

DIARY

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March 9, 1943
10:42 a.m.

HMJr: Hello.

Operator: Mr. Robbins. Go ahead.

HMJr: Helle.

W. M. Robbins: Yes. Good morning, sir.

HMJr: You all right?

R: I'm all right. Still in one piece.

HMJr: How late was the train this morning?

R: Well, I just this moment walked in the office. I guess it was an hour and twenty minutes late.

HMJr: Robbins, there's one thing which I want to bring to your attention promptly. Last night, as I said I would, I called up La Roche....

R: Yes.

HMJr:and I got the impression, right or wrong, from him that they were going to go right ahead with these big posters and the slogan and everything else.

R: Well, no, not exactly that.

HMJr: Have you....

R: The name - the name of the drive they said they had checked with you.

HMJr: No, they didn't finally clear it. I gave them some suggestions but I don't know whether they were acceptable, but they were going to get out some big posters with the thing....

R: There were 10,000 24-sheet posters on which they wanted to print the name, which they told me they had cleared with you....

HMJr: No.

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- R:and the name was supposed to be, at that stage of the game, Second Victory War Bond Drive. Now, after all, we may fuss around a long time and get a worse name, and with the - with the....
- HMJr: No, that - there was the other thing - well, anyway, it's one of these things which will be straightened out as we get organized, see?
- R: Well, now let me give you the rest of that story, sir.
- HMJr: Yeah.
- R: So I said, well, so far as I was concerned if you've approved, that name was probably as good as we'd be able to find in the time at our disposal.
- HMJr: Yes. Well....
- R: Now they - they then said they wanted to stick with the theme, "You've done your bit, now do your best."
- HMJr: Yeah.
- R: And I have very strong reservations on that theme.
- HMJr: It was that what I was talking about, not the other.
- R: On the theme I told them, "No, I would not approve that."
- HMJr: Yeah.
- R: That - they said, "Well, then we have a problem here of - of 10,000 24-sheet posters"....those are the big ones, you know.
- HMJr: Yes.
- R: "....which, unless we close today, we will probably miss the printing and the - the posting." And I said, "Well, in that event, run your posters with the Second Victory War Bond Drive slogan, but do not run it with the "You've done your bit, now do your best" and we'll get the posters - we'll get the - the public display, but we won't have cast the die so far as the central theme goes."

HMJr: Well, now I tell you what I'd like you to do - hello?

R: Yes.

HMJr: I spoke to La Roche and he said - I told him I'd try to clear it by eleven but I can't, but I can clear it at quarter of three, see?

R: Yes.

HMJr: Hello?

R: Yes.

HMJr: Now what I'd like you to do is this for me. You got a pencil?

R: Yeah.

HMJr: On this stuff - I mean these are the people who I normally would ask their advice, and I thought you might sometime after lunch get together Mr. Gaston....

R: Yes.

HMJr:and Bell, if he's interested -- I don't know whether he's interested but you can ask him -- and Odegard and Gamble and Graves - hello?

R: Yes.

HMJr:and Buffington.

R: Uh huh.

HMJr: I mean this is just on this slogan and poster stuff.

R: Uh huh.

HMJr: And then Miss Elliott and Mrs. Morgenthau.

R: Uh huh.

HMJr: Now what I was going to suggest is this - if you could get together with them, say, right after lunch, I could join you in what I call my chart room -- you know the door....

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R: Yes.

HMJr:at 2:45....

R: Uh huh.

HMJr:and by that time you could have had your meeting, you see?

R: Uh huh.

HMJr: Discussed it, and get down to - well, it's "yes" or "no".

R: Uh huh. Well, now I don't know whether we've really gone so far on these posters that - that that - of course, we probably still....

HMJr: They haven't because I talked to La Roche and I told him to hold them up.

R: Yes.

HMJr: Because I didn't think he'd cleared them with you. I made quite a point of that.

R: Well, La Roche didn't clear them with me. Lane cleared them with me.

HMJr: Well, it's like all - I've told you I'm an organization man as you are, and I didn't want them to shoot the stuff and I said to La Roche, "Now holding it up until tomorrow, is it going to mean we're going to miss the bill-boards?" He said, "No."

R: Well, of course, that's the question I asked and they said, "Yes." (Laughs)

HMJr: Well, did you ask La Roche?

R: No, no, La Roche wasn't available, you see, and my....

HMJr: Well, I got La Roche and he said, "No, it's all right, Mr. Morgenthau."

R: Yeah.

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HMJr: So I'd like....

R: Well....

HMJr: If you - I held it up as I think I....

R: Well, I'm glad you did.

HMJr: Because I wasn't satisfied....

R: Yes.

HMJr:and the principal thing is - Bell said, well, he hadn't had a chance, and as long as La Roche said it would not mean we'd miss the bill-boards, I said, "Hold it."

R: Well, I think that's fine.

HMJr: So if you could have a preliminary meeting ahead of 2:45, you see....

R: Yes.

HMJr:of those people -- those are the normal people that I'd ask....

R: Yes.

HMJr:then I'll join you promptly at 2:45.

R: All right, sir.

HMJr: And....

R: We'll - we'll set it up that way in the Chart Room.

HMJr: Yes, with those people.

R: All right, sir.

HMJr: And then one little thing, (laughs) you see that you've been appointed as Deputy in W.P.B.?

R: No.

HMJr: I'll send it in, from the New York Times.

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R: No! (Laughs) Really?

HMJr: They announce your appointment as a Deputy in W.P.B.

R: Well, isn't that....

HMJr: Which just confuses things.

R: Isn't that too bad?

HMJr: What?

R: Well, that - that's just a slip of the pen somewhere, because my resignation has been tendered and accepted.

HMJr: Well, I'd like to suggest that you give Chic Schwarz some little statement so that he can explain it. Otherwise, it - it just confuses your operations here.

R: Well, it certainly does, and it - it's....

HMJr: I'll send the clipping in, and as I say, if you could give Chic Schwarz a little something to tell the newspaper men, it'll kill it now.

R: All right, sir. All right, sir, that's just a queer one.

HMJr: Now - now at eleven o'clock I go into this Open Market Committee where we're going to set the basket.

R: Oh, my!

HMJr: I think you ought to be there.

R: I know I should, sir. I know I should, and I want to be there. Confound it, there's just too many places to be at once.

HMJr: Well....

R: But I'll be there.

HMJr: Well - well, I think you should.

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R: All right, sir, I'll be there.

HMJr: And I had Gamble sitting in for Graves at these meetings, you see....

R: Yes.

HMJr:and he's got the feel of it and I think he'd better continue. If you want to bring in Graves and Buffington besides, that's all right with me.

R: Well, I think they should be.

HMJr: But Gamble has had the feel of it yesterday, and I think he'd better carry on,

R: Well, then I'll get Graves and Buffington and have - then all of us will be there at eleven.

HMJr: Right.

R: And that is where?

HMJr: In my office.

R: In your office. Righto.

HMJr: Thank you.

R: Right.

March 9, 1943
10:56 a.m.

HMJr: Hello.

Operator: Mr. Mager. Go ahead.

HMJr: Mager?

Harold Mager: Yes.

HMJr: Good morning.

M: Good morning.

HMJr: From either Haas or Blough, one or the other, you get this figure today - I'd like to know - I made the statement just informally that out of every dollar that we spend today, 95% of it goes to the war effort - Federal Government - hello?

M: Yes.

HMJr: Now, of course, the interest on the debt....

M: Yes.

HMJr:I excluded that in my calculations, but get that thing, because I think it's an awfully good thing and I might want to use it in my speech Friday, you see?

