tells who they are.

H.M.JR: You wouldn't want an arrow from Walter George to his picture?

MR. LOUIS: No.

H.M.JR: But at least say who they are. I still say I would give Harlan Stone - his letter - a little more weight than the other.

Do you want to run the two together, though?

MR. LOUIS: I think so. You do this three times and--

H.M.JR: All right. I don't want to see it again. I would like to see it when it is finished.

MR. COYNE: Right.

H.M.JR: That other thing, though, is nice work. That is a nice job.

MR. DELEHANTY: Thank you, Mr. Secretary.

(Mr. Delehanty left the conference.)

MR. COYNE: Ted threw that into production before he left town after talking to you on Tuesday.

Now, would you like to talk about Shangri-La or about personnel first?

H.M.JR: Take a minute on Shangri-La.

MR. COYNE: The explanation of that - Ted consented to that, sir, because first he thought it would not interfere with pay-roll savings. Secondly, the retailers and the theaters have resented somewhat our making them hitch-hike on other promotions and they wanted a promotion of their own.

Ted has been very much worried about issuing agents for September on the theory that we will probably have to issue from sixty to seventy million bonds against our present maximum of thirty-four million. He feels that we should court these issuing agents and try to extend them.

So, hoping to get the theaters and hoping to get the retailers to extend their issuing agencies for September, he consented to this promotion as a harmless promotion which wouldn't hurt any of our main objectives and which would keep those boys in line. Then when

September comes he will be able to write his own ticket with them.

H.M.JR: The other argument on the other side which I have been told has more weight with me, which is if you keep bothering these people all the time, asking them to do something, then when you come and ask them to go all-out they say, "Well, I just did something for you in July. What are you bothering me again in September for?"

MR. COYNE: They were very careful about this. It was not something that was our brain-child. The retailers came up with it as something they wanted to do.

H.M.JR: Now look, I haven't got enough energy - if you people want to do it you can, but don't come around and tell me in September that the theaters and the retailers wouldn't do it because they did something for us in July.

MR. COYNE: The retailers yesterday in Chicago - their committee - voted to take five million retail employees and have each assigned a personal quota of two hundred dollars for September, which will be a billion dollars from retail shops alone if they make good.

H.M.JR: All right. Well, look, the thing is in the works, it is announced. It is water over the dam. You people are doing it. Then if you come around and give me some wonderful alibi in September - "The retailers, they had to fuss around with a couple of hundred thousand dollars' worth of stamps in July" - I mean, it doesn't make sense. But I can't argue any more. I just can't argue. I think you are wrong. I think it is a mistake.

The whole idea is to have three drives a year and not keep fussing with these people. It is childish, Coyne, it is really childish - the way to keep a man happy is to work him so hard he breaks down.

MR. COYNE: I can assure you that Ted would not have consented to it if he didn't think it would keep these people in line because he has been thinking in terms of issuing agents, issuing agents, issuing agents.

H.M.JR: Let's forget it. It has nothing more to do with issuing agents than that statue.

MR. COYNE: No, this specific thing doesn't, but if it keeps the retailers happy then when we ask them to extend the issuing agents they will do it.

H.M.JR: I will send for any drygoods man - he isn't going to be happy because you keep asking him. He does it, but you ask him so often and the fellow gets worn out. But it has been announced, it is in the works, isn't it?

MR. COYNE: Yes, sir.

H.M.JR: It is always the same thing over there. Well, anyway, I mean it annoys me.

I think Ted Gamble is a hundred percent wrong. You can tell him so. He has gone absolutely contrary to what I asked him to do, and I just - as I say, I am not a desk pounder. I get to the point where I begin to fire. I mean, I just get to that point. I have never been a desk pounder in my life.

Let's get on with something else. I can't all the time be irritated with this gawd-damned organization.

MR. COYNE: The other item we had was this--

H.M.JR: I mean, what you did in the last month. Your figures are terrible. Your sales are terrible - your month you just finished. It is very disappointing - June. I mean, I just can't be in a constant state of irritation. I have too many other responsibilities.

But you people have done it. I will tell Ted when he comes in, and you can tell him that I think he is wrong. He never should have done this. I asked him not to. I told him to drop it clean-cut.

Now, what else?

MR. COYNE: The next item is this matter of personnel.

Now, I talked to Ted yesterday afternoon, and his suggestion was that we ask this chap in New York by the name of Fuson.

H.M.JR: He is out. I don't want him. Don't let me find he is on the pay roll Monday, please.

MR. COYNE: He couldn't get on the pay roll, anyway. He has been a volunteer.

H.M.JR: He is out. I had him looked into. He is no good. I don't want him. He is out.

MR. LOUIS: I called up Chet LaRoche. He said he thinks the solution to the thing is to draft Jim Rogers over from OWI, who knows the Treasury, knows OWI, knows promotion. I think you have to get a fellow with that kind of experience that knows the whole thing.

MR. BELL: Mr. Secretary, Ferdie Kuhn made somewhat the same suggestion, that you talk this over with Jim Rogers, this morning.

H.M.JR: Is he any good at administration?

MR. LOUIS: Well, Chet thinks so. I don't know him well, but I know he is over there and I know he has gone up to be assistant director, isn't it, of the Domestic Bureau. And he has been over here a long time. You know him, I think.

H.M.JR: Not well. Whatever I know of him is good, but I don't know him well.

You see, the trouble is, Coyne, you come in here and I give you hell, and instead of building you up you go out, most likely, feeling sore or depressed. I ought to be able to say, "This is wonderful." I can't do it. Then you leave me depressed. It is the whole thing. If you think I enjoy this - Thompson and Charlie Bell have been associated with me for ten years, and I don't act like this, they can tell you that. They have seen me. This is abnormal for me.

I get to a certain point, and then something happens. They can tell you. They are around with me day in and day out. This isn't the way I act. It is only the way I act when I get a bad situation.

I find when I go up against people like Vincent Callahan and those people - they just buck me tooth and nail, and one of these days I will take that thing and I will clean house if you fellows won't. I mean, I have been up against this Vincent Callahan gang so long, and I am so gawd-damned sick and tired of it, and it is the whole trouble.

I know what the trouble is, and if you fellows don't I will do it. I have been telling this to Harold Graves and to Gamble, and Gamble always says he agrees with me. I have got a million other things to attend to besides this, and if you fellows won't clean house I will clean house, with the help of these two men (Thompson and Bell).

Now, I have a man outside that I want to see a minute.

MR. THOMPSON: Unfortunately he is up in the Adirondacks.

H.M.JR: When will he be back?

MR. BELL: In about another week.

H.M.JR: Get him here Monday morning.

MR. BELL: Would it be agreeable to have him come to the farm this week? He is up near Peekskill.

H.M.JR: That isn't near the farm - Peekskill?

MR. BELL: That is the exchange they were going through in locating him.

H.M.JR: Who was working on it? Which operator?

MR. BELL: I don't know the operator. Miss Morris was working on it from my office.

H.M.JR: What is his name?

MR. THOMPSON: McNamara.

H.M.JR: These men are recommending to me a Mr. McNamara, who is a top fellow. This wouldn't directly concern you (Louis). He would sort of go into Sloan's position, on management. Do you know him?

MR. COYNE: No.

H.M.JR: I feel I need someone.

MR. COYNE: Do you think that will fill the bill - what you were discussing yesterday afternoon?

H.M.JR: No, nothing to do with it - just tightening up this Washington organization. This would just be a top-flight administrative man over there to run that shop. He would be a really top-flight fellow. It would leave you (Coyne) free to help Ted with the field. I want, if I can, to get hold of a top-flight fellow who knows how to mold an organization. They think he can do it - a Treasury man.

Now, that still - that leaves me looking - do you know the fellow, this advertising manager--

MR. LOUIS: You mean Gilbert?

H.M.JR: Yes.

MR. LOUIS: Yes, but he is in the Navy.

H.M.JR: But he has been on detail with OWI.

MR. LOUIS: I only know him by reputation. He is a very good man.

(Miss Morris entered the conference.)

H.M.JR: Where are you trying to get Mr. McNamara?

MISS MORRIS: Lake Mohopac, the Baxter Hotel.

H.M.JR: That is only fifteen or twenty miles from me. Through Peekskill?

MR. BELL: You are going through the Peekskill exchange?

MISS MORRIS: We talked with Miss Baxter at this hotel, and Mr. John Murley, who is from the collector's office in New York, has, with Mr. McNamara, in the past stayed at this hotel.

H.M.JR: I think the thing to do is to - wherever you contact him, have him telephone me at the farm Saturday night.

MR. THOMPSON: Saturday night?

H.M.JR: Yes.

(Miss Morris left the conference room.)

H.M.JR: Do you know whether Ted had in mind to put somebody in there, so to speak, to take Sloan's place?

MR. COYNE: I don't believe he did, sir. Of course we have an administrative setup there that goes along fairly well.

H.M.JR: Well, these men think they need it, and I think we will just have to get somebody like that, but that still leaves us shy on--

MR. THOMPSON: On this other.

H.M.JR: Yes. I won't have time this afternoon to talk with Rogers. Do you know Rogers?

MR. SMITH: Yes.

H.M.JR: Do you know Rogers?

MR. LOUIS: Just casually.

H.M.JR: Why don't you - you are here now this week end, aren't you?

MR. SMITH: Sure.

H.M.JR: Why don't you have a talk with both Rogers and Price Gilbert for me?

MR. SMITH: All right. Can we get Gilbert over here?

MR. THOMPSON: Sure.

MR. SMITH: Let's do.

H.M.JR: Would you care to talk to him, too?

MR. LOUIS: I would rather have Fred talk to him first.

MR. BELL: Gilbert is not as much of a promotion man as he is an advertising man. His field has been primarily advertising.

H.M.JR: What is the difference?

MR. BELL: Lay-out work, chiefly.

H.M.JR: What we want is somebody on the administrative. This man from Young and Rubicam that you hope to get - that wouldn't help?

MR. SMITH: That wouldn't do this job, no. I don't know whether we can get the other fellow or not. He is not that kind of a guy. But there are two possibilities. There is this one of the publisher of Tide, and then there is another one, Fred Wile, who is in the Manpower Commission, who is a good administrator. I want to talk to him. He is not very happy over there. He managed our radio department at Young and Rubicam and did a good job at that.

H.M.JR: Let's get this thing now - these talks that I have with you (Coyne) I hope are only for you and Ted. I don't want them to go down the line.

MR. COYNE: They won't go down the line.

H.M.JR: Let's get this thing, as I told you yesterday, so I can be happy about it and I can begin to be proud of this thing. I can't stand it much longer. I mean, you fellows - something has got to happen over there. Either they are going to break or I am, and I can't afford to break down.

MR. LOUIS: Get just as big a man as you (Smith) can to do just as much of the job as he possibly can because I am going home tonight and find out what is the matter with me. I haven't been able to sleep or eat or anything else. I am going to look at myself, so play just as safe as you can.

Somebody has got to take some strong action on the slogan for this campaign, Mr. Secretary. There are too many fingers in the pie.

This is one that is a fine sentiment. It has no foreign relation: "Victory costs lives and money. Which will you offer?"

It is the basic thing we are trying to do. I think somebody has to say O.K.

H.M.JR: I tell you what I would like. Have you got today's Washington Post? It was today's or yesterday's Washington Post that had one I like. It isn't new. It is the slogan they use: "You have done your bit, now do your best."

MR. LOUIS: It is worn out. It is in all our material.

H.M.JR: It struck me fresh again this morning.

MR. LOUIS: It has been used too much.

H.M.JR: I don't like that one, I am sorry. (Indicating slogan, "Victory costs lives and money. Which will you offer?")

MR. LOUIS: That "attack" one we asked each branch to submit to fifty people.

H.M.JR: Which one?

MR. LOUIS: "Back the Attack. More Bonds in September." Or you could say, "Extra Bonds in September."

H.M.JR: "Back the Attack with"--

MR. LOUIS: Yes, "Back the Attack with More Bonds in September."

H.M.JR: I like that.

MR. LOUIS: "Back the Attack" was used by Canada in the last drive, but I don't think it makes any difference. Mr. Burgess likes it very much.

H.M.JR: It is all right. Mr. Hull gave me a long talk this morning. He is very much worried about the isolationist business again, and I think "Back the Attack with"--

MR. LOUIS: You can add a lot of things to that about bonds.

H.M.JR: I will tell you now, if Fred agrees - do you like it?

MR. SMITH: I like it.

MR. COYNE: I like it very much. We polled the field, and we have about two to one for that.

H.M.JR: You did?

MR. COYNE: Yes, sir.

MR. BELL: I like, "Buy more bonds or pay more taxes."

H.M.JR: No. How about you?

MR. THOMPSON: I like that.

H.M.JR: Mrs. McHugh?

MRS. MC HUGH: I think that is the best yet.

H.M.JR: The decision is yes. Is that quick enough for you? (Laughter)

MR. LOUIS: You won't back up on me?

H.M.JR: No, I will back you. It is sold. (Laughter)

July 9, 1943
3:15 p.m.

REPORT ON CABINET MEETING;
RE: CAPTAIN KADES; THOMAS E. MURRAY; AND FOOD PRICES.

Present: Mr. O'Connell
Captain Kades
Mrs. McHugh

H.M.JR: This part has nothing to do with you gentlemen, but the other part definitely has.

This is what happened at Cabinet: I made a report on the fact that we were working very hard with the British to get them to buy two or three hundred million dollars' worth of raw materials for us in Lend-Lease in Reverse. What I was trying to do was to establish the fact before the President, because I heard from White that Halifax had been around trying to get Hopkins' sympathy, but had not been successful.

Then I gave the President this memorandum, which he read, on what we did before the Silver Committee. (Copies of papers on Lend-Leasing of silver attached.)

Vinson said, "I had a very good meeting on the Hill with George and Doughton. We went over the whole tax program." And he said, "I think I can assure the Treasury that we are going to get them a lot of money." He said, "I was pleased to note that they didn't bring up anything about the sales tax. The sales tax was never mentioned. I think we are going to get them a billion here, two billion there - it is quite encouraging. The Treasury ought to feel pretty good about it."

He said, "I would like you to know, Mr. President, that we are going to meet early in September." Then he said, "Oh, yes, I expect to see Paul sometime next week about it."