M: Yeah.

HMJr: Because I was talking to some soldiers, well, they didn't think they'd pay their taxes until the war is over. I said, "Well, do you realize that out of every dollar that we spend, 95% goes to the war effort?" Well, they didn't realize it, and I expounded on it and it seemed to make quite an impression.

M: Yeah, yeah.

HMJr: And I don't think that that's been explained.

M: Sure.

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HMJr: Have - do you see - have you ever seen that figure used?

M: Well, I've seen something very much close to it. I don't think we're spending that much right now.

HMJr: Well, you see, for the coming....

M: But I think we're approaching that.

HMJr: Well, for the coming fiscal year our expenditures are calculated....

M: Yeah.

HMJr:to be somewhere around \$95 to \$100 billion.

M: That's right.

HMJr: And the regular expenditures - for the regular....

M: \$105....

HMJr:\$105....

M: That's right.

HMJr: So it makes - it works out something like that.

M: That's right.

HMJr: And I thought I - I'd like to use it and drive it home. I think it's right. And, incidentally, on Friday I've got to say something about paying taxes on the 15th of March.

M: On the 15th of March. Well, I want to say something, Mr. Secretary - you mean the Atlanta speech, don't you?

HMJr: Yes.

M: Well, I've gone over that speech with Mr. Gamble and with Mr. Gaston, and they already approved the speech that I've drafted.

HMJr: Well, that doesn't make any difference.

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M: It doesn't?

HMJr: Not till I see it.

M: That's right. That means that it will probably need a whole rewrite, and the sooner - the sooner we get around to it, I think the better.

HMJr: Well, I'm in the midst of trying to settle how we're going to raise \$14 billion dollars.

M: I understand that, Mr. Secretary.

HMJr: So be patient with me.

M: I will. I certainly will.

HMJr: You see, I spoiled you the other day. I took your speech and only changed three words.

M: Which one was that?

HMJr: The last one I used. You should be used....

M: Oh, (laughs).

HMJr:to doing 17 rewrites....

M: Yeah, I understand that. Well, you told me to relax, and that's all I've been doing. Complete relaxation, I assure you.

HMJr: Good.

M: (Laughs) And I don't need any double bromides to do it.

HMJr: Good.

M: All right. I'll check on this.

HMJr: And - and you - wait until you do 17 rewrites.

M: Oh, I don't think it will ever be necessary. I hope so.

HMJr: All right.

M: All right then. Goodbye.

TREASURY DEPARTMENT

WASHINGTON

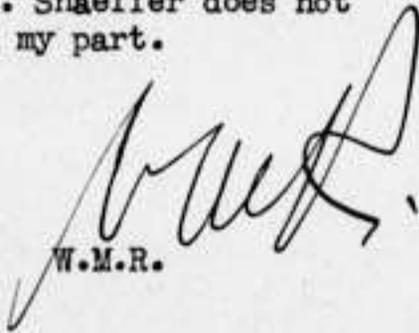
March 9, 1943

MEMORANDUM

To: Secretary Morgenthau

From: William M. Robbins

Mr. Shaeffer has been in touch with Bill Batt of WPB with reference to the unfortunate publicity I received in today's New York Times. The paper will be requested to print a correction tomorrow. In the meantime, Mr. Shaeffer does not advise any further action on my part.


W.M.R.

March 9, 1943
11:05 a.m.

FINANCING

Present: Mr. Bell
Mr. Buffington
Mr. Robbins
Mr. Gamble
Mr. Haas
Mr. Murphy
Mr. Viner
Mr. Eccles
Mr. Sproul
Mr. Rouse
Mr. Ransom
Mr. Piser
Mr. Paddock
Mr. Goldenweiser
Mr. Evans

H.M.JR: Mr. Bell, have you had a chance to talk with anybody from the Federal Reserve since you saw me last?

MR. BELL: Last evening I talked to Mr. Goldenweiser and Mr. Piser. We went over all of the things we discussed yesterday in our two meetings. They were to take that back and discuss it with the chairman and the committee this morning.

H.M.JR: Good.

Do you know where we are?

MR. BELL: I don't know what they have done this morning.

These are the things that we discussed yesterday in our meetings. (Paper marked "Plan I" handed to the Secretary, copy attached.)

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H.M.JR: Should I lead off and see where we are together and where we are not?

MR. ECCLES: I think that any procedure you want - I mean, if you want a report from us - or do you want to lead off with what you have and discuss it?

H.M.JR: We have a program here, and if that is agreeable to you we can run through it.

MR. ECCLES: I think that may be well.

H.M.JR: The first thing we have on here - I didn't put it this way.

MR. BELL: You can start at number two if you want to. I started with the item of quotas.

H.M.JR: I thought you were going to put down the first thing - the excess reserves. (Laughter)

MR. BELL: I put that last, with the unpleasant things.

H.M.JR: I will take it just the way it is here. First is quotas, over-all amount for the country. Go ahead, Bell, you tell them how we feel, and then maybe Mr. Eccles will say whether he agrees or disagrees.

MR. BELL: We thought the goal would be the quota for the country. We break that total down for each Federal Reserve District, and that is about as far as we ought to go with the quotas. But we would furnish the statistical data to each Federal Reserve president that he might use if he wanted to, to break that total for his District down into the county quotas. We didn't feel that that ought to be an official quota or a published quota. He could do that on his own.

MR. ECCLES: With reference to the over-all amount for the country, I think you have got to state what your

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objective is. We feel that it should not exceed thirteen billion as an objective. It is true in December that you got more than - between twelve and thirteen billion, but a large part of that amount was between five and six billion that went to the banks.

(Mr. Gamble entered the conference.)

MR. ECCLES: We felt that to raise it at this time, before your organization has - it isn't likely to be perfected to the same extent that it would be, we hoped, in the August drive, that you are trying another combination here and you haven't a lot of time. The idea of raising it beyond what you got last time - the next time you raise it beyond that again - it seems to us to establish a pattern of raising it each time might get you into trouble. There is no justification in it. As I say, the December drive included, I think, some subscriptions that really did not reflect a real sale of securities, nearly a billion dollars of the subscriptions were by dealers, and you limited the banks to two billion of each offering, but they got another billion, practically, from the dealers. I would like to see it not exceed thirteen billion.

H.M. JR: May I interrupt you? What we actually need - and we don't want to kid ourselves - we need fifteen billion; that is what we need.

MR. ECCLES: You need fifteen billion between now and August?

H.M. JR: No.

MR. BELL: We need fifteen billion in this drive, plus a possible certificate or a note issue between now and the end of July to run us through to August when we hope to have another campaign.

MR. ECCLES: That is all right. I was going to say you need fifteen billion--

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H.M.JR: Excuse me - that other is on top of the fifteen.

MR. BELL: That is right.

MR. ECCLES: We understood that, but to sell in this drive merely a lot more certificates, we will say - and I understand that is to be included - it isn't necessary, it seems to me, that those could be sold during the period. In other words, the larger the amount you raise in the drive period the less you will sell in between, but I don't know if that is desirable insofar as what you sell in between is pretty largely market paper.

If we were going to sell in the drive what we may term a non-money-market paper - investment paper - and you had a chance of selling fourteen or fifteen billion, I would say that was fine. But I see no point in selling fifteen billion now rather than sell two billion more in between of certificates or whatever you are going to sell during the drive.

H.M.JR: I don't know as I follow you. If you look at the basket - it should total fifteen billion dollars, does it?