Well, I thought the President had had all the rows he could stand for one day, and I thought I would bide my time so I didn't say anything. But, Vinson has just been inching in on us, and Paul sort of thinks he is going to be a great cooperator.

Then the President said, "Well now, what about papers like the New York Times, who say that the Treasury hasn't had a program, and that is the fault."

So Vinson said, "Well, if I can come to the Treasury's defense, they have always had a program, they have always come up and presented one."

I still kept quiet, because, as I say, if I had started something I would have gone to town.

Then to my surprise the President said, "Well, Henry and I have always had a policy of telling them how much we need, but not telling them how to do it." He looked at me, and I just nodded my head, because, that, of course, is correct.

But the point is that Paul is just going to have to watch his step.

I have this letter from the President in answer to mine - I don't know whether you are familiar with it - where I asked the President who was going to represent the Government on the Hill, and the President said that we are. Well, if Vinson is going to do it - going to represent us on the Hill, and so forth, the sooner we know it, the better. I want you to tell this to Paul. There was no place at Cabinet to do the thing, you see.

MR. O'CONNELL: You are right, absolutely.

H.M.JR: Now, the other thing is a little on the personal side, but you won't mind. When I talked to General Greenbaum the other day about keeping Captain Kades here on a week-to-week basis, he said he had taken it up with Under Secretary of War Patterson and Patterson was absolutely adamant. He had never done it and never would do it.

So I stopped and talked to Patterson afterwards and said, "I want to thank you for letting us have Captain Kades. He is extremely helpful and useful." I said, "His wish is to lead combat troops, but lacking that I would like to have him."

So he asked how old you were and your rank. And when he heard that, he gave me the impression that he had grave doubts, because, "After all," he said, "what is one man in a million if you need him?" He said, "You can have him."

So I said, "What are you going to do about it?"

He said, "I am going to talk to Greenbaum about it."

So again I played on the level with you. You can satisfy yourself still with Greenbaum; I want you satisfied. But also - well, I am not going to say anything to Greenbaum, but General Greenbaum said that Patterson had never done it and never would do it. Greenbaum said, "You know when Patterson gets set you can't budge him."

Patterson was ~~just as~~ sweet about it. He said, "Sure, you can have him."

I said, "I have been to the President about it twice." I said this afterwards - after he had said, "Yes." I said, "I just want you to know the President has told me I could have him, but I didn't want the President to write a letter, because I didn't want it to be formal. I don't want it formalized, anyway."

I hope you don't mind what I did.

CAPT. KADES: No, sir, Mr. Secretary.

H.M.JR: So that is that.

Take a minute or two, will you, and just tell me what you did with Vice President Wallace.

CAPT. KADES: The Vice President called me on the phone and said--

H.M.JR: The Vice President?

CAPT. KADES: Yes, sir. He said that he had tried to get the Secretary and that he had asked to be transferred to me. Instead, Fitzgerald asked me to call him back.

When I called him back the Vice President said that it would be very much worth my while, if I were still working on the problem which I had discussed with him, to see Ezekiel in the Department of Agriculture, and I said that I would. That was all that was said.

H.M.JR: Have you seen him?

CAPT. KADES: I saw him this morning; I spent all morning with him.

H.M.JR: I don't expect you to tell me in a minute, but did you get anything out of it?

CAPT. KADES: He has two plans. One is a short-range program that involves a payment of a producers' subsidy very much along the lines that we discussed. The other is a long-range program which involves the purchase of all the crops and cattle in the United States, not this year, but next year.

The principal difference between his suggestion and the one you made in the letter to the President is that he wants to hold title down to the wholesale level through the processors so that the Government can tell the processors what to do, how to cut up the hog, what to use for lard, and what to use for meat. I will write you a memorandum.

H.M.JR: Do that.

One other thing, please - this man Thomas E. Murray of New York - how could we find out if he is still available, and so forth? How can we do a little preliminary work?

MR. O'CONNELL: We were discussing that the other day - yesterday. We were a little hesitant about how far we should go, because we don't know who would be the one to approach. Chuck suggests that Judge Julian Mack, who was very close to him, would be someone to approach. Whether you would want to do that--

H.M.JR: Yes, and the point - I will tell you what I had in mind. If he is the right man - and I will leave it to you boys - you can go just as far as you want. I want a very able businessman, who is retired, if possible, which I understand he is, who has independent wealth, who could come down here on sort of a trial basis to advise us on this question of contracts with the Government, and munitions, and how we are going to handle it - somebody who has been through business, knows business, and can be here to work with you (Kades).

CAPT. KADES: Yes, sir.

H.M.JR: This man, I think, fills the bill. I want somebody who has no business interests or, at least, if possible, retired, someone with no ambitions who would be here and give us, in other words, what he has learned, the business tricks, and give us the benefit of it so he can say, "Wait a minute, that fellow is pulling a fast one on you."

I want someone who has been through the mill and knows the business side and will give his Government the benefit of what he has learned. That is what I want. I tried Mr. Swope, and it didn't work - Gerard.

MR. O'CONNELL: He isn't retired.

H.M.JR: He was at the time, but it didn't work, as you remember.

CAPT. KADES: Harry White stated to me that Phil Murray, who is no relative of this Murray, speaks very highly of him.

H.M.JR: That is where the suggestion came from originally. Can I leave it with you two men?

MR. O'CONNELL: Yes.

CAPT. KADES: Yes. But you wouldn't want us to get in touch with Judge Mack?

H.M.JR: Sure, I am giving you the carte blanche, go ahead, run it down and find out whether the man is any good, whether he is willing to come. He may be down here in Washington with Nelson or somebody by now.

MR. O'CONNELL: We hadn't dared to move very much.

H.M.JR: Well, dare. (Laughter)

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

ttinius, Jr.
Administrator

July 7, 1943

Dear Henry,

As agreed in my conversation with you this morning, I attach hereto a list of raw materials showing summary of estimated public purchases within the British Empire, excluding Canada, from July 1, 1943 through June 30, 1944. You will note that the information is shown by dominions and colonies, and by dollars, and also by commodities.

You will recall having asked me also to mention that it would be helpful if you would tell Lord Halifax that you were personally interested in having the British come through with their estimates of reciprocal aid just as soon as possible.

The Lend-Lease Administration will take no action whatsoever in lend-leasing of silver to India until we hear from you. After you have had your final conversation, would you be good enough to drop me a note so that we may take the matter up with the Indian representatives at the appropriate time?

I enjoyed our visit this morning, and hope that Mrs. Morgenthau will continue to make steady progress.

With best wishes,

Sincerely yours,

Ed

E. R. Stettinius, Jr.

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

June 26, 1943

Summary of Estimated Public Purchase Program
Fiscal Year July 1, 1943 - June 30, 1944

BRITISH EMPIRE COUNTRIES
(Other Than Canada)

Country	Value in $1,000's
Australia	23,700
Bahamas	140
British East Africa	17,000
British Oceana	3,500
British West Africa	14,000
Ceylon	26,300
Cyprus	200
India	87,300
Jamaica	80
New Zealand	1,800
Nigeria	3,200
Rhodesia	3,100
Union of South Africa	9,300
United Kingdom	1,500
TOTAL	191,720

(Source: Analysis & Reports Division - Contract Report Section - BEW)

Major Commodities Included Under Public Purchase Program
Fiscal Year - 1943-1944

[illegible]	Total Value in $1,000's	Commodity	Value of Major Items in $1,000's
[illegible]lia	$ 23,700	Lead	$ 3,500
		Livermeal	600
		Quartz Crystals	2,400
		Tallow	1,100
		Tantalite	120
		Zinc	15,900
British East Africa	17,000	Goatskins	800
		Mahogany	2,200
		Pyrethrum	2,100
		Sisal	11,900
British Oceana	3,500	Copra	3,500
British West Africa	14,600	Chrome	3,100
		Cocoa	11,500
Ceylon	26,300	Coconut Oil	3,300
		Copra	2,700
		Tea	20,000
India	87,300	Burlap	22,000
		Cashew Nut Shell Oil	1,600
		Ferro Manganese	1,100
		Goatskins	8,600
		Jute, unmanufactured	14,100
		Manganese Ore & Concentrate	1,200
		Mica, all types	8,000
		Shellac (unf.)	9,000
		Tea	20,000
[illegible]ica	80	Goatskins	80
[illegible] Zealand	1,800	Livermeal	700
		Tallow	1,100
[illegible]sia	3,100	Asbestos	3,050
		Tantalum	50
[illegible] of South Africa	9,300	Asbestos	900
		Chrome	3,800
		Corundum	600
		Goatskins	900
		Manganese	2,200
		Vanadium	600
[illegible] Kingdom	1,500	Coal Tar Acids	1,500

July 9, 1943 — Read by F.D.R. at Cabinet 214

LEND-LEASING OF SILVER

Secretary Morgenthau and Mr. Stettinius appeared before the Senate Silver Committee and informed them that the following requests for lend-leasing silver had been received.

An earlier request for lend-leasing 3 million ounces to the United Kingdom had been presented to the Committee for its advice. Its response was favorable.

1.	United Kingdom	2 million ounces each month until next July
2.	Australia	5 million ounces
3.	Fiji Islands	200,000 ounces
4.	Surinam and Curacao	585,000 ounces
5.	India	4 million ounces a month

The above amounts are needed chiefly for coinage. The Committee advised favorably with respect to lend-leasing the above amounts. Silver lend-leased under these arrangements is to be returned to the U.S. Treasury after the war on an ounce-for-ounce basis.

In addition to the above, Secretary Morgenthau and Mr. Stettinius submitted a request of the Indian Government for the lend-leasing of 100 million ounces of silver. The Indian Government wants to use this silver to prevent the price of silver in India, which has already risen to more than $1 an ounce, from skyrocketing to a level which would threaten the disappearance of silver coins now circulating in India. The use of silver for this purpose would help keep down the rate of price increases.

After discussion the Committee advised that they were not opposed to the proposal though Senator McCarran arrived at that conclusion reluctantly inasmuch as the silver was being used to keep down the price of silver abroad.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 9, 1943

TO Secretary Morgenthau

FROM Mr. Tietjens

Re: Development of price control authority.

You asked for a time-table of the development of price fixing authority. There are attached a memorandum and a chart showing the chronological development (both were prepared by the Opinions Section with the help of Haas' shop). These memoranda do not deal either with the mechanics for price fixing or the administrative setup of the agencies in control.

Briefly, before January 30, 1942, there was no specific statutory authority for price fixing. The Price Stabilization Division of the Advisory Commission of the Council of National Defense first took up the cudgels in May, 1940. This was followed by Leon Henderson's Office of Price Administration and Civilian Supply (OPACS) April 11, 1941, and Office of Price Administration (OPA) August 28, 1941, both established by executive order. The sanctions were indirect. Henderson referred to his enforcement as "jaw-bone" enforcement.

On July 30, 1941, the President in his message to Congress pointed out the weaknesses of existing price control authority and asked for legislation. Congress enacted the Emergency Price Control Act of 1942 which became law on January 30, 1942. This established the Office of Price Administration as an independent agency. This has been followed by the Inflation Control Act of 1942, October 2, 1942, and various executive orders.

The present situation is (subject to policy directives by the Director of Economic Stabilization):

Prices in general -- authority to fix in Office of Price Administration by statute and executive order.

Agricultural commodities -- authority to fix jointly in Office of Price Administration and War Food Administration by statute and executive order, any disagreement to be resolved by Director of Economic Stabilization.

Solid fuel prices -- authority to fix in Office of Price Administration, but executive order provides Solid Fuels Administrator must first be consulted.

Attachments

hor

CHRONOLOGY OF PRICE CONTROL AND AGENCIES VESTED WITH PRICE CONTROL AUTHORITY

1. May 29, 1940.

Establishment of the Price Stabilization Division of the Advisory Commission of the Council of National Defense (authorized by the Act of August 29, 1916, 39 Stat. 649). This step was taken by the Council of National Defense and approved by President Roosevelt. See (1940) 5 Fed. Reg. 2114. That Division, at first, studied and investigated supply and price trends, and issued announcements regarding the supply of commodities available. The first price schedule issued by the Division was on February 17, 1941. Although there were no direct legal sanctions to enforce the early price schedules, substantial compliance was obtained by means of publicity, (1942) 9 Law and Contemporary Problems 22, 23.

2. April 11, 1941.

The Office of Price Administration and Civilian Supply was created by Executive Order No. 8734, 6 Fed. Reg. 1917, as part of the Office for Emergency Management. The authority for the Executive Order was the implied constitutional power of the President to deal with the national emergency declared by the President on September 8, 1939. Under the provisions of the Executive Order, the Administrator of the Office of Price Administration and Civilian Supply was authorized to fix maximum prices. The Administrator ratified all price schedules and other price control acts of the Price Stabilization Division which had been issued prior to April 11, 1941. Release No. PM 278, April 16, 1941.

3. August 28, 1941.

The Office of Price Administration was established by Executive Order No. 8875, 6 Fed. Reg. 4483, taking over the price control authority previously conferred on the Office of Price Administration and Civilian Supply. The authority for the Executive Order was the implied constitutional power of the President to deal with the unlimited national emergency declared by the President on May 27, 1941.

4. January 30, 1942.

The Emergency Price Control Act (U.S.C., Supp. II, title 50, secs. 901-946) established the Office of Price Administration as an independent agency. Price schedules issued by OPACS and OPA were substantially continued in effect under the Act. The Secretary of Agriculture was, however, given jurisdiction to approve any price fixing action relating to agricultural commodities.

5. October 2, 1942.

Inflation Control Act of 1942 (U.S.C., Supp. II, title 50, secs. 961-971) vests in the President authority to issue a general order stabilizing prices affecting the cost of living, to be on the basis of levels which existed on September 15, 1942. The President was authorized, after the issuance of the price stabilization order, to provide for making adjustments with respect to prices to the extent necessary to aid in the effective prosecution of the war or to correct gross inequities.

6. October 3, 1942.

Executive Order No. 9250, 7 Fed. Reg. 7871, issued pursuant to the Inflation Control Act of 1942, authorized the Secretary of Agriculture and the Administrator of OPA jointly to adjust the price of agricultural commodities. The Administrator of the Office of Price Administration was authorized to adjust prices of commodities manufactured or processed in whole or in substantial part from agricultural commodities. The Director of Economic Stabilization is authorized to resolve any disagreements between the Secretary of Agriculture and the Price Administrator on prices of agricultural commodities.