MR. BELL: Yes, sir. Well, the way you have drawn them out on that sheet is fifteen billion dollars. The basket here doesn't total up. I don't think we are so far apart, Marriner, on the amount. We have felt that we needed fifteen billion dollars in this drive, but we couldn't announce that it would be a fifteen billion dollar program - it would be a little dangerous. We thought it ought to be a little more than the December--

MR. ECCLES: It is four billion more. In December you asked for nine and got between twelve and thirteen, for some of the reasons that I have indicated, which wasn't a wide distribution of securities, but you got them from sources that I think are not the most desirable sources to get them from. You announced a nine-billion-dollar

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drive. If you go to thirteen, that is a big increase in the goal you set. That does not mean you may not get fourteen or fifteen, but I am speaking about - you can say you went out for nine in December. This time you are setting the drive at thirteen, which is a very big increase.

H.M.JR: We want to set the drive at fourteen.

MR. ECCLES: I am saying our view is thirteen - our recommendation is thirteen. We understood you had talked fourteen, but we just feel that to set it at that goal is too high. We would recommend the thirteen, and you would possibly get your fourteen or fifteen.

H.M.JR: As I say, we here feel that we need fifteen, and we would like to set it at fourteen and hope to get the fifteen.

MR. BELL: If we set it at thirteen, that means you get eight billion from non-banking sources, and if you consider that six hundred million of the dealers securities went to the banks, then you have about seven billion two in the December drive outside of the banking system. You have raised this drive only about eight hundred million in additional funds from non-banking sources.

MR. SPROUL: That is if you don't get any more than thirteen. Whatever you get over thirteen would increase your non-bank sale.

H.M.JR: Do you mind, Marriner, if I here on this question of how much - is it clear - you see, what we proposed to do, as I say, was the first three days to get two billion of seven-eighths certificates, and then after that leave them open to the public? Then on a two-percent bond open to the public for the life of the drive, and to the banks the last three days in the amount of two billion. On the two-and-a-half-percent bond, open to non-banking, we would put it down for two billion eight; and the savings bonds, E, F, and G, a billion and a half; tax notes - how much was that, two billion two?

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MR. BELL: I think on the new sheet there are probably some revisions of those figures.

H.M.JR: Whatever it is. Then bills, eight hundred million. What I would like to ask is where do you people think we can - those figures total fifteen billion. Now, I would like to ask --

MR. RANSOM: Total what, Mr. Secretary?

H.M.JR: Fifteen billion. I would like to ask members of this executive committee where they feel we will fall short on the fifteen billion - in which one of these items.

MR. ECCLES: It isn't a question of feeling that you will fall short. As a matter of fact, I don't personally - there are certain objections I have to the program. You wanted our recommendation and feeling, and the program that we would like to see is to see a thirteen billion instead of a fourteen billion goal, getting what you can, for the reason that we think that to establish a quota for the country as a whole, increasing the amount each time - you made the thirteen, and you were four billion above what you went out to get in December. We think you should get what you can and fill in between instead of trying to get so much all in a drive. You do some financing in between.

H.M.JR: But Marriner, what kind - it isn't as though we were trying to raise it. It is what our needs are.

MR. ECCLES: But you are going to get what your needs are. It is a question of whether you get it all during the drive or whether you fill in with some of your bank financing in between the drive.

H.M.JR: What do you mean?

MR. ECCLES: I mean, you can get more in between the drives from the banks instead of trying to get it all during the drive.

H.M.JR: When would you get it?

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MR. ECCLES: You have June, July, and August. I mean, you are going to be selling bills in between; you could sell more certificates; you could sell more bills.

H.M.JR: Which of these things - let's divide this thing. You would offer less to the banks and then--

MR. ECCLES: No. Here is what I would like to see us do: Go out for thirteen billion for the reasons stated, taking more if you could get it, fourteen or fifteen - you possibly would get it. I would make available to the banks on the opening of the drive the two-billion-dollar bond, and not the certificate. I would not include the certificate in the basket during the drive, but would include it as an offering, say, about the 20th in such amount as you may determine then and make it available to the banks and everybody else in possibly a two or three day period. The reason for that is that the certificate is more or less of a money market piece of paper; and to sell it to the public during the drive - it matures in a year from now - you really are not selling anything. It is something that there is a short supply of. Anybody buying certificates can turn around in two or three months and sell them at a premium, based on our pattern of rates.

You are letting the public off too easy to let them satisfy their obligations to support the Treasury by merely buying certificates. I think you are letting the salesmen off too easy if you let them go out and raise the quota on certificates. I would use the certificate, but not in the basket as an instrument that the salesmen can go out and let people fill their obligations by merely taking a certificate. I would offer it as a money-market offering during the drive - leave it open for a two or three day period, and take subscriptions from everybody, including the banks, and then make an allocation, leaving the certificate open for non-banks to take all they want of it during the drive. They can take the subscriptions and very easily turn them over to the banks. They can take them and turn them over to the dealers.

MR. BELL: You say allow them during the drive--

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MR. ECCLES: I say if you do in unlimited amounts they can take them and turn them over to the banks or turn them over to the dealers. The existing certificates that are now outstanding, say those that are due next December, they are selling at a premium. Anybody who holds those certificates would be foolish. They should sell those certificates to the Fed on the basis of the pattern of rates. They can sell bills to us on the basis of the pattern of rates, and buy the new certificate.

This is merely a transfer of existing certificates that could be sold at a premium and replaced with the new certificate.

I am thinking of the certificate as something that doesn't have to be sold. It sells itself, and, therefore, should not be included as a piece of paper for a salesman to sell during the drive period, but should be offered in its proper place.

MR. BELL: I thought we wanted a basket so that when you approached a potential investor he wouldn't have any excuse whatever for not going along with this drive - investing his money in Government securities.

It seems to me that the certificate is very popular and it should be part of the drive.

H.M.JR: Could I ask a question? Why haven't we been told of your views?

MR. ECCLES: I did - I discussed it very thoroughly last week. You didn't come in, but I told Dan and the group of that view. The boys yesterday told him this view; we fully expressed this view. I talked for half an hour in there a week ago.

H.M.JR: I mean, I asked him to get our views to you yesterday afternoon so that we would know--

MR. BELL: I did, and I mentioned yesterday that Mr. Eccles would prefer that the seven-eighths would be

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outside of the drive and also that there was a suggestion last week that it be a note.

MR. ECCLES: We came over a week ago today, this afternoon, and we spent all afternoon here after our meeting of the full Open Market Committee. We made a report of the recommendations of the full Committee, and what I have said now is a part of that report - a week ago today.

H.M. JR: Then no progress has been made; we are just where we were a week ago.

MR. BELL: On that one point, yes.

H.M. JR: Is that the only point of difference?

MR. ECCLES: Well, there was this question of amount - we expressed thirteen billion a week ago.

MR. BELL: That is right.

MR. ECCLES: Another one was that we expressed a view that the two percent should be offered first, whereas you proposed it second. Outside of those - we all agreed there should be a quota for each Federal Reserve District, and the Federal Reserve District should break it down into counties.

We recognized that your mind had been made up with reference to including banks and non-banks together. We made a statement that we had hoped that sometime we would get to the point where we would make a drive including the non-bank and having the banks fill in between to the extent necessary. But we recognized it was too late in this drive to do that, so we accepted the idea of including the banks and the non-banks in the drive.

I think the rest of the program is about what was discussed and agreed upon, that the dealers should be put in the classification of banks rather than the non-banks. Instead of letting them buy all during the drive

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we should take subscriptions only at the time the subscriptions are taken from the banks.

MR. SPROUL: I don't agree with that.

MR. BELL: I don't think that was in the agreement among you.