7. April 8, 1943.

By Executive Order No. 9328, 8 Fed. Reg. 4681, authority over the prices of agricultural commodities was conferred jointly on the Price Administrator and the Administrator of Food Production and Distribution in the Department of Agriculture. The Price Administrator was given sole authority of prices of all other commodities.

8. April 19, 1943.

The Solid Fuels Administrator must be consulted by the Price Administrator prior to the establishment or alteration by the Price Administrator of any schedule of solid fuel prices. Executive Order No. 9332 (8 Fed. Reg. 5355).

9. April 19, 1943.

The War Food Administration was established by Executive Order No. 9334, 8 Fed. Reg. 5423, and took over all the powers, functions, and duties of the Food Production and Distribution Administration.

Date	Agency	Source and Nature of Authority
[Ju]ly 29, 1940	Price Stabilization Division of the Advisory Commission of the Council of National Defense.	Act of August 29, 1916 (39 Stat. 649), and directive of the Council of National Defense, approved by the President. See 5 Fed. Reg. 2114. General responsibility for price stability; no direct legal sanctions.
[A]pril 11, 1941	Office of Price Administration and Civilian Supply in the Office for Emergency Management.	Executive Order No. 8734, 6 Fed. Reg. 1917. Price Control by maximum price schedules; no direct legal sanctions; indirect enforcement by publicity and priorities.
[A]ugust 28, 1941	Office of Price Administration in the Office for Emergency Management.	Executive Order No. 8875, 6 Fed. Reg. 4483, divided the functions of OPACS between OPA and OPM. The price control authority of OPACS was vested in OPA, which was created by that Order.
[J]anuary 30, 1942	Administrator, Office of Price Administration.	Emergency Price Control Act of 1942. The Administrator was authorized to fix the prices of all commodities. In the case of agricultural commodities, however, prior approval of the Secretary of Agriculture was required.
[O]ctober 2, 1942	President of the United States.	Inflation Control Act of 1942. President authorized to issue a general order stabilizing prices affecting the cost of living to be on the basis of levels existing on September 15, 1942.
[O]ctober 3, 1942	Secretary of Agriculture Price Administrator.	Executive Order No. 9250, 7 Fed. Reg. 7871, creating the Office of Economic Stabilization, vested Secretary of Agriculture and OPA with joint authority to adjust prices of agricultural commodities; disputes settled by Stabilization Director.
[Ap]ril 8, 1943	Price Administrator. Food Administrator.	Executive Order No. 9328, 8 Fed. Reg. 4681, covers all commodities affecting cost of living; conferred joint authority over agricultural commodity prices on Price Administrator and Food Administrator.
[Ap]ril 19, 1943	Solid Fuels Administrator.	Executive Order No. 9332, 8 Fed. Reg. 5355, provides that Solid Fuels Administrator must be consulted by the Price Administrator prior to establishment or alteration of solid fuel prices.
[Ap]ril 19, 1943	War Food Administration.	Executive Order No. 9334, 8 Fed. Reg. 5423, conferred on the War Food Administrator all powers, functions, and duties vested in the Food Administrator by Executive Order No. 9328.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 9, 1943

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Possible use of improved shipping facilities for bringing in more foreign products.

In view of the recent improvement in the shipping situation, you asked that we look into the possibility of bringing in more foreign products to counteract inflation.

We contacted Edwin Gaumnitz, assistant to Milo Perkins of BEW, and learned that the BEW is considering the possibility of bringing in more foreign products, with three objectives in mind: increasing near-term supplies for the United Nations, reducing inflationary tendencies in this country, and encouraging an expansion of production of critical products in foreign countries.

While Argentina would seem the most likely source of increased imports of foods under the improved shipping situation, its possible contribution is minimized by several factors: (1) The present political uncertainties as between this country and Argentina; (2) the fact that Great Britain is taking all the Argentine surplus of beef and poultry products; and (3) a severe drought this season, which (together with reduced acreage) has cut the prospective corn crop to less than one-fourth of last year's production, and largely eliminated the previous corn surplus. In the longer-term food outlook--perhaps for 1944--Argentina could become a very important source of food supplies, and Mr. Gaumnitz said the BEW has been studying the possibilities of encouraging an expansion program in that country.

TREASURY DEPARTMENT

Commissioner of Accounts

To

Secretary Morgenthau

Following your instructions of yesterday afternoon, I immediately proceeded to the office of the Paymaster General to discuss the procedure for the handling of allotments by Navy personnel ~~for~~ for War Bonds.

In the absence of Admiral Young, Paymaster General, (who is out of the city) I discussed the matter with Admiral Carter, Assistant to the Paymaster General.

I then drafted a letter to Admiral King; and following your instructions, I again called upon Admiral Carter this morning asking him to review the letter.

You asked that the letter be presented to you today and it is herewith.

E. F. Bartelt

Mr. Bartelt

JUL 9 - 1943

JUL 9 1943

Dear Admiral King:

Following our conversation of yesterday, I have had Mr. E. F. Bartelt, Commissioner of Accounts, discuss with Rear Admiral W. J. Carter, Assistant to the Paymaster General of the Navy, the procedure for handling War Bond allotments by officers and enlisted men of the Navy.

Mr. Bartelt tells me that there was recently installed under the direction of Admiral Young, Paymaster General, a simplified procedure for handling bond allotments of Navy personnel, similar in principle to that followed by the Army in handling bond allotments of its commissioned and enlisted personnel in active service at home and abroad. In fact, I understand that the streamlined Army procedure although involving the use of different type of equipment was patterned largely along the lines of that worked out by Admiral Young for the Navy.

Briefly, the procedure involves simply the filling out by the officer or enlisted man of a bond-allotment authorization, and the deduction by the disbursing officer of the amount from the allotter's pay. The allotment form is usually filled out at an induction center, at the time the allotment is made for insurance, dependents, etc.

By Messenger Sturgis
4:50 p.m.

Copy in Diary.

The disbursing officer deducts the bond allotment from the man's pay along with the deductions for insurance, dependents, and any other allotments which he desires to make. Except for this there is no paper work by the officers or men attached to the task forces. They do not issue or handle the bonds.

Admiral Young has set up a Field Branch of the Bureau of Supplies and Accounts at Cleveland Ohio, where all Navy allotments are handled, including those for the purchase of War bonds. The allotment authorization filled out by the officer or enlisted man is sent to the Cleveland office where the necessary bond issuance records are maintained. From this point the procedure is more or less automatic and does not involve the task forces in any way.

The bond is inscribed as requested in the man's allotment authorization, i.e., (1) in the name of the allotter only, (2) in the name of the allotter and a co-owner, or (3) in the name of the allotter and a beneficiary, payable on death of the allotter.

Bonds are not delivered to a ship or point outside the United States. They are, however, delivered to any address within the continental limits of the United States. When requested by the allotter, they will be delivered in care of a designated person, bank, or other institution, or they may be sent to the Federal Reserve Bank of Cleveland for custody and safekeeping for the owner.

The procedure as explained by Admiral Carter appears to have all the advantages of simplicity which we discussed. In fact, the procedure appears to be identical in principle with the one I suggested, the only difference being that the allotments are handled through Admiral Young's office at Cleveland, instead of by the Secretary of the Treasury. It is also to be noted that the procedure is similar in principle to that followed by the Army in handling the bond allotments of soldiers at Tunisia and elsewhere.

Admiral Carter indicated that the participation of Navy commissioned and enlisted personnel in the bond program is coming along very nicely. Allotments in force increased from 50,000 on March 31; to 80,000 on May 31, to 107,000 on June 30, and to 277,000 on July 7. The dollar value of the monthly allotments is now about $6,900,000, which is at an average of almost $25 a month for each participant, and the indications are that the number and amount of allotments will increase considerably from month to month. I understand that 129,000 men are buying a bond every month; that 148,000 are buying a bond every three months; and that this fine record has been achieved on a purely voluntary basis without undue promotional exertion of any kind. Incidentally, these figures are exclusive of 35,000 active accounts of the Marine Corps and 25,000 of the Coast Guard.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Admiral Ernest J. King,
Commander in Chief,
United States Fleet,
Washington, D. C.

HFB/gem
7/9/43

MEMORANDUM FOR THE SECRETARY.

July 9, 1943.

Mail Report

Although mail dropped to a very low point just after the Fourth, total receipts for the week were again high, especially for this season of the year. The mail was noticeably unquotable, with very few comments on any of the subjects that we particularly expect. There were a great many questions about both taxes and Bonds, the two main divisions into which the mail falls. A number of persons described the hardships imposed by the 20% withholding tax, and several others asked Treasury support of the President in his promise that the salaried workers with no recent increases will be given special consideration when the next tax measures are framed. (Among those writing on the unfairness of the present taxation policies to certain types of salaried workers was Burgess Johnson, representing the teaching profession.) A few individuals inquired as to whether amounts already withheld were correct, and others who have already paid in full their 1942 obligations, were concerned about refunds.

Each week always sees a few suggestions that checks, or transaction papers in general, be taxed; and, this week, laundry services along with barber and beauty parlor services were mentioned as especially suitable for taxation.

The car use stamp, described by a newspaper editor as the snatch tax, drew many protests, and a few ideas for enforcing its purchase. One purchaser submitted the number of his stamp so that it would be on record in case of loss.

Correspondence about Bonds was distinctly colorless. A few raised questions as to whether or not

Memorandum for the Secretary. July 9, 1943.

their Bonds are attachable, but most of the inquiries were connected with problems of inscription. It is a matter of interest that requests for new denominations of the E Series ranged from $5 to $5,000, with a $10 unit especially favored. Complaints from personnel of the War Department were almost overshadowed by reports of failure to receive interest due on Treasury Bonds, usually the 1943-47 Bonds which have been called for redemption.

The 67 Bonds submitted for redemption, a small rise over last week's figure, were more than offset by subscriptions received through this office.

Toward the end of this week a number of telegrams were received from individuals who were accepting membership on the War Finance Committee. There have also been a few telegrams, identical in wording but from different parts of the country, signed by workers on Bond drives and asking for help in securing vacation allowance of gasoline.

About 15 additional banks inquired as to the possibility of being designated as depositaries for tax collections, and the requirement that all foreign-owned assets be listed with the Treasury brought a number of inquiries.

The new pennies are still very unpopular, a Junior Chamber of Commerce having presented a formal resolution in protest against them.

G. E. Forbush

Favorable Comments on Bonds

F. L. Olson, Olson's Print Shop, Akron, Ohio. Enclosing you find a check ($75.00) for a Bond to be deposited on the SAN-GRI-LA fond and I am proud to be one of the investors while I am a russian born from the czars despotism and I know how to apreciate the diferent to be an American Citizen. I am everything in my power to help win not only the bloody war but to win the PEACE in every undertaking I am a donnor even I am daily worker you will read the enclouser. * * * I am proud to have a son in uniform at Fort Ord Cal.

Raymond Fitzgerald, Lafayette, Louisiana. I recently purchased two Treasury Bonds 1964-69. On June 15, 1943, interest coupons were due on these Bonds. I have been informed by my bank that I will have to pay them a fee to cover their cost of collecting these coupons, explaining that they would have to send them in by registered mail for collection. You will no doubt agree that if the small investor is to be encouraged to buy Government Bonds, he should be able to buy them and collect his interest with the least practical inconvenience. To that end, I would like to suggest that it might be arranged so that coupons totaling less than $100 could be cashed at the Post Office. * * * This is not intended as a criticism, either of the banks or of the Government, but as a constructive suggestion for the benefit of the small investor.

Unfavorable Comments on Bonds

John E. Pickett, Editor, Pacific Rural Press, San Francisco, California. * * * Yesterday I had a visit from a persistent, rather offensive little guy from your Department, whose name was Rohe, something like that -- he never gave his card. He seemed to have a chip on his shoulder because we had not promised to run some filler ads he had sent us. I asked him if he had contacted Messrs. Smythe and Hume of the Treasury here, with whom we have worked closely for months. * * * He said he had never heard of them, or the plan. I suggested that he talk to them before talking to me -- explaining that under paper restrictions our space has to be carefully rationed, and we want to use the space we can give to War Bond advertising where it will do the most good. He said he had nothing to do with them; he was bringing a plan direct from Washington; and he persisted in wanting to go through a long rigamarole. I interrupted to show him proofs of some ads which we prepared with mats and copy sent from Washington, but he waved them aside. He kept insisting on presenting his ads. * * * The constructive purpose of this letter is to report to you that here is an example of lack of unity, information and cooperation between men of the Treasury Department. Further, there is waste of metal because your folks, without authorization by us, shipped us a plate of one of these ads. The plate, by the way, is of a type of expensive metal which is denied to civilian use. We are discouraged by this confusion and time-wasting. We have given a lot of time, over a period of months, in helping work out a Bond-selling plan for farmers of this area. We think it an excellent plan, well fitted to our conditions. It has been widely approved for that purpose by our farm organizations and farm leaders. * ** I asked Rohe how rural Bond sales in California were going. He had no idea. * * * As a former farm paper publisher, you will understand that we work short-handed, and short of materials. We budget effort where our knowledge of the field tells us it will do the most good. It is a job which requires careful handling because farmers of this region are very angry over the Administration's policy which gives war plants cost-plus; fosters industrial wages far above parity; and argues about bare parity for farmers, offering to make token payments with subsidy payments to middlemen. Our farmers are doing a magnificent job of producing under great difficulties. We want them to do a magnificent job of War Bond purchases. We feel that if we can have cooperation from your Department, instead of the sort of confusion which I have reported above, we can be more successful in our part.

Steele Barhydt, New Haven, Conn. The attached summary of correspondence between Mr. H. Marshall Kirkman, President of the Tradesmens National Bank of this city, and the Federal Reserve Bank of Boston, depicts clearly his efforts to effect redemption for my wife, Mrs. Katherine H. Barhydt, of $100.00 maturity value War Savings Bond, sent January 5, 1943, for redemption. Mr. Kirkman has apparently exhausted every approach to effecting redemption of Mrs. Barhydt's Bond, so in her behalf I am taking up the matter with you as the highest authority concerned. * * * As one vitally interested in successful prosecution of the war effort, it seems to me that the Treasury might devise some means of expediting matters in a situation like this. Not one word has Mrs. Barhydt had directly from the Federal Reserve Bank or the U. S. Treasury as to when she may expect to receive the check in question, or what further delays there may be. She is convinced, and with apparent reason, that she will never receive payment for the Bond. Since the reason for nonreceipt of the check is obviously the failure of the Federal Reserve Bank to mail the check to the correct address, she sees no justice in expecting her simply to await developments. Six months without any encouraging action is a long time to arouse serious anxieties and not a few doubts. I might also add that, as a member of the New Haven Victory Fund Committee since April, 1942, queries about prompt and easy redemption of War Savings Bond prospective purchasers have not been easy for me to answer. * * *

W. J. Gulcher, Norton Hotel, Detroit, Mich. Your timing for War Bond drive is a little off. Millions of dollars are in Savings Banks through the United States. January 1st and July 1st are interest periods. Your drives start in between these dates. Many, like myself, do not like to lose the interest -- even if small, to invest in Bonds. * * *

Tom M. Mason and Family, Dallas, Texas. Several long months ago, while returning from Pearl Harbor (December, 1942) our trunk was lost containing our life savings in War Bonds. * * * Now the Chicago Office wants an affidavit from the Navy or the Southern Pacific Railroad as to what became of trunk before paying claim. I am sure if they knew what became of the trunk, they would deliver it. All I want is duplicate Bonds. I have given them the Serial Number, date of issue, place of issue, issuing agent, co-owner, owner, beneficiary and all other information. * * * I paid $599.96 income tax this year. If you want to make me feel good, use this money to see if you can get the lead out of that bunch of nit-wits and get me some duplicate Bonds issued. That's all I want -- just my Bonds -- not any one else's. Red tape such as this is doing more to hinder the war effort than any other one thing. Sometimes I wonder who is paying the salary of some of these efficient employees of the taxpayers' -- us or Hitler. They are helping him a damn sight more than us. Please see if you have enough influence with the Chicago lost Bond market to get them to issue some duplicates on these said Bonds. * * *

Copy of letter addressed by G. M. Gregory, North American Aviation, Inc., Dallas, Texas, to Nate Molinarro, Personnel Department of the above corporation. . . . . To begin with "I ain't mad at nobody". I am just an ordinary (and I do mean ordinary) working man with only five mouths to feed and four backs to clothe -- mine goes bare. I am patriotic enough to work at North American and buy one whole Bond a month. * * * The five of us get along somehow, and we don't complain much, but here comes one straight from the shoulder. Henry Morris arrived in our family a week ago (you should see him), and his proud Uncle in Mass. sends him a check for the sum of $18.75; and, he says to me: "You buy Henry Morris a War Bond". So I make a dash for our North American War Bond Office. There I behold the walls all lined with the wonderful publicity of another notorious "Henry", one Morgenthau by name. Such beautiful posters they are; all designed to encourage patriotic citizens to "Buy More Bonds". I planks down the cash with the proud remark that I want to buy a Bond for my Henry Morris. * * * Guess I expected to see them stampede to sell a War Bond, but instead, what do I hear: "Sorry Sir, we do not sell less than TWO Bonds at a time". Well, if I were flushed with money I would have said proudly, "Then just give Henry Morris two Bonds", but Uncle Herbert did not send the money for two. So I must wait till my raise (come winter of 1945) to get that second Bond. * * * So it 'pears like Henry Morris won't get his Bond, 'cause by the time I spend eight hours a day, six days a week, two hours travelling to and from, eating three, resting some, I can't get to a place to buy that Bond. * * *

Favorable Comment on Taxation

Frank Kasten, General President, United Brick & Clay Workers of America, Chicago, Ill. In reply to your letter addressed to all International Presidents in regard to the twenty percent withholding tax, will say that we are going along whole-heartedly with your program, and appreciate your letter sent on to our organization. We, in turn, are giving said letter wide publicity to our membership, and our general representatives.

Unfavorable Comments on Taxation

Frances Kersner, Rochester, N. Y. In response to your plea that Americans pay their taxes without regard to possible changes to be made, I sent you a check for my entire 1942 tax the middle of January. I understand that my employer (The City of Rochester) will apply the first two payments of '42 tax toward 1943 tax, but since 75% of the entire tax is to be returned, just what becomes of the rest of the check I sent? No one seems able to tell me. Perhaps one of your Assistants can do so. I went without a vacation last year to save the money for the '42 tax, and I need one badly this year, but unless what the Government now owes me is returned I'll have to go without it this year.

Senator Hugh Butler, (Nebraska). I am receiving many letters similar to the one quoted below in connection with the proposed Bond Drive. This letter comes from a Nebraska farmer. "What am I going to have left to pay off the mortgage on my farm if the Government is going to take all my net earnings away from me? * * * If we can't get these old farm mortgages paid off now -- if the Government is going to take such a large slice of our earnings that we have little or nothing left to pay on these old debts -- we are ruined. We can never do it after this boom has passed." Maybe you can suggest an answer that I can give this good friend of mine in Nebraska.

E. R. McSweeney, Chicago, Ill. You have put through the 20% withholding tax, but your agencies sit on the increases granted employees. How can people stand their taxes without getting more money? You don't have to worry about one who works being overpaid. Everything one buys is sky-high. Please inform your agencies to move themselves. Why don't you grant increases up to 20% and cut out the Red Tape?

Anonymous - Signed, "Tax Weary". Postmarked, Jamestown, N. Y. Regretfully was forced to purchase one of your "Raw Deal" Auto Tax Stamps today, so that I could drive to my defense job tomorrow. I sold a Bond to buy it. Wish every motorist would do likewise, then perhaps you politicians would wake up. Would you charge a soldier to drive an Army vehicle? Am very discouraged with the entire Administration.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 9, 1943

TO Secretary Morgenthau

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

After first passing a resolution that either the Speaker of the House and the Vice President together, or the Majority or Minority Leaders by request, can, in addition to the President, reconvene them at any time, members of Congress adjourned yesterday until September 14. Yesterday was a hectic day in which legislators hastily rushed four major bills over the Congressional hurdles and into the White House. But in order to secure this prompt passage of these measures the Senate had to make all the concessions, receding from the McKellar-Taber job confirmation amendment to the War Agencies Bill and to the Labor-Federal Security Bill, and allowing the liquidation of the crop insurance program in the Second Deficiency Appropriations Bill. Its most grudging surrender to the adamant House, however, was in removing its subsidy restriction rider from the CCC extension measure by the narrow vote of 34 to 33. Despite this Senate concession to House demands on the grounds of expediency, there was every indication that Congress was not through with the subsidy issue but would reconsider the whole matter on its return.

Although several Congressional committees will continue their work during the summer recess, what is probably the most important of the controversial issues still hanging fire in Congress -- the drafting of the next Revenue Bill -- will not be considered by the House Ways and Means Committee until September 8.

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JUL 9 - 1943

Dear Dr. Feierabend:

This is in reply to your letter of June 1, 1943 concerning the possibility of the Czechoslovakian Government obtaining in the United States $1 million to cover its requirements until the end of 1944.

We took the matter up with Sir Frederick Phillips as we informed you we would. Sir Frederick referred the matter to London. He reported that his Government would discuss the subject with you and indicated that they would find ways of taking care of the dollar needs of your Government.

I would appreciate knowing whether the dollars have been made available and whether I can consider the matter closed.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. L. Feierabend,
Czechoslovak Minister of Finance,
c/o Czechoslovak Embassy,
2349 Massachusetts Avenue, N.W.,
Washington, D.C.

Sent by Messenger Sturgis 4:50pm
File returned to Dr. White.
Photo of ltrs to White & Secy
and copy of reply in Diary.

TMK:rl 7/8/43

...islav Feierabend ,
...lovak Minister of Finance
...echoslovak Embassy
...gton , D.C.

June 1, 1943

Dear Mr. White :

I send you herewith the letter for Mr. Henry Morgenthau Jr. drafted according to your kind advise.

I thank you very much for your courtesy and remain

Very truly yours ,

Dr.L. Feierabend.

Hon. H. White ,
Assistant to the Secretary
of the Treasury
Washington, D.C.

Dr.L. Feierabend
Czechoslovak Minister of Finance
c/o Czechoslovak Embassy
2349 Massachusetts Ave.NW
Washington, D.C.

June 1, 1943

My dear Mr. Secretary :

After my arrival to the United States at the end of March, I had the honor to discuss with you the question of obtaining additional funds for our requirements in the U.S.A.

I informed you that the Dollar amounts allotted to us by the British Treasury are large enough to cover the requirements of our permanent diplomatic and consular representatives in the U.S.A., but do not suffice for such purposes as a special missions to the U.S.A., extensions of our staff and so forth. This situation induced me to explore the possibilities of obtaining in the U.S.A. a moderate sum of, let us say, $1,000,000 to be used as a reserve for the requirements stated above.

I believe that the amount $1,000,000 would cover our requirements until the end of 1944. I should be very obliged if you could give the matter the earliest possible consideration in view of my imminent departure for London.

With assurances of my deep appreciation of your courtesy,

I remain, My dear Mr. Secretary,

Very truly yours ,

Dr. L. Feierabend .

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

JUL 9 - 1943

Dear Mr. Lehman:

This is in reply to your letter of July 3, regarding the need for planning for possible relief and rehabilitation programs for France.

Mr. White informs me that he is appointing Mr. William H. Taylor to attend the meetings of a small temporary committee you are setting up to deal with French problems. We shall, of course, be glad to cooperate fully with your Agency and help in any way we can.

Sincerely,

(Signed) H. Morgenthau, Jr

Secretary of the Treasury

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

File ret. to Dr. White.
Photo of incoming and
copy of reply in
Diary.

HT:Drl
7/8/43

25

DEPARTMENT OF STATE
OFFICE OF FOREIGN RELIEF AND
REHABILITATION OPERATIONS

WASHINGTON, D. C.,
July 3, 1943

My dear Mr. Secretary:

In laying plans for possible United States relief and rehabilitation operations in France I am taking the liberty, again, of calling on the Treasury Department for assistance.

I am sending this letter so that my request and your response, which has already been so generous, may be matters of record, and so that those who are at work developing the program for France may understand the import of their assignments both in your organization and mine.

Mr. Luther Gulick, Chief of my Program and Requirements Division, will bring together from the interested agencies a small temporary committee of those who are especially qualified to deal with French questions. Will you please name the member of your staff whom you wish to have work with us on France? Mr. William H. Taylor, with whom we have been in touch relative to our Greek and Italian programs, would be most acceptable, as would any other man of your choice.

Very sincerely yours,

Herbert H. Lehman

Herbert H. Lehman
Director.

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 9, 1943

TO Secretary Morgenthau

FROM Mr. White HDW

Subject: Investigation of collaborationist element in Bank of Morocco.

The investigation by French authorities and Treasury representatives in Africa of the shipment of approximately $700,000 in gold to Lisbon in February 1943 by the Tangiers branch of the State Bank of Morocco, acting under instructions from the Vichy-controlled Bank of France, has disclosed that the shipment was clearly made with the prior knowledge of the Bank of Morocco in French Morocco, and that the Bank was derelict in taking steps to stop the shipment. It was further disclosed that subsequent action by the Bank of Morocco and its Tangiers branch jeopardized the possibility of recovering the gold.

Treasury representatives have recommended criminal prosecution of the persons involved and institution of strict control over the Bank of Morocco. A detailed report and recommendations are being forwarded by air mail.

The French report on the investigation recommends relatively mild punitive measures towards the persons participating in the transaction and a very limited control over the activities of the Bank. French authorities are still delaying action on the matter.

PARAPHRASE OF TELEGRAM SENT

To: American Embassy, Chungking, China.

DATE: July 9, 1943, 8 p.m.

NO.: 882

This refers to the following three telegrams: 1031, 6 p.m., 26th day of June; 1055, 5 p.m., 29th of June; and 1034, 3 p.m., 15th of June, from the Embassy.

This is a message from the Secretary of the Treasury for the confidential information of Mr. Adler solely.

SECTION ONE. With reference to your messages TF-135 and TF-136.

(a) In respect of revising the 1941 Agreement, Mr. Hsi Te-mou and Dr. Kuo Ping-wen called at the Treasury Department on June 29, and made known to the Treasury that Dr. Kung had told them that it was his desire to place the Agreement on a Lend-Lease basis, and that he had also intimated that this would very likely cause funds to be advanced to China under Lend-Lease. The Treasury advised Mr. Hsi and Dr. Kuo that no portion of the U. S. Stabilization Fund could be employed in this way.

(b) Mr. Hsi Te-mou and Dr. Kuo Ping-wen approached the Treasury again on July 6. They reported that Dr. Kung had told them that he desired a revision of the Agreement of 1941 according to Lend-Lease principles and spirit. In their opinion, this probably indicated that the revision of any provisions which the Chinese believed were not in harmony with the spirit of complete equality was desired by Dr. Kung, as, for instance, the provision which allows the Secretary unilaterally to end the Agreement at the expiration of thirty days' notice as set forth in Paragraph 9 thereof. Objection to the provision now in the Agreement for interest payment may perhaps be included in the reference made by Drl Kung, as indicated by Mr. Hsi and Dr. Kuo. It was pointed out to them by the Treasury that funds could not be advanced to them under the provisions of a stabilization

agreement

agreement in the same manner as under Lend-Lease. However, the Treasury indicated its willingness to take under consideration suggestions which Mr. Kung may wish to make concerning revisions in the Agreement which are in accord with our operation of stabilization.

(c) In order to be assured that Dr. Kung fully comprehends the attitude of the Treasury, the suggestion is made that you talk over the matter of the Agreement of 1941 with him informally.

SECTION TWO. Reference is made to Part 2 of your TF-134.

(a) With regard to Dr. Kung's asking you to get the Treasury's reaction to the practicability of selling $200 million of gold to be sent to China for the purpose of selling it to the public, you are hereby informed that although the details have yet to be worked out, the Treasury Department is in all likelihood ready to comply in principle with the request of China. When a decision has been reached, we will notify you promptly.

(b) In respect of selling gold to China, the following include several questions which have been asked here:

1. In order to secure the utmost anti-inflationary results, in what manner can the gold be employed? Will purchases only by banks be allowed, or will sales be permitted merely to the public or merely to dealers in bullion, etc.?