MR. ECCLES: That is right. I think New York didn't agree on that.

Then there were two other things that were not discussed last time that we discussed this morning, because we didn't know of the maturity that was proposed on the two and a half and the two percent. We feel that the two-percent bond should mature in September rather than in December. That means you would have to lengthen the other six months and not nine.

H.M.JR: That thing can be settled in a couple of minutes.

MR. ECCLES: The two-and-a-half-percent bond should likewise be lengthened six months instead of a year - instead of some period here - it tends to hold the outstanding bonds at a premium, and we don't feel that - they are either held at a premium or they are dropped below par. We feel that there should not be more than the six months difference in those maturities.

H.M.JR: The principal thing, as I understand it - because if it is agreeable, I would like to hear from other members of this committee. The principal thing is you don't want us to offer this seven-eighths at the beginning.

MR. ECCLES: That is right, and I personally would not like to see the certificate included in the basket all during the drive, but make an offering of the certificate along about, say, the 20th, and make it available not only to the bank, but to the public.

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H.M.JR: I won't do that. I mean, I am just not going to--

MR. ECCLES: You asked for recommendations, and I am just giving them.

H.M.JR: Well, I am not going to have a drive and then in the middle of the drive offer something that isn't included in our advertising or anything else. It would just be confusing to the people. I mean, either we are going to have a drive, or we are not going to have a drive, and I am not going to in the middle of a drive offer two billion dollars worth of securities. I am just not going to in the middle of a drive.

MR. ECCLES: Well, we are offering bills, of course, every week to the public, and that is included in the drive, so that--

MR. BELL: It is included in the amount, but it is not included in the basket.

MR. ECCLES: I am just suggesting that the seven-eighths doesn't belong in the basket.

MR. BELL: If you offered this along the 20th, would you pick up the May 1 maturities?

MR. ECCLES: You could, or you couldn't. You could either pick them up or refund that in a note. It was suggested that you might offer a note to the holders of those certificates; that had been suggested.

H.M.JR: Marriner, the way I look at it is, we have got a lot of merchandise to offer, and these people certainly are going to have to be trained. They are going to have to explain it. It is difficult enough to take the picture and explain it. I want these salesmen that are going to work for us to know everything that we are doing in this three or four-week period. I don't want in the middle of the drive to come along and have every salesman say, "What is this seven-eighths drive?"

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MR. ECCLES: I would announce that now as part of your program. I think you are going to announce that you are going to offer a seven-eighths certificate at that time, but you are not going to let people subscribe to the seven-eighths in an unlimited amount.

H.M.JR: If you are willing to concede that we announce it, then it becomes a part of the basket and it becomes a part of the total.

MR. ECCLES: Except it wouldn't be on tap for the whole period of the drive. You would make it available--

MR. BELL: He just wants a bank issue.

H.M.JR: I think you have a good argument about not leaving it open for the whole time, and it makes a fellow feel like "I took a hundred thousand--"

MR. ECCLES: That is right, he is getting a seven-eighths certificate with a premium immediately, and a year from now you have this huge maturity of certificates. What you have now in December is four billion of securities, and if we are going to take the easy way of financing with the certificate, we are just building up trouble for ourselves when they all begin falling due in a year from now when you have more money to raise than you have now.

H.M.JR: I think that that is a good argument. If you will concede - I want to look at it, but I think that that is a good argument if you will concede - you say sell the seven-eighths on the 20th to the banks - that that is part of the advertising and part of the picture.

MR. ECCLES: I would open it on the 20th to the public and take subscriptions on the 20th for a period of, say, three days, that you are going to offer a certificate and you would prorate the subscriptions and the amount you would make; whether it will be two billion or three billion or four billion, you can determine at that time.

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You don't need to say in advance how many certificates you are going to offer, but you have that thing with its flexibility, whereas what you do - you say fourteen billion, and then you say two billion from the banks in certificates, two billion from the banks in bonds, and that means that you have already set ten billion for the public. That is what you have said.

Now, my idea is that if you set thirteen billion in total, you get two billion of bonds, the two-percent bonds from the banks, and then you leave open here a seven-eighths certificate that will be available both to the public and - both the public and the banks in such amount as it seems advisable to make available at that time, and make your drive in trying to sell this other type of investment paper.

H.M.JR: Marriner, if you are going to announce it is included, then you are right back to where we stood. You are going to say that you are going to have at least two billion. If you are going to have two billion of seven-eighths--

MR. ECCLES: I wouldn't say the amount of seven-eighths. I would say two billion of two's, and the balance open to the public. Then say on the 20th that you propose to likewise offer to the banks and the public for a period of not to exceed two days or three days - you will take subscriptions for a seven-eighths certificate. That does not mean, then, that the salesmen are going out to sell the seven-eighths certificate, but you offer it to the public and take subscriptions.

H.M.JR: Marriner, you can't - I went through the same argument with you people last time. I can't say I am going to offer a seven-eighths certificate. The first thing these men will say is, "At how much, Mr. Morgenthau?" I will say, "I don't know," and then they will write a story, correctly, saying, "Here he is going into a drive and doesn't know how much he wants."

MR. BELL: The headline would be that you are a little afraid of your public end of it, so you are leaving

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the certificate open to take up the slack. That is the same problem we had in December. We argued it out quite a bit, and we were afraid to open it on that basis.

H.M.JR: We had the difference of opinion with the Fed, and--

MR. BELL: I think what you have to do next time probably is to separate banks and the whole drive and put the drive on its own basis.

H.M.JR: Anyway, I have what Eccles has in mind, and if it is agreeable to you, could I go around the room and hear from some of the others?

MR. ECCLES: Surely. What I am suggesting is only based on the thirteen billion. I think if you went more than thirteen and announced it - you probably have to take the easy way of actually raising a lot of this money in certificates by selling it to the public.

MR. BELL: I wouldn't quarrel about the amount being thirteen or fourteen.

H.M.JR: My dear Bell, if you say thirteen, that leaves--

MR. BELL: ... two billion dollars short.

H.M.JR: You are not going to say how many certificates?

MR. BELL: Sure.

MR. ECCLES: You will get just as much.

MR. BELL: If you say thirteen, then you hope to get fifteen.

H.M.JR: How much would you say in your announcement?

MR. BELL: Eight billion to the public instead of nine billion. You would still have five billion to the banks under either amount.

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MR. ECCLES: That is right.

H.M.JR: You are going to cut it down on the certificates?

MR. BELL: On the public - the amount from the public. You are splitting the thirteen billion dollars, the five billion to the banks, and eight billion to non-banks.

H.M.JR: Where are you reducing it by a billion, in the certificate?

MR. BELL: No, any place that the non-public--

H.M.JR: Where are you going to expect to get a billion dollars less out of the public? We had them down for ten billion.

MR. BELL: You have to reduce the ten, so you might as well reduce the nine to eight. You can do it any place along the line.

MR. ECCLES: You don't fix how many the public is going to take in any one issue. They are all open to the public. The only place you fix the amount is in the case of banks, and you have left open to the public six different issues.

H.M.JR: That is your advice; now let's hear what the next man has to say.

MR. SPROUL: My advice on the quotas would be the same as that given to you by Mr. Eccles. I think you had a quota of nine billion in December and raised almost thirteen billion. I think both from the standpoint of market psychology and from the standpoint of the factor of safety for the Treasury an announcement of the quota of thirteen billion would be well in excess of the quota announced in December - slightly in excess of what you raised - and it would leave you with the possibility of obtaining fifteen billion, which is what you would like

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to get for the drive, just as well as if you announced the quota of fourteen billion.