2. Will it be possible to take steps to prevent the Japanese seizure of part of the gold?

3. Since it involves difficulty to assign any fixed monetary value to the coins, should the gold be milled into engraved bars denominated in ounces or should it be minted into coins? No obstacles of a legal nature to the minting of Chinese coins for China in the United States are anticipated in this regard. It has been suggested that some indication that the gold bars or coins represent part of American financial assistance to China could be stamped on the coins or on the bars.

(c) We

(c) We shall indeed be grateful for any ideas relating to the foregoing questions or to any other phases of the matter which you may have.

(d) There is outlined as follows, for your information, the history of some of the facts in Washington underlying the request on the part of the Chinese. The possibility of the China purchase of gold in large amounts from the United States in order to import it into China for sale to the public as a way to help halt inflation was broached to Secretary Morgenthau by Madame Chiang Kai-chek on the occasion of her recent visit to Washington. The Treasury would accord the matter its fullest consideration, Madame Chiang was informed by the Secretary. The Treasury is very likely ready to comply with the Chinese request in principle, following further conferences in which the Chinese Government was represented by Mr. Hsi and Dr. Kuo. There has been no definitive decision, however, and details as yet have not been worked out.

HULL
(JJD)

COPY

245

TELEGRAM SENT

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

July 10, 1943

10 p.m.

AMERICAN EMBASSY,
CHUNGKING.

887

FOR ADLER FROM THE SECRETARY OF THE TREASURY.

1. As a result of bilateral and multilateral informal discussions among technical experts in Washington a new draft of the International Fund Proposal has been submitted to the representatives of various United and Associated Nations, including, of course, the Chinese. The most important changes in the latest revised draft as compared with previous drafts are given below:

2. Gold contribution:

(a) The Gold portion of a country's contribution has been changed in order to permit countries under all circumstances to conserve for other purposes at least 70% of their holdings of gold and foreign exchange when they join the Fund.

(b) Countries with gold holdings larger than their quota would be required to pay gold according to a scale which ranges up to a maximum of 50% of their quotas but this would still leave them in possession of more than 70% of their gold.

(c) To provide for countries which have small gold holdings the new fund proposal provides that in the case of a country which has gold and free foreign exchange holdings less than its quota such country shall pay in gold an amount equivalent to 30% of its gold and free foreign exchange holdings. Furthermore, in the case of countries which have been wholly or partly occupied by the enemy such gold payments need only be 3/4 of 30% of their gold and free foreign exchange holdings.

3. Determination of quotas.

To provide for such countries as China which are not likely to get a large enough quota calculated by generally applicable formula, provision is now made for the equitable adjustment of quotas by providing for the increase of inequitable quotas from a special allotment consisting of an amount equal to 10% of aggregate quotas.

4. Voting.

Among the more important changes are:

(a) In voting on proposals to suspend or restore membership it is now provided that each country shall get one vote.

(b) In cases wherein voting on proposals to authorize sale of foreign exchange is necessary, provision is made for increasing the vote of creditor countries and decreasing the vote of debtor countries.

5. Exchange rates.

(a) No operations of the Fund are to begin until exchange rates have been determined and agreed to by countries with more than one-half of the aggregate quotas.

(b) If the exchange rate in dollars prevailing on July 1, 1943 is mutually acceptable, that rate will be used. If the July 1, 1943 rate is not acceptable to the Fund or to the member country a new rate must be agreed on.

(c) Occupied countries can fix their own rates but they must be acceptable to the Fund before operations in their own currencies are undertaken.

(d) Changes in the existing rate can be made during the first three years of the Fund's operations at the special request of the country concerned and with the approval of the majority of the member votes. Changes of not more than 10% can be made unilaterally after consulation with the Fund.

6. A copy of the latest draft has been sent to you. It would be appreciated if you would make yourself available to other Government departments in Chungking such as the O.W.I. in explaining the International Stabilization Fund proposal to them in connection with any inquiries or work which they may have which involves an understanding of the Fund proposal. The information contained in this cable is, of course, to be considered confidential.

HULL
(AAB)

FD:JC:AP EA FE PA/H

Copy:bj:7-14-43

NOT TO BE RE-TRANSMITTED

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 222

Information received up to 7 A.M., 9th July, 1943.

1. AIR OPERATIONS

WESTERN FRONT. 8th. Fighters (two missing) on offensive patrols over N. FRANCE and LOW COUNTRIES destroyed two enemy aircraft and damaged eight locomotives.

8th/9th. Aircraft despatched: COLOGNE 288 (7 missing); DUISBURG 3; sea mining 46 (one missing); leaflets 26; Intruders 24; anti-shipping 4. Good concentration of bombs reported on COLOGNE.

July 10, 1943

mwb

TO: TED R. GAMBLE

SUBJECT: WEEKLY REPORT FROM WAR FINANCE DIVISION

FIELD

Special

The campaign to build the battle cruiser "Los Angeles" through the sale of $40,000,000 in War Bonds in July is now well under way.

On July 4 Norfolk, Virginia had over-subscribed its cruiser "Norfolk" campaign by $37,500,000.

Over 150,000 citizens gathered to witness the launching of the Liberty Ship "George M. Cohan" at the Bethlehem-Fairfield Shipyards, July 4. They had bought $3,000,000 in War Bonds to finance it.

Nine States have been assigned supplemental "honor-quotas", over and above their share of the national quota as determined strictly on the basis of income estimates. They are: Arizona - $400,000, Illinois - $1,600,000, Indiana - $800,000, Iowa - $1,300,000, Michigan - $12,700,000, Ohio -

FIELD

Special (Continued)

$2,000,000, Oregon - $1,500,000, Virginia - $1,300,000, and Wyoming - $400,000.

Retail Section

The Navy Department has announced that an Aircraft Carrier will be named "Shangri-La." Advertisements and photographs of windows throughout the country devoted to the Shangri-La program are being received by the Retail Section. In many communities, retailers are sponsoring and paying for the transcribed Shangri-La radio program to run as many as 15 times during July. The National Retail Dry Goods Association is promoting the Shangri-La drive this month among retailers, with the quota set at 150 million dollars. The 37 department store units of Charles Stores Co., Inc. in 37 cities in North Carolina, Tennessee, Kentucky, Virginia and Pennsylvania have inaugurated an intensive publicity campaign tying in with the National Retail Store drive. The slogan "Doolittle will do it again" has been adopted by this chain group.

Women's Section

Questionnaires and letters have been sent to the presidents of women's national organizations in preparation for the working with them during the Third War Loan drive.

FIELD

Women's Section

A revised version of radio script for "Labor for Victory" Ho - has been submitted to American Federation of Labor.

A program for Molly Pitcher Tag Day has been distributed to women's colleges. Supplemental information on Tag Day has also been sent to State Women's Chairmen.

All state women leaders have been sent a letter containing a suggested "Program of Action" for women's participation in Payroll Savings activities; "Speech Basis Material" on Payroll Savings; the President's letter; and a copy of "Figure It Out Yourself."

Plans have now been completed for the "Buy Bonds for Baby" promotion. Arrangements have been made to send copies of the poster, "For Baby's Future, Buy War Bonds," to hospitals taking maternity cases, pre-natal and maternity clinics and further supplies will be sent to field offices. Glossy prints of the poster, with suggestions for accompanying magazine articles, have been requested and sent to leading "baby" magazines; hospital trade magazines have been requested to publicize the poster; and the important child-care newspaper syndicate writers will also receive publicity releases.

1,500,000 copies of a leaflet entitled "The ABC of War Savings For Every American," containing the

FIELD

Women's Section (Continued)

answers to almost every question that the average American may ask about Series E, F, and G War Bonds and War Stamps, have been ordered, and 150,000 copies of a folder, "Do's and Do Nots for War Savings Volunteers," have also been ordered.

Agricultural Section

The Oklahoma 4-H clubs are sponsoring a Bomber Campaign with the objective of selling $300,000 worth of Bonds for each of the 77 counties of the state. The campaign will conclude September 28 with special ceremonies during the Oklahoma State Fair at Oklahoma City.

The chairman of the Kansas AAA Committee is circularizing all chairmen of the county AAA Committees in Kansas seeking their cooperation in the Kansas "yardstick plan," under which farmers invest in Bonds a set amount from the sale of each unit of produce. The farmers are asked to invest 15¢ from every bushel of wheat, 10¢ from every bushel of corn, $7.50 from every head of cattle, 4¢ from every pound of butterfat, etc. Government loan agencies, commission organizations and elevators have agreed to cooperate in this "yardstick" deduction plan.

Motion Pictures and Special Events Section

Results of special plane campaigns completed up to July 1 and certified to the Army Air Forces of the

FIELD

Motion Pictures and Special Events Section

War Department are attached. (Attachment No. 1)

All of the newsreels (News of the Day, Pathe, Universal, Movietone, and Paramount) carried a special clip this week showing Hedy Lamarr, Lynn Bari, and Maria Montez selling Captain Ted Lawson, of Tokyo fame, the first dollar War Savings Stamp to launch the Shangri-La carrier campaign.

A press manual prepared by the War Activities Committee of the Motion Picture Theatres of Arkansas announces their statewide campaign to "Buy A Bomber and Send Your Name to War." (Attachment No. 2)

Education Section

The Consumer Education Workshop, conducted by the New York Board of Education for public school teachers, is devoting one full day to a discussion of War Finance. The general session on July 12 will be addressed by Dr. Mabel Newcomer of Vassar College, author of the folder "One Hundred Billion Dollars for War."

Increased Jeep Reports are coming in from various states which have extended the deadline for their Spring Jeep Campaign. Wisconsin reports 882 Jeeps rather than 221 as originally given; Iowa totals 1250 instead of 773; Illinois' May total of 557 has risen to 2250. Increased sales in these three states raise the national total from 39,025 to 41,856 or an increase of over $2½ million in Stamp and Bond sales.

FIELD

Education Section (Continued)

Commencement exercises in Caribou, Maine were geared to the War Savings activities of the entire school. With an announced War Bond goal stated in terms of field ambulances, students were proud to have fifteen ambulances drawn up in front of the building for graduates, students, parents and friends to see on entering. These represented the War Bond investment of the student body. The valedictorian made a report of the school's War Savings activities, giving total sales of $150,000 for the 700 students during the past school year.

School sales reports are being received from the major city systems, including Philadelphia which reports a total of $9,046,406.06 for the school year and Denver with $623,385.62.

Payroll Savings Section

The companies on the attached list are some of the largest that have been reported as having achieved the goal of 10% or more during the past week. (Attachment No. 3)

A bimonthly statistical report was issued as of June that shows an analysis of exposure and participation in the Payroll Savings Plan. (Attachment No. 4)

Field Memoranda

Recent memoranda sent to the Field include

FIELD

Field Memoranda (Continued)

numbers 650, 651, 652, and 653. (Attachment No. 5)

NATIONAL ORGANIZATIONS

Labor Section

The International Fur and Leather Workers Union (CIO) reports that its members have oversubscribed their $2,000,000 War Bond pledge by $200,000.

The Federation of Dyers, International Woodworkers of America, State, County and Municipal Workers of America, and American Federation of Hosiery Workers, CIO unions, are cooperating in the War Bond Program by conducting special Payroll Savings drives among their members.

Trade Association Section

Representatives of the Lake Superior Iron Ore Association, Drop Forging Association, Screw Machine Products Association, Petroleum Marketers Association, Metal Trades Association and Metal Lathe Manufacturers Association have pledged their assistance during the Treasury's War Finance program.

Fraternal Organizations Section

Montefiore Lodge No. 70, B'nai B'rith, Buffalo, New York, is completing plans for a $2,000,000 War Bond drive in September.

The Grand Master of the Free Sons of Israel reports War Bond sales of $1,025,000 for the past twelve

NATIONAL ORGANIZATIONS

Fraternal Organizations Section (Continued)

months. The membership (less than 10,000) set as their War Bond goal $1,000,000 over and above their regular Payroll Savings deductions.

Foreign Origin Section

Mimeographed instructions entitled "How to Prepare a Successful War Bond Drive" have been prepared and mailed to all national foreign origin groups for use in connection with the objectives drive. (Attachment No. 6)

Inter-Racial Section

At a joint meeting of the Female Auxiliary of the Elks and the Tri-State Association of Maryland, Delaware, and District of Columbia, in Baltimore on June 30, both groups passed resolutions endorsing the War Bond Program and pledging their full cooperation.

PRESS, RADIO AND ADVERTISING

Radio Section

It has been reported that more War Bonds were sold by radio station WALB, Albany, Georgia, during the month of May, than by any other agency, including banks and post offices in Dougherty County.

WBNX, Bronx, New York, is helping to promote a $500,000 neighborhood War Bond Rally Sunday, July

PRESS, RADIO AND ADVERTISING

Radio Section (Continued)

11th. The special WBNX broadcast will include such stars as: Abe Lyman as Master of Ceremonies, Barry Wood, The Andrew Sisters and Frank Sinatra.

"Double or Nothing" heard over the Mutual Broadcasting System network Fridays 9:30-10:00 P.M. will devote the broadcast of July 16th to War Bonds. The program will have the top-production workers from Detroit war industries as contestants.

WLIB, Brooklyn, New York, will broadcast the "Victory War Bond Festival" in July sponsored by Lane Bryant department store.

The second of the four special War Bond concerts will be conducted by Arturo Toscanini on Sunday, July 18th, 5:00-6:00 P.M. over the National Broadcasting Company network.

"Queens Die Proudly", William L. White's best seller, will be dramatized on the "Saturday Night Bondwagon" July 10th, 10:15-10:45 P.M. heard over the Mutual Broadcasting System network. Herman Shumlin, will be guest director.

On Monday, July 5, letters were sent to 96 Senators inviting them to make three one-minute recordings in support of the Third War Loan. As acceptances come in, copy is supplied and the recording made.

PRESS, RADIO AND ADVERTISING

Advertising Section

During the week of June 28 we received 99 War Bond mentions and 9 complete ads, giving a total of 108 in seven weekly magazines. Attached is a list of the sponsoring companies and magazines in which the advertisements appeared. (Attachment No. 7)

In the July issues of 10 monthly magazines we received 135 War Bond ad mentions and 5 complete War Bond ads, totaling 140. Attached is a list of the sponsoring companies and magazines in which the advertisements appeared. (Attachment No. 8)

A letter has gone to newspaper advertising managers relating to preliminary plans for the sale of Third War Loan advertising. The first advertisements in the War Bond schedule appeared this week in New York papers.