On the question of the securities to be included, I think of course, as Mr. Bell has indicated, that we should get to, and we are working toward a separation of the bank and the non-bank drive. However, it is determined for this drive that it is going to be both bank and non-bank. Then that leaves the question of the seven-eighths-percent certificate.

I agree with what Chairman Eccles has said about the undesirability of the seven-eighths-percent certificate as a matter of financing, that it means selling a one-year piece of paper which quickly gives you a return well beyond the one-year rate for holding for a period of three or four months, and that it tends to camouflage the proportion of sales as between non-bank and bank investors.

Now, taking off my hat as a reserve banker and putting on my hat as a salesman-- (Laughter)

H.M.JR: You ought to walk around your chair.
(Laughter)

MR. SPROUL: I think given the time at our disposal, just about one month before the drive starts, and given the organization that we have which we are still putting together, to reach these figures we are talking about we probably will be forced to put in the seven-eighths-percent certificate for the drive. But I should dislike to see the pattern of December and now the pattern we may be creating for the April drive establishing a pattern for all future drives, because I think the seven-eighths percent piece of paper should not be in a drive. When we get to a separate drive for non-bank investors, it shouldn't be there.

That, in general, is my opinion about the over-all questions on the timing and maturity and coupon of offerings. I think it would be better to offer the two-percent bond first, to have it only six months longer

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than the previous issues; to offer the two and a half on a '64-'69 basis rather than a '65-'70; and to finish up with an offering to the banks of the certificate.

However, for myself I say that even though you have indicated you think it would be confusing - for myself, I think it would be possible and not confusing for the refunding offering to put in a note which would hold down the amount of your maturing certificate, which is going to come around in one year, of perhaps four billion plus. If you put in a note offering for the refunding operation, which, in my opinion, need not confuse the drive because they will exchange largely with the banks, you would reduce the volume of your certificate maturity and get some of your debt out two or three years later and have a better picture a year from now.

H.M.JR: You mean for the billion and a half which is maturing?

MR. SPROUL: The billion and a half plus - you want to pick up with the CCC notes, a billion and nine.

H.M.JR: You would refund that with a note?

MR. SPROUL: Yes, without confusing the drive and having a better picture a year from now than if you put it all in certificates.

H.M.JR: Now let me just go - have you a piece of paper there?

MR. SPROUL: Yes.

H.M.JR: Let me just see where you and I are apart as to the money, you see.

We have down here (Referring to table entitled "Goals for a \$15 Billions April Drive By Issues," copy attached.) for a seven-eighths-percent certificate - I will run through the whole thing. Put down a column "From Banking Sources," and leave room next to it for "Other than Banking Sources." We start off, first, at the head of the column "From Banking Sources" with eight hundred million in bills.

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MR. ECCLES: Doesn't that figure a billion?

MR. BELL: No, eight hundred million.

H.M.JR: Then next under the "Banking Sources" column, seven-eighths certificate, two billion one. We didn't have anything down from the certificates under the seven-eighths. We only expected to sell that to banking sources.

MR. BELL: Yes, it is in the non-bank; it is the second item.

H.M.JR: No, there is nothing down.

MR. BELL: For non-banks two billion three.

MR. MURPHY: April 12 to 14 is the period of opening to the banks, Mr. Secretary, and that is on a separate line.

H.M.JR: That is confusing.

All right, then they had seven-eighths certificates - you didn't do it the way I wanted it done.

MR. MURPHY: I am sorry.

H.M.JR: I explained it enough at the time to do it across. It isn't here - you have seven-eighths certificates, two billion one.

MR. MURPHY: The seven-eighths percent certificates also occur in item two in the non-bank drive. You see the thing is arranged by the calendar in which you had the securities offered throughout the month, then April 12 to 14 and 12 to 30.

H.M.JR: You didn't do it the way I wanted it. How many do you expect from non-banks in the drive?

MR. MURPHY: Two point three.

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H.M.JR: You are going to sell four billion four of these certificates?

MR. MURPHY: Yes, sir.

H.M.JR: All the same certificate?

MR. MURPHY: Yes, sir, and two billion, and one point eight of another one.

H.M.JR: But I mean of one due April 1, '44 - you expect to sell four billion four of that one certificate?

MR. MURPHY: Yes, sir. Of course the amount open to non-banking investors is open-end, and it is just our estimate of what they will take.

MR. ECCLES: They will take that if you leave it open. That is what I am telling you.

MR. MURPHY: Four point four billion of corporation funds - they are very short-term funds. They are funds that are available as a result of inventory runoffs and accounts receivable, uninvested depreciation, and reserves. They want a short investment for them. It is really between tax notes and certificates.

H.M.JR: Well, I wouldn't go along with that.

MR. HAAS: In December it is three point eight - the certificate worked out.

H.M.JR: Anyway, take what they have down here. He has tax notes down from other than banking sources, a billion seven.

Am I confusing you the way I am doing it?

MR. SPROUL: No, that is all right.

H.M.JR: Then comes the seven-eighths.

MR. ECCLES: Tax notes are a billion seven?

H.M.JR: Yes.

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MR. ECCLES: That is non-banking mostly, isn't it?

H.M.JR: Yes, that is under the "Non Banks" column.

MR. ECCLES: Banks can buy them for taxes though.

H.M.JR: Then for the two-percent bond from "Non-Banking Sources" they have down one billion one, and the two and a half they have under "From Non-Banking Sources" two billion seven; E bonds, a billion and a half; and the F and G, seven hundred million. Now that column should total ten billion dollars.

MR. BELL: That is non-banking.

H.M.JR: Then add to that "From Banking Sources" two billion one of the two-percent bonds, and that column should total five billion.

MR. SPROUL: It comes out right. (Laughter)

H.M.JR: Allan, which of these things would you not do? I mean - amalgamate yourself now into one--

MR. SPROUL: You needn't contemplate not doing any of these things. On the bank side, that is set; there is no question about the two billion one on the certificate, two billion one on the two percent bond, and eight hundred million on the bills - you get five billion - that is set.

H.M.JR: You mean that is agreeable to you?

MR. SPROUL: Yes, that is set. On the "Non-Bank" you have estimates of funds available or funds that you will get in the drive of ten billion. You don't need to change that at all, either. You only need to say in your quota that your quota is thirteen billion - but you still can expect to get this ten billion of non-bank funds or more, in which case you would get fourteen or fifteen billion.

H.M.JR: I want to question you again. Are you

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arguing - what to the public - of this figure from non-banking sources, how much would you like to set it from the public?

MR. SPROUL: You don't have to set that in your announcement. I don't think it is contemplated that anywhere in your publicity would you say - well, it would be a matter of subtraction.

MR. ECCLES: But you are going to say that you are going to get a total--

MR. SPROUL: If it is known that you are going to get five billion from the banks, then the subtraction would be eight billion, as far as the quota is concerned, is what you would get from the public; but you would in fact strive to get nine or ten billion from the public if you could get it.

H.M. JR: But here in the room you would cut down the ten to what?

MR. SPROUL: I would cut the ten down to eight here in the room.

H.M. JR: And for the public?

MR. ECCLES: Then go over your quota.

MR. SPROUL: Then go out to get nine or ten or whatever you can get from non-bank investors.

H.M. JR: Now that is your position, Eccles?

MR. ECCLES: Yes, I am in favor of the thirteen. I have some slight modification from Allan on the certificate, but I have already stated my position.

H.M. JR: If I could go back at Allan again - of these things to the public and of the list that I read off, which would you like to see modified?

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MR. SPROUL: I don't know, Mr. Secretary. I think these estimates are just as good as any estimates I could make. It is a matter of the aggregate amount which you are going to announce and the psychology of announcing a little less than you get.

H.M.JR: That is the point I made last time, you remember. We are not in disagreement. But you don't want to see these seven-eighths certificates offered to the public at the beginning of the drive?

MR. SPROUL: Yes, I said that as a salesman and given the time we have to do this job and the organization we have to do it, I think we have to leave them in, but I don't think we want to leave them in another time. I don't think they belong in the drive another time.

H.M.JR: I agree with you.

MR. BELL: He could change the order, putting the two-percent bond first and the seven-eighths-percent certificate last for the banks.

MR. SPROUL: That is right. I suggest for consideration the note to refund the nearly two billion you have coming due the first of May.

H.M.JR: What is the argument, Dan, as to - why does the Treasury want to put the certificate first?

MR. BELL: We think the certificate is the most popular of the three securities and you ought to put your most popular one first to get a good start.

MR. HAAS: It is not confused with the refunding of the certificate on the end.

H.M.JR: Now, Allan, are you through for the moment?

MR. SPROUL: Yes.

H.M.JR: Now, the next gentleman?

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MR. EVANS: I don't have anything to add, Mr. Secretary, to what the chairman and Mr. Sproul have said. Mr. Paddock will have to get out in the field and peddle them.

H.M.JR: You don't want to add anything?

MR. EVANS: No, I don't.

MR. PADDOCK: I feel the same way about being on both sides of the fence. We discussed it, and we thought we would rather put the certificates at the end and the two-percent bond first. For the sales proposition to get the returns, it would be better to put the seven-eighths percent certificate first. We have a job ahead of us, and a big one. We have very little time - relatively little time - and the program with the reduction from ten to eight as suggested would be better if we run over it - get the same result.

H.M.JR: We are arguing about whether we call it - we want to call it nine publicly, and you want to call it eight publicly. That is what it is. It sounds silly to say we are only a billion dollars apart, but that is where we have arrived gradually. (Laughter)

Is there anything else? Ronald?

MR. RANSOM: I would like to see you limit it to thirteen, Mr. Secretary. I am sorry that our salesmen feel that you have to use your certificate to the public. I am encouraged by Dan's statement on the next drive; that we will not have that problem, that we will have this divided between the banks and the public and can get away from that.

MR. BELL: I said we might have to do that. (Laughter)

MR. ECCLES: Don't try to hedge. (Laughter)

MR. BELL: I was thinking of Mr. Robbins' problem.

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H.M.JR: What is that?

MR. RANSOM: I said I was greatly encouraged by the first meeting of the executive committee that I have attended to hear Dan say that we are getting around to a point where we are going to divide these drives between banking and non-banking sources. I think if we could do that we would be much better off.

H.M.JR: That is a pious hope of Dan's. (Laughter)

MR. BELL: That is what I expressed. He put it in the form of a positive statement. (Laughter)

MR. RANSOM: It is so easy to accomplish that that I don't want to have it designated as merely a pious hope. I am sorry you have to feel that you have to go as strongly as it is proposed for these certificates to the public. I think that isn't really solving the problem; it is merely postponing the day, and the difficulties will accumulate rather than be solved by it.

H.M.JR: You are right, and I just don't know what we are going to do about it.

MR. RANSOM: These salesmen tell us the time is so short that they don't see how you can do anything else. That is an argument extremely difficult to meet, but I still think it ought to be given a great deal of consideration, certainly before we get into the next of these drives.

As to the order of them, I would not like to see the certificate put up at the head of the list. I would much prefer not having it there; where it can fall is another question, but I think putting it at the beginning, as is proposed on this memorandum you gave us - I don't like that. I don't think, as you say, that we are so terribly far apart; just a billion dollars these days isn't a wide gap. But I think the order in which you take this and the pressure that is put on the different securities that are in your basket are quite important for the longer range view which I think we are

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obliged to take. I don't see why any of these difficulties can't be worked out. I am not impressed as I listen to you people talk and listened to Mr. Sproul and Mr. Paddock-- (Laughter)

H.M.JR: You are putting us in the same basket?
(Laughter)

MR. RANSOM: There is not such a wide difference. However, the fundamental principles which the chairman stated at the beginning I am fully in agreement with - completely so.

H.M.JR: Well, just in passing, if we decided to use a note of two or three years for the refunding, then the argument against using the certificate around the 20th would sort of fall by the wayside.

MR. RANSOM: Yes, I think so.

H.M.JR: Because there wouldn't be two certificates at the same time.

MR. RANSOM: I like that proposal.

H.M.JR: So we can consider that--

MR. ECCLES: Then you would offer the certificate at the end of the drive?

H.M.JR: Yes, and a note for refunding.

MR. ECCLES: That is our suggestion.

MR. RANSOM: That would be very satisfactory.

H.M.JR: The bond first.

MR. ECCLES: That is right, don't put the certificate out.

H.M.JR: But I gather these salesmen still wanted the certificate first.

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MR. RANSOM: They are like all salesmen; they want the easy way if you will give it to them. (Laughter)

MR. SPROUL: No, we wanted the two-percent bond offering to banks first. The certificate available during the drive was our salesmen's argument.

H.M.JR: Beginning right from the beginning?

MR. SPROUL: Yes.

H.M.JR: Let me just get this executive committee. You people say you would like the seven-eighths offered right at the beginning, but not to the banks?

MR. SPROUL: That is right.

H.M.JR: I am talking now to the salesmen members of the committee.

MR. SPROUL: That is right.

H.M.JR: The bank offering of the seven-eighths to be kept along until the end?

MR. SPROUL: That is right.

H.M.JR: Then this refunding to be possibly a note?

MR. SPROUL: Yes, refunding a note.

H.M.JR: But the banks being offered the two-percent bond right at the beginning?

MR. SPROUL: That is right.

H.M.JR: Is that more or less it?

MR. ECCLES: That is right, we are all in agreement on that. The only point of any disagreement - and there was no disagreement in principle - that is, we all agreed that the certificate was a bad piece of paper to sell all during the drive. The salesmen part of our organization

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feeling that they had the responsibility for raising the quota want to, of course, still not give up what appears to be the easiest way of doing it. I would like to put them in a position where they are under a little more difficult job to do to get out and actually sell securities instead of giving them this certificate all during this drive. You can raise any kind of quota almost that you want on that. That is the difference, and that is the only difference.

MR. EVANS: I was going to say we were concerned about the rolling up of maturities on the seven-eighths.

H.M.JR: Maturities?

MR. ECCLES: Yes, a year from now. You have terrific maturities when your volume of financing is increasing, if anything.

H.M.JR: Well, we won't worry - I had the most beautiful picture; I didn't have a short-term maturity coming due until after February 1, '45, and now look at me. (Laughter) Now look where I am.

MR. BELL: And you haven't seen anything yet. (Laughter)

H.M.JR: Don't think I didn't have it in mind.

Bob Rouse?

MR. ROUSE: I would like to define the note that I would like to see you use for that refunding thing, and I would make it at least a four-year note. That would be nearly two billion dollars that you wouldn't have maturing within a year. I would, as far as I am concerned, prefer the two percent bond first before the certificate, because it has been a long time as far as the country banks are concerned since they have had something to supplement their income other than buying it in the market at a premium. I don't think it is a vital thing to have any disagreement about. Fifteen billion dollars is to my mind a tremendous sum, and I don't think it is easy with anything. I think that covers it.

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H.M.JR: Piser?