The Third War Loan advertisement for Business Publications has been tentatively approved.

The Third War Loan advertisement to be used in Farm Publications has been tentatively approved.

Attached is a photograph of a streamlined painted bulletin, entitled "For Liberty and Security buy War Bonds", displayed in a prominent downtown location in New Orleans, under sponsorship of Holmes Department Store. (Attachment No. 9)

PRESS, RADIO AND ADVERTISING

Press Section

Attached is a first proof of a new feature release,"Bonds Over America". (Attachment No. 10)

Attached is Financial Writers' Bulletin No. 3, background material released to financial editors. (Attachment No. 11)

The clip sheet for the Molly Pitcher promotion of the Women's Section has been distributed. A first page proof is attached. (Attachment No. 12)

Attached is a presentation of three complete plans for local newspaper War Bond promotion, which is being distributed to newspaper publishers. (Attachment No. 13)

OFFICE OF EXECUTIVE DIRECTOR

Promotional Research Section

Attached is the analysis of newspaper carrier sales as of July 8, 1943. (Attachment No. 14)

Attached is a brief resume of Savings Bond redemptions. (Attachment No. 15)

D

Mrs. McHugh:

Telephoned Miss Kraus, Mr. Hopkins' Secretary, at 5:30 Saturday evening and gave her the gist of this memorandum.

C. L. K.

7/10 - Mr. Hopkins phoned me about this and Secy said Mr. Kades should follow it thru - McH.

TREASURY DEPARTMENT
WASHINGTON 25

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

July 10, 1943

MEMORANDUM FOR THE SECRETARY.

In re: Application of Ogden Standard Examiner for approval to pay increased compensation to Darrell J. Greenwell.

The San Francisco Regional Office, Salary Stabilization Unit, states that the application was received on May 24, 1943, requesting an increase in compensation to $5,200 per annum plus a conditional bonus for Mr. Greenwell, who, according to the application, was then an employee of the Ogden Standard Examiner.

From April 8th until June 7th the regional offices of the Salary Stabilization Unit were precluded from making decisions on pending applications because directives from the Office of the Director of Economic Stabilization following Executive Order 9328 of April 8th were not received until June 5th. On June 16th the applicant telegraphed the San Francisco office as to the status of the application and was asked to furnish further facts necessary to a determination of the question. The data requested was received on June 25th. On June 30th the application was approved to increase Mr. Greenwell's salary to $5,200 per annum. The request to pay a bonus of $1,300 in addition to the $5,200 salary is held in abeyance because the conditions surrounding the liability can not be determined until the close of the year. The applicant may renew the application for approval to pay the bonus at a later date.

Norman D. Cann
Acting Commissioner.

Capt. Kades' report on his conference with Dr. Ezekiel, who have two plans, one a short-term program and the other a long-term. Both plans consistent with views in your letter to the President.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 10, 1943

TO Secretary Morgenthau

FROM Captain Kades

On Friday, July 9, I spent the morning with Dr. Mordecai Ezekiel, Economic Advisor to the Secretary of Agriculture, concerning his suggestions on the farm production and food price programs. Dr. Ezekiel has two plans. One is a short-term program and the other is a long term-program.

Both of his suggestions are consistent with the views expressed in your letter to the President of June 30th. His long-term program contemplates the purchase of critical farm products pursuant to contracts made directly by the Government with the farmers.

The short-term program involves subsidies. These subsidies, however, differ from those so severely criticized in Congress during the debate on the Commodity Credit Corporation. In the first place, they are paid directly to producers. In the second place, they do not involve rollbacks. Their purpose is to encourage additional production of milk and eggs and to balance corn-hog production, without increasing the cost of living.

The total annual estimated cost of this short-term program is $440 million dollars and, according to Dr. Ezekiel, an appropriation is available to the Department of Agriculture to meet this cost.

Attached hereto is (1) a summary of the proposed short-term program, and (2) a summary of the proposed long-term program as I understood them from Dr. Ezekiel.

C.L.K.

Attachments.

1. Proposed short-term program.

This program involves four products: milk, eggs, hogs and corn. Its purpose is to assure an adequate supply of feed for the production of milk and eggs and to expand the production of dairy products and eggs. The program is intended to reduce the expansion of hog production and to remedy the scarcity of feed stuffs for the production of milk and eggs. The program follows:

The Milk Phase

Beginning with milk deliveries on July 15, farmers who sell fluid milk will be paid an additional 50 cents per 100 pounds, if such milk is to be consumed as fluid milk or is to be processed or sold for separation of cream and drying of skim milk. This additional payment will be made either (a) by the Government to farmers on submission of their receiving station slips or processing plant sales slips, or (b) by the purchasing agency to the farmers on behalf of the Government on submission of the farmers' receipt therefor, which will be the basis for reimbursement of the purchasing agencies by the Government.

In order to discourage the use of skim milk for livestock feeding, this additional 50 cents payment will be made only if the milk is sold to concerns which recover all the milk solids in processed form. Accordingly, no additional payment will be made to farmers who sell butterfat to creameries and use the skim milk for livestock feeding. Moreover, farmers who sell milk to cheese factories, where the whey is used for livestock feeding, will receive an additional payment of 25 cents per 100 pounds. However, in such a case where the whey is dried, the full payment of 50 cents will be made.

Dr. Ezekiel hopes that this program will result in the recovery and drying for human use of as much as 10 billion pounds of skim milk now being fed to livestock. According to Dr. Ezekiel, feeding skim milk to livestock returns only about one-fifth as much food as if the milk were consumed directly. If this milk is reserved for human consumption, it will, in his opinion, constitute an important protein productive food which can be used for relief purposes abroad instead of meat.

The estimated annual cost of this phase of the program is 330 million dollars (63 million cwt. for whole milk at 50 cents plus 6 million cwt. for cheese at 25 cents.)

The Egg Phase

Beginning immediately, farmers who sell eggs will be paid an additional 2 cents a dozen. This additional payment will be made either (a) by the Government directly to the farmers upon proof of the quantity of eggs sold, or (b) by the purchasing agency to farmers on behalf of the Government against receipts, which will be used by the purchasing agency to secure reimbursement from the Government. Farmers who sell eggs directly to consumers will also be entitled to receive the additional 2 cents per dozen.

The purpose of this program is to encourage the production of eggs for (a) consumption in the United States, and (b) for egg drying for Lend-Lease and relief purposes.

The estimated annual cost of this phase of the program is 75 million dollars.

The Hog Phase

Beginning September 1, 1943, the Department of Agriculture will modify its support price (which is now $13.75 cwt. at Chicago for hogs weighing 240 to 270 pounds), so that the price of $13.75 will apply to hogs weighing from 180 to 220 pounds, and the price of hogs weighing from 220 to 270 pounds will be $13.25 cwt. at Chicago. The support price for hogs weighing 270 pounds and over will be $12.50. All prices are for good and choice hogs. The top support price will continue to be $13.75 to September 30, 1944.

Although this program will not be effective until September 1, 1943, it is contemplated that it will be announced immediately in order that farmers may dispose of their present heavy-weight hogs before September 1. Moreover, to aid farmers in making this readjustment, the prices of bred sows and gilts will continue to be supported at $13.75 CWT up to September 1, 1943. The purpose of this program, obviously is to encourage the sale of hogs in lighter weights in view of the feed shortage and the greater need for the production of protein, rather than of fats. It should not result in any financial loss to farmers, but merely in a change in their hog feeding program.

The Corn Phase

Beginning July 15, the ceiling on corn prices will be raised to $1.25, Chicago basis. The new ceiling prices apply only on corn sold in commercial channels.

The price of oil cake will be equal to the price of one ton of corn, plus five dollars.

One result of this program will be that farmers who sold corn at the old ceiling price before July 15 will have received 18 cents a bushel less than they would have received if they had retained their corn until after July 15. It was announced on April 10, 1943, that there would be no further change in the seasonal price on corn. Consequently, in order not to penalize those farmers who, in reliance on this announcement, sold their corn at the present ceiling price of $1.07 per bushel, the program contemplates that the War Food Administration should recommend to Congress an appropriation of a sufficient amount to pay farmers who sold their corn between April 10 and July 15 at the $1.07 ceiling, an additional 18 cents per bushel. Dr. Ezekiel estimates that the cost of this to the Government will approximate 18 million dollars (100 million bushels x 18 cents per bushel).

2. The long-term program.

The following is an exact copy of a memorandum given to me by Dr. Ezekiel entitled "A Practical Food Program," and which constitutes what I have termed as the long-term program.

A Practical Food Program

1. Government, through the War Food Administration, "take over" the entire production of specified major crops, livestock, and livestock products, and make it illegal to sell or deliver to anyone except on government order. (Provide for special licenses for producers who deliver direct to consumers, and other hardship cases.)

(a) Government to notify all purchasing agencies at what prices to buy, for its account.

(b) All processing and storage of products so acquired to be on fee basis, at agreed-on fees.

(c) All distribution of finished products to be on government order or authorization.

(d) All retail or wholesale prices to be fixed by the government, with losses, when incurred, absorbed as war costs.

2. Farm production to be controlled by direct contract, with at least minimum price guarantee for specified period, and in some cases also producers' commitment as to quantity to be produced. All livestock increase during year to be sold to government when ordered by it. (This would increase present beef cattle slaughter by about one-tenth.) Any farmer or rancher unwilling to operate his farm as requested, or failing to maintain minimum standards, subject to turning farm over to local War Food Administrator to run or administer (as in England).

3. Existing merchandising and processing concerns to be utilized as fully as possible, with flows of commodities following as near as possible usual commercial channels, and with industry advisory groups assisting in setting policies.

4. Retail prices to be administered to hold retail cost of food stabilized, while fluctuating individual prices to utilize foods in most abundant supply.

5. Farm prices to be administered to achieve maximum balanced food production, to shift production as desired, and to insure farmers of adequate returns compared with other groups.

6. Delivery of fertilizer, machinery, packaging, and other supplies to farmers be assured by scheduling, and if necessary rationing their production and distribution, and by government taking over and handling the items in need of direct control.

Do you want Capt. Kades to do anything more on Mr. Oscar Cox' refugee proposal?

no.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 10, 1943

TO Secretary Morgenthau

FROM Captain Kades

Attached is a note which I have received from Oscar Cox, but which I have not answered.

You will recall that, at your request, I called Cox to get a copy of the memorandum which he had left with you. Thereafter, I sent you a memorandum, copy of which is attached.

I have not talked to Cox since asking him for this memorandum. Do you want me to do anything further on this matter?

C.L.K.

2 Attachments.

ASSISTANT SOLICITOR GENERAL
WASHINGTON

July 3, 1943.

Dear Chuck:

How are you making out on the Refugee proposal which I left with the Secretary some weeks ago?

Sincerely yours,

Oscar Cox

Captain Charles Kades
268 Treasury Department
Washington, D.C.

Secretary Morgenthau

June 21, 1943

Captain Kades

1. It has been recommended that a Presidential Committee be appointed to advise "on all aspects of the war refugee problem which are not the direct responsibility of the State Department," and also to carry on a public campaign for contributions to the United States "for the relief and resettlement of all war refugees." The publicity and other methods used in raising funds would be subject to the approval of the Secretary of the Treasury. It is suggested that the authority of the Secretary to accept gifts under The Second War Powers Act, 1942, be utilized for this purpose.

2. If such a Committee is appointed, it is recommended that the Treasury should refrain from participating in its operations and should disapprove plans for any drive for donations to the Government for the resettlement of refugees.

Title XI of The Second War Powers Act, 1942, was intended to enable patriotic citizens who wished to bear more than their share of the war costs to make voluntary contributions to the Treasury for particular war purposes, such as the purchase of planes, tanks, guns, and other war material. It was contemplated that the money accepted by the Secretary of the Treasury would be allocated to appropriations available for the purchase of war material and the furtherance of the war program.

It was not contemplated((1) that any gifts of money would be used for charitable purposes for which there were no appropriations by the Congress, however worthy the cause, or (2) that the Treasury would act as patron of any campaign to raise money for any purpose whatever. On the contrary, the Treasury and the Congressional Committees which considered the subject were well aware that pressures for such action would probably be forthcoming. In recommending passage of this part of the Act, the House Judiciary Committee specifically called attention to the fact that:

> "The Treasury has not and states that it will not authorize private persons or agencies to conduct special campaigns to raise funds from the public for this purpose. Private persons and agencies, of course, are and will be at liberty to conduct such campaigns on their own initiative, but it is felt that any coercive or high-pressure solicitation by any private person or agency of gifts to the United States should be definitely discouraged."

The policy expressed in the Committee Report against such campaigns conducted by private agencies applies equally to any solicitation by a quasi-public committee on behalf of the Government.

3. Whether any such Presidential Committee should even be appointed at this time is open to grave doubt. The details of the program formulated at the Bermuda Conference for the transportation and resettlement of refugees in Axis-dominated countries, have not been made public, but it is known that certain measures of a financial nature to cover necessary expenses were recommended. Obviously, however, the problem is of such great delicacy that a promotional committee and public advertisements might do more harm than good.

4. So far as victims of the war in liberated countries are concerned either the President's War Relief Control Board, of which the Chairman is Joseph

E. Davies, or the Office of Foreign Relief and Rehabilitation would seem to be the proper agency to assume this function.

By a letter dated March 19, 1943, the President authorized Governor Lehman as Director of that Office to "arrange for the administration of this Government's activities for the relief of victims of war in areas liberated from Axis control" and to "utilize the facilities of such private organizations and individuals as you may find helpful in your work."

Moreover, only ten days ago a draft agreement for a United Nations Relief and Rehabilitation Administration was placed by the State Department before the Governments of the United Nations and other nations associated with them in the war. When established, that Administration will have the responsibility for the relief and rehabilitation of all the victims of war, and Governor Lehman's organization will be the United States component.

(Initialed) C.L.K.