MR. PISER: I have nothing to add. I agree with what the chairman has to say about the certificate issue, and I think it might be best to have a limited certificate issue toward the end of the drive rather than an open-end issue during the drive.

I am in full agreement with what has been said on that.

H.M.JR: Dr. Goldenweiser?

MR. GOLDENWEISER: I haven't anything to add, except a figure of speech - it seems to be a difference between thinking of the certificate as an appetizer or thinking of it as a dessert. The appetizer should come at the beginning, and the dessert should come at the end. I am inclined to think it is a dessert. (Laughter)

H.M.JR: Another way, if you want a figure of speech - I mean, taking Mr. Eccles' viewpoint you might think of it as an opiate. (Laughter) Is that right, Marriner?

MR. ECCLES: I think possibly it will pep up the drive, but I think the reaction of it is like the reaction of an opiate.

H.M.JR: Dr. Viner?

MR. VINER: Nothing.

H.M.JR: Mr. Robbins, do you want to say something?

MR. ROBBINS: I am really not qualified to comment on the financial aspects of this except from a sales point of view. I would make one observation. That is, that undoubtedly there is a very definite necessity for this wide variety of offerings, but if it weren't so wide I think we would do a better job. I think offering seven securities makes the sales problem considerably harder, and I hope that in some future time we will be able to

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narrow our field, because I think we will do a better job. The other question - this is a question rather than an observation - perhaps Mr. Bell can tell me - on the non-bank offerings here, the two percent was for one billion one; and the two and a half percent for two billion seven - that is three billion eight. What did we actually do in the December drive in those classifications?

MR. BELL: On the one and three-quarters, which is comparable to the two's, we raised one billion; and in the two and a half's, two billion eight; and in the seven-eighths we raised one, seven.

MR. ROBBINS: Then in those classifications comparably it is three billion eight against three billion eight, exactly the same figure.

MR. SPROUL: Three billion nine in December.

H.M.JR: What I would like you to do, Robbins, maybe a little bit later - I may have to excuse myself - I wish a little bit later you would take up this question of the quota with this group. We in the Treasury have gone this far. Mr. Bell has gone very far. We believe we should publicly have a quota by Federal Reserve Districts. I think that is the Treasury's position. This is far as we have gone - leaving it to the president of each Federal Reserve District to decide what he wants to do in passing it down the line. I don't know whether from your standpoint that would be a satisfactory procedure or not. I wish you would discuss that a little later and see if you can't settle it possibly today.

MR. ROBBINS: I can quickly say we will do a better job with the quota, and the Federal Reserve method of handling the quota is completely satisfactory.

MR. ECCLES: On the quota we discussed this a week ago, and every one, except Mr. Sproul, of the Reserve Bank presidents were very strongly for a quota - they felt that they had to know what they were shooting at, and they

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likewise wanted two quotas; in other words, one quota for the banks, which is entirely a different matter, and a quota for the public. So far as they were concerned, they had to have it separated between the two.

MR. ROBBINS: I think that is right.

MR. ECCLES: Now, we discussed the formula, the basis upon which to make the quota, and I think that - of course, you couldn't get a complete agreement - but as Allan says, they have all bunched on him - the whole eleven presidents figured that New York's quota wasn't high enough. (Laughter)

H.M.JR: What I wanted them to talk about a little later was whether Robbins wants to leave it to each Federal Reserve Bank president to decide whether he wants a district quota or whether he wants a State quota, and so forth.

MR. ECCLES: They have already decided that. They decided that they wanted a district quota only. I know there wasn't one who wanted it below that.

MR. ROBBINS: I would accept that right away, sir.

MR. BELL: And that quota was based on the eight or nine billion.

MR. ROBBINS: There is a quota committee, is there not, made up of each Federal Reserve? My thought, to be sure I understand it, is to take the total amount, break it down by banks; then the quota committee breaks it down by Federal Reserve Districts.

MR. ECCLES: That has been done. They have a formula for determining it.

MR. ROBBINS: Following that point, each Federal Reserve president handles his own quota within his own Federal Reserve District.

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MR. ECCLES: That is right.

MR. ROBBINS: That is completely satisfactory.

H.M.JR: I have never yet seen the report of this quota committee, and I would like to pass on it before it jells.

MR. BELL: I have seen it, and Mr. Haas has done some discussing of it with their committee, and he is working on it.

MR. ECCLES: Mr. Haas was present with the committee of the banks. They had a meeting in Chicago - weren't you there, George?

MR. HAAS: No, but after they came back from Chicago a group of them came over to see me about it.

H.M.JR: I just didn't want you gentlemen walking out of the room thinking it had my approval, because I haven't even seen it. But we can do it very rapidly if someone will bring it to my attention.

George?

MR. HAAS: Yes, we have some suggestions.

H.M.JR: Let me just ask this. Marriner, could this committee sit with us again this afternoon? I don't know how much time these people have allowed.

MR. ECCLES: Yes, I think so. Are there any of you that have some other plans?

MR. EVANS: No.

MR. SPROUL: What time this afternoon?

H.M.JR: I will be available from three-fifteen on.

MR. SPROUL: That is all right.

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MR. ECCLES: I would say the sooner the better.

H.M.JR: If any of you need accommodations, the men outside will help you, either train or plane. If you have any trouble changing, tell Stephens and he will help you.

As I say, I have certain things - could I do this - would this be agreeable to you, this discussion as to where the bond should fall, whether six months earlier or six months later - the discussion about whether we should have - I mean, just where the two and a half should fall, and whether we should offer a note for the refunding - could you men continue this discussion now, right here? I will leave you in possession - nine-tenths of the law - and then I will be available at three-fifteen.

MR. ECCLES: That would be agreeable. There are two or three things I think we might be able to discuss profitably here.

H.M.JR: Those things - I mean, just where the two percent falls, where the--

MR. ECCLES: You have another, and that is whether you are going to reduce the two and a half to hundred dollar denominations. We didn't mention - and likewise whether it will be--

H.M.JR: They know where I stand on those things. I would like to have you continue the discussion here up to your lunch time, and I will be available again at three-fifteen. Is that all right?

MR. ECCLES: Yes.

H.M.JR: We have discussed this thing very fully.

Plan I.

March 9, 1943
A.M.

44

MEETING OF THE EXECUTIVE COMMITTEE
OF THE OPEN MARKET COMMITTEE OF THE FEDERAL
RESERVE SYSTEM IN THE SECRETARY'S
OFFICE ON MARCH 9, 1943

I. Quotas -

- a. Over-all amount for the country
- b. Each Federal Reserve District
- c. Each county or other region of each Federal Reserve District

II. Amount -

- a. Banks
- b. Non-banks
 1. Individuals
 2. All others

III. Basket - (All new securities dated April 15)

- a. 7/8% Certificate maturing April 1, 1944.
Available throughout the drive for non-bank investors; available for the first three days of the drive up to \$2 billion to bank investors.
- b. 2% Treasury bond of December 15, 1950-52.
Available throughout the drive to non-bank investors; available for the last three days of the drive up to \$2 billion to bank investors.
- c. 2-1/2% Treasury bond of March 15, 1965-70.
Available throughout the drive only to non-bank investors. The lowest denomination to be \$500.
- d. Tax Notes, Series C.
(Possibly Series A should be eliminated from the drive. If Congress passes the pay-as-you-go bill possibly eliminate it altogether.)
- e. Savings Bonds, Series E, F and G.

- 2 -

- IV. Refunding of May 1 maturities (Certificates - \$1,506,000,000; Commodity Credit Corporation - \$289,000,000; total, \$1,795,000,000)

Suggest a new one-year 7/8% certificate be offered around April 20, outside the drive, in exchange for the May 1 maturities, announcing at the same time that this is not to be considered as a precedent for future maturities of certificates.