CLK/hkw

STRICTLY CONFIDENTIAL

Given to Press 8/?/43 274

U. S. Treasury Department
Revised Draft
July 10, 1943

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

Preamble

1. There is a growing recognition that progress toward establishment of a functioning democratic world in the post-war period will depend on the ability of free peoples to work together in solving their economic problems. Not the least of these is the problem of how to prevent a wide-spread breakdown of currencies with resultant international economic disorder. We must assure a troubled world that the free countries will solve these perplexing problems, and that they will not resort to competitive exchange depreciation, multiple currency practices, discriminatory bilateral clearing, or other destructive foreign exchange devices.

2. These are not transitory problems of the immediate post-war period affecting only a few countries. The history of the past two decades shows that they are continuing problems of vital interest to all countries. There must be a general realization that world prosperity, like world peace, is indivisible. Nations must act together to restore multilateral international trade and to provide orderly procedure for the maintenance of balanced economic growth. Only through international cooperation will it be possible for countries successfully to apply measures directed toward attaining and maintaining a high level of employment and income which must be the primary objective of economic policy.

3. The International Stabilization Fund of the United and Associated Nations is proposed as a permanent institution for international monetary cooperation. The resources of this Fund would be available under adequate safeguards to maintain currency stability, while giving member countries time to correct maladjustments in their balance of payments without resorting to extreme measures destructive of international prosperity. The resources of the Fund would not be used to prolong a basically unbalanced international payments position. On the contrary, the Fund would be influential in inducing countries to pursue policies making for an orderly return to equilibrium.

4. The Fund would deal only with member governments and their fiscal agents and would not intrude in the customary channels for conducting international commerce and finance. The Fund is intended to provide supplemental facilities for the successful functioning of the established foreign exchange institutions and to free international commerce from harmful restrictions.

5. The success of the Fund must ultimately depend upon the willingness of nations to act together on their common problems. International monetary cooperation should not be regarded as a matter of generosity. All countries have a vital interest in the maintenance of international monetary stability and in the balanced growth of multilateral international trade.

I. Purposes of the Fund

The United Nations and the countries associated with them recognize, as declared in the Atlantic Charter, the need for the fullest cooperation among nations with the object of securing economic advancement and rising standards of living for all. They believe that attainment of these objectives will be facilitated by international monetary cooperation. Therefore, it is proposed that there be established an International Stabilization Fund with the following purposes:

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

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

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

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

5. To reduce the use of such foreign exchange restrictions, bilateral clearing arrangements, multiple currency devices, and discriminatory foreign exchange practices as hamper world trade and the international flow of productive capital.

II. Composition of the Fund

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

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

3. Each member country shall meet its quota contribution in full on or before the date set by the Board of Directors for the Fund's operations to begin.

   a. A country shall pay in gold not less than an amount determined as follows. If its gold and free foreign exchange holdings are:

      i. In excess of three times its quota, it shall pay in gold 50 percent of its quota.

      ii. More than two but less than three times its quota, it shall pay in gold 40 percent of its quota plus 10 percent of its holdings in excess of twice its quota.

II-3-a- iii. More than its quota but less than twice its quota, it shall pay in gold 30 percent of its quota plus 10 percent of its holdings in excess of its quota.

iv. Less than its quota, it shall pay in gold 30 percent of its holdings.

The gold payment required of a member country, substantial parts of whose home areas have been wholly or partly occupied by the enemy, shall be only three-fourths of the above. (For other gold provisions, see V-2-a and V-6, 7.)

A member country may include in the legal reserve account and in the published statement of the reserves of gold and foreign exchange in its Treasury or Central Bank, an amount not to exceed its gold contribution to the Fund minus its net purchases of foreign exchange from the Fund with local currency.

b. It shall pay the remainder of its quota in local currency, except that a member country may substitute government securities (redeemable at par) for local currency up to 50 percent of its quota.

4. A quota for each member country shall be computed by an agreed upon formula which gives due weight to the important relevant factors, e.g., a country's holdings of gold and free foreign exchange, the magnitude and the fluctuations of its balance of international payments, its national income, etc.

Before computing individual quotas on the basis of the agreed upon formula, there shall be reserved an amount equal to 10 percent of aggregate quotas to be used as a special allotment for the equitable adjustment of quotas.

Where the initial quota of a member country as computed by the formula is clearly inequitable, the quota may be increased from this special allotment.

5. Quotas shall be adjusted on the basis of the most recent data three years after the establishment of the Fund, and at intervals of five years thereafter, in accordance with the agreed upon formula. In the period between adjustment of quotas, the Fund may increase the quota of a country, where it is clearly inequitable, out of the special allotment reserved for the equitable adjustment of quotas.

6. Any changes in the formula by which the quotas of member countries are determined shall be made only with the approval of four-fifths vote of the Board.

7. No increase shall be made in the quota of a member country under II-5 or 6 without the consent of the representative of the country concerned.

8. The resources of the Fund shall be used exclusively for the benefit of the member countries.

III. Monetary Unit of the Fund

1. The monetary unit of the Fund shall be the Unitas (UN) equal in value to 137 1/7 grains of fine gold (equivalent to $10 U.S.). No change in the gold value of the Unitas shall be made except with the approval of 85 percent of the member votes. When such change is made the gain or loss sustained by the Fund on its holdings of gold shall be distributed equitably among the members of the Fund.

   The accounts of the Fund shall be kept and published in terms of Unitas.

2. The value of the currency of each member country shall be established in terms of Unitas and may not be altered except as provided in IV-5, below. (See IV-1, 2, below.)

   No member country shall purchase or acquire gold, directly or indirectly, at a price in terms of its national currency in excess of the parity which corresponds to the value of its currency in terms of Unitas and to the value of Unitas in terms of gold; nor shall any member country sell or dispose of gold, directly or indirectly, at a price in terms of its national currency below the parity which corresponds to the value of its currency in terms of Unitas and to the value of Unitas in terms of gold. (See also VII-1.)

3. No change in the value of the currencies of member countries shall be permitted to alter the value in Unitas of the assets of the Fund. Whenever the currency of a member country has depreciated to a significant extent, that country must deliver to the Fund when requested an amount of its local currency or securities equal to the decrease in the Unitas value of the Fund's holdings of the local currency and securities of the country. Likewise, if the currency of a member country should appreciate to a significant extent, the Fund must return to that country an amount (in the currency or securities of that country) equal to the resulting increase in the Unitas value of the Fund's holdings.

IV. Exchange Rates

1. The rates at which the Fund will buy and sell one member currency for another and at which the Fund will buy and sell gold for local currency shall be established in accordance with the provisions below. (See also III-2 and V-2.)

2. The initial rates of exchange for member countries' currencies shall be determined as follows:

IV-2- a. For any country which becomes a member prior to the date on which the Fund's operations begin, the rates initially used by the Fund shall be based upon the value of the currency in terms of U. S. dollars which prevailed on July 1, 1943.

If, in the judgment of either the member country or the Fund, the above rate is clearly inappropriate, the initial rate shall be determined by consultation between the member country and the Fund. No operations in such currency shall be undertaken by the Fund until a rate has been established which has the approval of the Fund and of the member country in question.

b. For any member country which has been occupied by the enemy, the Fund shall use the exchange rate fixed by the government of the liberated country in consultation with the Fund and acceptable to the Fund. Prior to the fixing of a definitive rate, operations in such currency may be undertaken by the Fund with the approval of the Board at a tentative rate of exchange fixed by the member country in consultation with the Board. No operations shall be continued under this provision for more than three months after the liberation of the country or when the local currency holdings of the Fund exceed the quota of the country. Under special circumstances the period and the amount of such operations may be extended by the Fund.

3. The Fund shall not come into operation until agreement has been reached on the exchange rates for currencies of countries representing a majority of the aggregate quotas.

4. The Fund shall determine the range within which the rates of exchange of member currencies shall be permitted to fluctuate. (See also VII-1.)

5. Changes in the exchange value of the currency of a member country shall be considered only when essential to the correction of fundamental disequilibrium in its balance of payments, and shall be made only with the approval of three-fourths of the member votes including the representative of the country concerned.

Because of the extreme uncertainties of the immediate post-war period, the following exceptional provisions may be used during the first three years of the Fund's operations:

a. When the existing rate of exchange of a member country is clearly inconsistent with the maintenance of a balanced international payments position for that country, changes from the established rate may be made at the special request of that country and with the approval of a majority of the member votes.

IV-5- b. A member country may change the established rate for its currency by not more than 10 percent provided that the member country shall notify the Fund of its intention and shall consult with the Fund on the advisability of its action.

V. Powers and Operations

The Fund shall have the following powers:

1. To buy, sell and hold gold, currencies, and government securities of member countries; to earmark and transfer gold; to issue its own obligations, and to offer them for discount or sale in member countries.

   The Fund shall purchase for local currency or needed foreign exchange any member currency in good standing acquired by another member country in settlement of a balance of payments on current account, where such currency cannot be disposed of in the foreign exchange markets within the range established by the Fund.

2. To sell to the Treasury of any member country (or stabilization fund or central bank acting as its agent) at the accepted rate of exchange, currency of any member country which the Fund holds, provided that: (See IV-1, above.)

   a. The foreign exchange demanded from the Fund is required to meet an adverse balance of payments predominantly on current account with any member country. (See V-3 for capital transfers.)

      When the gold and free foreign exchange holdings of a member country exceed 50 percent of its quota, the Fund in selling foreign exchange to such member country shall require that one-half of such exchange shall be paid for with gold or foreign exchange acceptable to the Fund. (See also V-6, 7; on gold collateral see V-2-c.)

   b. The Fund's total holdings of the currency and securities of any member country shall not exceed the quota of such country by more than 50 percent during the first year of operation of the Fund, and thereafter shall not exceed such quota by more than 100 percent (except as otherwise provided below). The total holdings thus permitted are termed the permissible quota of a country. When the Fund's holdings of local currency and securities are equal to the permissible quota of a country, the Fund may sell foreign exchange for such additional local currency only with the specific approval of the Board of Directors (see VI-3-a, below) and provided that at least one of the following two conditions is met:

V-2-b- i. In the judgment of the Fund satisfactory measures are being or will be taken by the country whose currency is acquired by the Fund, to correct the disequilibrium in the country's balance of payments; or

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

provided, further, that when the Fund's holdings of the currency of any member country or countries fall below 20 percent of their respective quotas, the sale shall also require the approval of the representatives of these countries.

c. When the Fund's holdings of local currency and securities exceed the permissible quota of a country, the Board may require the member country to deposit collateral in accordance with regulations prescribed by the Board. Such collateral shall take the form of gold, foreign or domestic currency or Government bonds, or other suitable collateral within the capacity of the member country.

d. When in the judgment of the Fund a member country, whose currency and securities held by the Fund exceed its quota, is exhausting its permissible quota more rapidly than is warranted, or is using its permissible quota in a manner that clearly has the effect of preventing or unduly delaying the establishment of a sound balance in its international accounts, the Fund may place such conditions upon additional sales of foreign exchange to that country as it deems to be in the general interest of the Fund.

3. The Fund may sell foreign exchange to a member country, under conditions prescribed by the Fund, to facilitate a transfer of capital, or repayment or adjustment of foreign debts, when in the judgment of the Board such a transfer is desirable from the point of view of the general international economic situation, provided the Fund's holdings of the currency and securities of the member country do not exceed 150 percent of the quota of that country. When the Fund's holdings of the local currency and securities of a member country exceed 150 percent of the quota of that country, the Fund may, in exceptional circumstances, sell foreign exchange to the member country for the above purposes with the approval of three-fourths of the member votes. (See V-2-a, above; on voting, see VI-3-a, below.)

V- 4. When the Fund's holdings of the currency and securities of a member country become excessively small in relation to prospective acquisitions and needs for that currency, the Fund shall render a report to that country. The report shall embody an analysis of the causes of the depletion of the Fund's holdings of that currency, a forecast of the prospective balance of payments in the absence of special measures, and finally, recommendations designed to increase the Fund's holdings of that currency. The representative of the country in question shall be a member of the Fund committee appointed to draft the report. This report shall be sent to all member countries and, if deemed desirable, be made public. Member countries agree that they will give immediate and careful attention to recommendations made by the Fund.

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

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

To facilitate appropriate adjustment in the balance of payments position of member countries, and to help correct the distortions in the pattern of trade bala nces, the Fund shall apportion its sales of such scarce currency. In such apportionment, it shall be guided by the principle of satisfying the most urgent needs from the point of view of the general international economic situation. It shall also consider the special needs and resources of the particular countries making the request for the scarce currency.

The right of any member country to acquire an amount of other currencies equal to its permissible quota shall be limited by the necessity of assuring an appropriate distribution among the various members of any currency the supply of which is scarce.

V- 6. In order to promote the most effective use of the available and accumulating supply of foreign exchange resources of member countries, each member country agrees that it will offer to sell to the Fund, for its local currency or for foreign currencies which the member country needs, one-half of the foreign exchange resources and gold it acquires in excess of its official holdings at the time it became a member of the Fund, but no country need sell gold or foreign exchange under this provision unless its official holdings (i.e., Treasury, Central Bank, Stabilization Fund, etc.) are in excess of 25 percent of its quota. For the purpose of this provision, only free and liquid foreign exchange resources and gold shall be considered. The Fund may accept or reject the offer. (See also II-3-a, V-2-a, and V-7.)

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

7. When the Fund's holdings of the local currency and securities of a member country exceed the quota of that country, the Fund shall, upon request of the member country, resell to the member country the Fund's excess holdings of the currency of that country for gold or acceptable foreign exchange. (See V-14, for charges on holdings in excess of quota.)

8. To buy from the governments of member countries, blocked foreign balances held in other member countries, provided all the following conditions are met:

a. The blocked balances are held in member countries and are reported as such (for the purpose of this provision) by the member governments and are verified by the Fund.

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

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

d. A charge of one percent on the amount of blocked balances sold to the Fund, payable in gold, shall be levied against the country selling its blocked balances and against the country in which the balances are held. In addition a charge of not less than one percent, payable in gold, shall be levied annually against each country on the amount of such balances remaining to be purchased by it.

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

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

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

i. its holdings of the free funds of the country in which the balances are held fall below 20 percent of its quota; or

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

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

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V-8- i. The Fund agrees not to sell the blocked balances acquired under the above authority, except with the permission or at the request of the country in which the balances are being held. The Fund may invest these balances in the ordinary or special government securities of that country. The Fund shall be free to sell such securities in any country under the provisions of V-11, below.

j. The Fund shall determine from time to time the maximum proportion of the blocked balances it will purchase under this provision, provided, however, that during the first two years of its operation, blocked balances purchased by the Fund shall not exceed in the aggregate 10 percent of the quotas of all member countries. At the end of two years of operation, the Fund shall propose a plan for the gradual further liquidation of blocked balances still outstanding indicating the proportion of the blocked balances which the Board considers the Fund can appropriately purchase.

Blocked balances acquired under this provision shall not be included either in computing the amount of foreign exchange available to member countries under their quotas (V-2, 3), or in computing charges on balances of local currency in excess of the quotas (V-14).

9. To buy and sell currencies of non-member countries but shall not acquire more than $10 million of the currency of any one non-member country nor hold such currencies beyond 60 days after date of purchase except with the approval of the Board.

10. To borrow the currency of any member country provided the additional amount is needed by the Fund and provided the representative of that country approves.

11. To sell member country obligations owned by the Fund provided that the representatives of the country issuing the securities and of the country in which the securities are to be sold approve, except that the approval of the representative of the issuing country shall not be necessary if the obligations are to be sold in its own market.

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

V- 12. To invest any of its currency holdings in government securities of the country of that currency provided that the representative of the country approves.

13. To lend to any member country its local currency from the Fund for one year or less up to 75 percent of the currency of that country held by the Fund, provided the local currency holdings of the Fund are not reduced below 20 percent of the quota.

14. To make a service charge on all gold and exchange transactions.

To levy a charge uniform to all countries, at a rate not less than one percent per annum, payable in gold against any country on the amount of its currency held by the Fund in excess of the quota of that country. An additional charge, payable in gold, shall be levied by the Fund against any member country on the Fund's holdings of its currency in excess of the permissible quota of that country.

In case the Fund finds it necessary to borrow currency to meet the demands of its members, an additional charge, payable in gold, shall be made by the Fund sufficient to cover the cost of the borrowing.

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

16. The Fund shall deal only with or through

a. The treasuries, stabilization funds, or central banks acting as fiscal agents of member governments;

b. Any international banks owned predominantly by member governments.

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

VI. Management

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

2. In all voting by the Board, the director or alternate of each member country shall be entitled to cast an agreed upon number of votes.

   The distribution of basic voting power shall be closely related to the quotas of member countries, although not in precise proportion to the quotas. An appropriate distribution of basic voting power would seem to be the following: Each country shall have 100 votes plus 1 vote for the equivalent of each 100,000 Unitas ($1 million of its quota.)

   No country shall be entitled to cast more than one-fifth of the aggregate basic votes regardless of its quota.

3. All voting shall be according to basic votes except as follows:

   a. In voting on proposals to authorize the sale of foreign exchange, each country shall cast a number of votes modified from its basic vote:

      i. by the addition of one vote for each $2 million of net sales of its currency by the Fund (adjusted for its net transactions in gold), and

      ii. by the subtraction of one vote for each $2 million of its net purchases of foreign exchange from the Fund (adjusted for its net transactions in gold).

   b. In voting on proposals to suspend or restore membership each member country shall cast one vote as provided in VI-11, below.

4. All decisions, except where specifically provided otherwise, shall be made by a majority of the member votes.

5. The Board of Directors shall select a Managing Director of the Fund and one or more assistants. The Managing Director shall become an ex officio member of the Board and shall be chief of the operating staff of the Fund. The operating staff shall be selected in accordance with regulations established by the Board of Directors.

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

VI-6 (Cont'd) The Executive Committee shall be continuously available at the head office of the Fund and shall exercise the authority delegated to it by the Board. In the absence of any member of the Executive Committee, his alternate shall act in his place. Members of the Executive Committee shall receive appropriate remuneration.

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

8. The Board of Directors may at any meeting authorize any officers or committees of the Fund to exercise any specified powers of the Board not requiring more than a majority vote.

The Board may delegate any authority to the Executive Committee, provided that the delegation of powers requiring more than a majority of the member votes can be authorized only by a majority (of the Board) of the same size as specified, and can be exercised by the Executive Committee only by like majority.

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

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

10. The Board of Directors shall hold an annual meeting and such other meetings as it may be desirable to convene. The annual meeting shall be held in places designated by the Executive Committee, but not more than one annual meeting in any five-year period shall be held within the same member country.

On request of member countries casting one-fourth of the votes, the Chairman shall call a meeting of the Board for the purpose of considering any matters placed before it.

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

VI-11 (Cont'd) Any country may withdraw from the Fund by giving notice, and its withdrawal will take effect one year from the date of such notice. During the interval between notice of withdrawal and the taking effect of the notice, such country shall be subject to the same obligations as any other member of the Fund.

A country which is dropped or which withdraws from the Fund shall have returned to it an amount in its own currency equal to its contributed quota, plus other obligations of the Fund to the country, and minus any sum owed by that country to the Fund. Any losses of the Fund may be deducted pro rata from the contributed quota to be returned to the country that has been dropped or has withdrawn from membership. Local currency holdings of the Fund in excess of the above shall be repurchased by that country with gold or foreign exchange acceptable to the Fund.

When any country is dropped or withdraws from membership, the rights of the Fund shall be fully safeguarded. The obligations of a country to the Fund shall become due at the time it is dropped or withdraws from membership; but the Fund shall have five years within which to liquidate its obligations to such country.

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

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

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

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

Each member country of the Fund undertakes the following:

1. To maintain by appropriate action exchange rates established by the Fund on the currencies of other countries, and not to alter exchange rates except as provided in IV-5, above.

Exchange rates of member countries may be permitted to fluctuate within the specified range fixed by the Fund.

2. Not to undertake exchange dealings with member or non-member countries that will undermine stability of exchange rates established by the Fund.

VII- 3. To abandon, as soon as the member country decides that conditions permit, all restrictions (other than those involving capital transfers) over foreign exchange transactions with other member countries, and not to impose any additional restrictions (except upon capital transfers) without the approval of the Fund.

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

All member countries agree that all of the local currency holdings of the Fund shall be free from any restrictions as to their use. This provision does not apply to blocked foreign balances acquired by the Fund in accordance with the provisions of V-8, above.

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

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

b. To make available to the Fund or to the Government of any member country such information as the Fund considers necessary on property in the form of deposits, securities and investments of the nationals of the member country imposing the restrictions.

5. Not to enter upon any new bilateral clearing arrangements, nor engage in multiple currency practices, which in the judgment of the Fund would retard the growth of world trade or the international flow of productive capital.

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

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

8. To adopt appropriate legislation or decrees to carry out its undertakings to the Fund.

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State
TO: AMEMBASSY, London
DATED: July 10, 1943
NUMBER: 4206

This message is from the Secretary of the Treasury for Ambassador Winant.

I have been informed by Halifax that Averill Harriman proposes to discuss the question of the feasibility of the extension of the scope of the program of reciprocal aid to include certain imports from the British Empire to the United States with the Chancellor of the Exchequer.

In order that you may be informed, the following developments have taken place:

Last December an Interdepartmental Committee was formed for the purpose of dealing with questions which concern this Government's policy of financial aid to our Allies. This Committee consisted of representatives of the Departments of Treasury, State and War, the Board of Economic Warfare and the Office of Lend-Lease Administration. The dollar and gold balances of Great Britain are mounting, and for political reasons, the Office of Lend-Lease Administration is anxious that the extending of the program of reciprocal lend-lease, in order that the purchase of certain goods made in British Empire countries by the United States be agreed to by the British. The Interdepartmental Committee, after consideration of the question from all points of view, decided to investigate the possibility of a reduction by such a procedure of Britain's current dollar receipts by $200 to $300 million during the coming year. We advised Sir Frederick Phillips by letter on the 27th of May of the decision made by the Committee and requested his opinions on the matter.

Before he departed for London, Sir Frederick had informed us that a memorandum from London had been received by Halifax. He said that on his return from the Mid-West he would hand the memorandum to the appropriate Government official. However, Halifax states that Sir Frederick Phillips is going into this question in London and that he (Halifax) is in receipt of a telegram stating, in effect, that you or Harriman plan to discuss the matter with Sir Kingsley Wood. If you can do anything to hasten a reply by the British, I should appreciate it.

HULL
(DA)

NOT TO BE RETRANSMITTED

COPY NO. ____

U.S. SECRET
BRITISH MOST SECRET

OPTEL No. 223

For J.S.M.

Information received up to 7 A.M. 10th July.

1. NAVAL

One of H.M. Destroyers in company with 2 of H.M. Destroyers report having been in action with enemy ships off Cape Ushant early this morning and having sustained some casualties. No further details yet available. One of H.M. Submarines probably sank a 3,000 ton vessel off Suda Bay Crete on 8th.

2 MILITARY

Sicily. No details of allied landing operations yet received.

3. AIR OPERATIONS

Western Front. 8th/9th. Cologne. 1037 tons dropped including 241 4,000 pound H.E. in 30 minutes. Attack rather scattered at first but fair concentration obtained later. Glow of fires seen through clouds and several large explosions reported.

9th. 12 escorted Mitchells attacked St. Omer Railway Centre. 10 enemy aircraft flew over South Eastern Counties and the London Area, 2 were destroyed. Bombs caused damage at Croydon and East Grinstead where a cinema received a direct hit. Fatal casualties so far reported 93.

9th/10th. Aircraft despatched Gelsenkirchen 422 (11 missing and 1 crashed), Sea Mining 18, Intruders 5. Blind bombing technique through heavy cloud was employed at Gelsenkirchen and no estimate of results yet possible.

Sicily. 7th. 84 medium and light bombers attacked various airfields.

7th/8th. 66 heavy and medium bombers attacked Catania and airfields.

8th. 40 heavy bombers raided Catania and 115 escorted bombers attacked Gerbini Airfield and its Satellites. Casualties in the air in above operations Enemy 23, 4, 7, Allied 5 missing.

NOT TO BE RE-TRANSMITTED

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COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 229

Following is supplementary resume of operational events covering the period 3rd to 10th July, 1943.

1. NAVAL

H.M. Submarines reported enemy warship, probably LUTZOW, on southerly course 90 miles southsoutheast BEAR ISLAND at 9 a.m. 6th. Thought to be exercising. 2 Elbing Class destroyers proceeding west from DUNKIRK 0130 5th unsuccessfully attacked by M.T.B's and shelled by Dover batteries. Unsuccessfully bombed in BOULOGNE 6th and reported in LE HAVRE 7th.

2. SUBMARINE WARFARE

Summary of anti-submarine attacks in July reported up to noon 7th.

Number of attacks:

By landbased aircraft	12
By carrier borne aircraft	Nil
By warships	3

Sunk and probably sunk:

By Aircraft	1
By Warships	1

Probably Damaged:

By Aircraft	2
By Warships	1

Possibly Damaged

By Aircraft	1

Estimated more than 100 U-boats now at sea in ATLANTIC. Since 1st January photographs show that rate of U-boat construction has been maintained and that it is continually being increased.

SHIPPING CASUALTIES. From 3rd to 9th July inclusive 25 ships were reported torpedoed. One Norwegian ship sunk and one U.S. ship (still afloat) in convoy off the mouth of the ST. LAWRENCE; one U.S. tanker sunk in West Atlantic; one British ship in FREETOWN area; one British and one French ship off LAGOS; one Dutch and one U.S. ship in the WEST INDIES area; 5 U.S. ships (3 still afloat), one British and 2 Brazilian ships off the Brazilian coast; 3 British ships (2 in convoy) in the MEDITERRANEAN; one U.S. ship in GULF OF ORAN and one Norwegian, one British, one U.S. and 2 Greek ships in the INDIAN OCEAN. During period 1st to 15th June 8 enemy ships totalling 29,380 tons were sunk, 5 of them totalling 15,200 tons in the MEDITERRANEAN.

TRADE. 3 ocean convoys arrived in home waters without loss. Imports in convoy into United Kingdom week ending 3rd - 1,251,000 tons, including 502,000 oil.

3. AIR OPERATIONS

WESTERN FRONT. Night. 1,707 sorties, 54 aircraft missing. Last week's heavy attack on COLOGNE was followed up by 2 more. First very successful. Further damage to town centre on West bank and heavy damage to industrial quarter on East bank, in particular Humbolt Duetz works. Second believed successful. Results of GELSENKIRCHEN attack not yet known.

Day. 3 major attacks by U.S. Heavy Bombers on 4th in good weather.

LA PALLICE. Good results. Hits on new lock entrance under constructio[n]

LE MANS. 4 hits on chief part of Aero Engine Factory and on bottleneck of marshalling yards.

NANTES. Very successful. Over half of main building of aircraft facto[ry] destroyed and spare parts stores seriously damaged.

MEDITERRANEAN. Throughout the week aircraft concentrated heavy attacks on enemy airfields in ITALY, SICILY and SARDINIA. Heavy air fighting resulted in which 111 enemy aircraft were destroyed. Allies lost 37. Enemy retaliated with only one attack when 50 aircraft bombed BIZERTA destroying some M/T and barrack huts. 4 enemy aircraft were destroyed. A total of 6,685 Allied sorties were flown.

RUSSIA. Apart from night bombing of German communications on both sides of KERCH STRAIT Russian air activity up to 4th was slight. Thereafter the Russian Air Force was heavily involved in defensive operations in connection with the German offensive against KURSK salient.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS OF ALLIED AIR ATTACKS

FRIEDRICHSHAFEN. Many radio location stores wrecked by H.E. and estimated that about half of the radio factory's equipment was destroyed.

WUPPERTAL. In attack end of May large quantities of parachute material and complete parachutes destroyed in textile warehouses.

SCHWARZUSOT. Following damage confirmed by photographs:

Steel works - 7 buildings destroyed, 4 badly damaged;

Locomotive and Armament works - 4 buildings destroyed, 9 damaged.

Breuil Steel Works - 4 main shops affected.

NAPLES. Photographs confirm severe damage to docks, shipping and dock buildings, marshalling yards, railway workshops and rolling stock, airframe works and oil storage installations.

POMIGLIANO. Aircraft factory.

5. HOME SECURITY

Estimated civilian casualties week ending 7th - killed 2, seriously wounded 5.

NOTE: OPTEL Nos. 226, 227 and 228 not received.