- V. Investments for bank time deposits -

The question is as to whether we should permit banks to purchase the long 2-1/2's up to a specified percentage or a specified amount of their time deposits in order that they will be to some extent on a par with mutual savings and building and loan associations.

- VI. Dealers -

Should dealers be classified as non-bank subscribers as in December or should they be classified as bank subscribers and confined to the subscriptions and period opened to banks.

- VII. Excess reserves -

March 9, 1943

**Goals for a \$15 Billions April Drive
By Issues**

Issue and Time of Offering	Amount to be obtained		
	From banking sources	From other investors	Total from all sources
	(In billions of dollars)		
April - Continuously (weekly) Regular bill program*	.5		<u>.5</u>
April 12-14 Bank offering 7/8 percent certificates (due April 1, 1964).....	2.1		<u>2.1</u>
April 12-30 Nonbank drive			
Tax notes*		1.7	1.7
7/8 percent certificates (due April 1, 1964).....		2.3	2.3
2 percent bonds of December 15, 1950-52.....		1.1	1.1
2-1/2 percent bonds of March 15, 1965-70.....		2.7	2.7
E bonds*		1.5	1.5
F and G bonds*7	<u>.7</u>
Subtotal - nonbank drive			10.0
April 25-30 Bank offering 2 percent bonds of December 15, 1950-52.....	<u>2.1</u>		<u>2.1</u>
Total - April drive	<u>5.0</u>	<u>10.0</u>	<u>15.0</u>
April 20-22 Refunding Issue (outside of drive) Offering to holders of maturing certificates and GCS notes (bank and nonbank) 7/8 percent certificates (due May 1, 1964).....			<u>1.4</u>

* Amount shown includes the entire volume of sales during the month.

March 9, 1943
11:57 a.m.

Grace
Tully: Good morning, Mr. Secretary. How are you?

HMJr: Fine.

T: That's good. Okay for Thursday morning, 9:30.

HMJr: Wonderful.

T: You and Jr.

HMJr: And Jr. too?

T: Yeah - or III, I should say.

HMJr: Yeah, I'm Jr.

T: Yes, sir, that's right.

HMJr: Well, that - that's....

T: Jr. and III.

HMJr: Pardon - hello?

T: Yes, sir.

HMJr: Are you at a distance?

T: Yes, sir.

HMJr: Oh.

T: But won't be tomorrow.

HMJr: I get you. Thank you so much.

T: Fine.

HMJr: All right.

T: Goodbye.

HMJr: Goodbye.

March 9, 1943
2:17 p.m.

HMJr: Hello.

Operator: Helvering.

HMJr: Hello, Guy?

Guy
Helvering: Hello.

HMJr: Henry Morgenthau.

H: Yes.

HMJr: About this fellow, Morgan Hoyt, up - from my district - hello?

H: Yes.

HMJr: The memo I got was - said that - from you - what do you think - he's a - he's the only local politician I've ever done anything for in the whole valley.

H: Well, I sent you over a favorable memorandum on that.

HMJr: You - you - well, the reason I called you, it said - the memo I got said that the Commissioner would be reluctant to do it. But if you consider it favorable, then I'd like to go ahead and do it.

H: No, I was reluctant about putting him on as a Field Deputy.

HMJr: Oh. Well, I don't want to - but it said that - well, what can you do for him?

H: Well, we can put him in the office up at - I instructed the Personnel Section here to write to Hickey up at Albany....

HMJr: Yeah.

H:and to arrange a place in the office for him.

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HMJr: You think it's all right?

H: Oh, yes. We're taking on men that old now, that is, on these short appointments.

HMJr: Well, let's do it then.

H: Oh, yes.

HMJr: I'll - I'll write you.

H: All right.

HMJr: Do you want me to write you, or - or you just go ahead and do it?

H: Yeah, I'll - I'll go ahead and do it.

HMJr: Fine.

H: And....

HMJr: He - let's see what was it his - oh, he's a great booster there for Roosevelt and he's....

H: Yeah.

HMJr: He's - he's....

H: Well, of course, I can't give him the salary he's

HMJr: No, no. No, no, just what you said in there. I think you said six - you said \$1,620 and with over-time it would be \$1,950.

H: Yeah.

HMJr: Right?

H: Yeah.

HMJr: Okay. That'll be fine.

H: Yeah. Yes, we're - we're attending to that.

HMJr: Good. Thank you.

H: All right.

March 9, 1948

Dear Mr. Hoyt:

I am glad to inform you that we have been able to find a new position for you, and you will hear directly from the Bureau of Internal Revenue.

With kind regards,

Sincerely yours,

(Signed) H. Mergenthau, Jr.

Mr. Morgan H. Hoyt,
77 Spring Valley Street,
Beacon, New York.

THE SECRETARY OF THE TREASURY
WASHINGTON

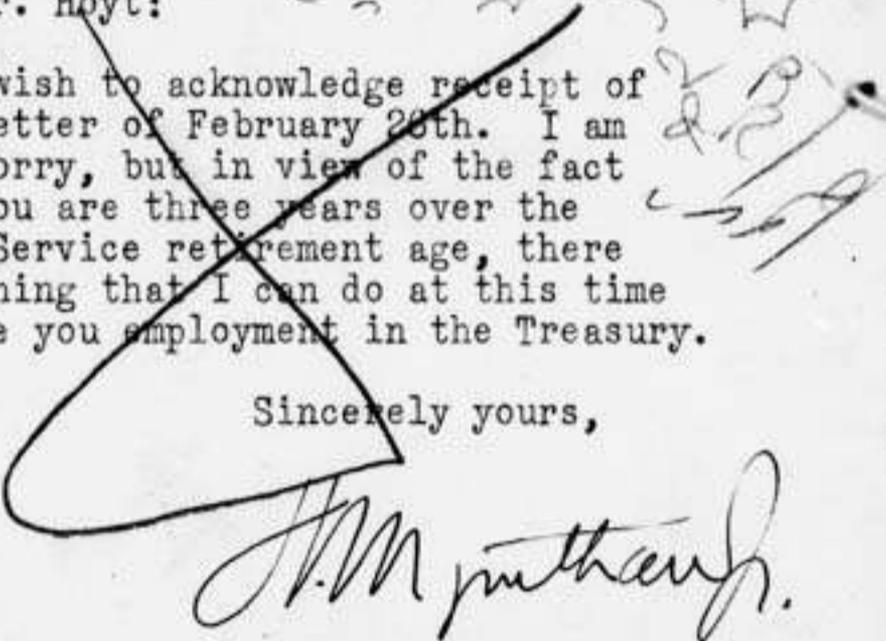
March 8, 1943

~~Mr. Morgan H. Hoyt~~
New York
Beacon, N.Y.
2/23/43
L.H.

Dear Mr. Hoyt:

I wish to acknowledge receipt of your letter of February 28th. I am very sorry, but in view of the fact that you are three years over the Civil Service retirement age, there is nothing that I can do at this time to give you employment in the Treasury.

Sincerely yours,



Mr. Morgan H. Hoyt,
77 Spring Valley Street,
Beacon, New York.

OFFICE OF
THE ADMINISTRATIVE ASSISTANT
TO THE SECRETARY OF THE TREASURY

March 6, 1943.

MEMORANDUM:

Mr. Hoyt is 73 years old -- 3 years over the Civil Service retirement age. There would be legal authority to waive the age limit for his reinstatement but the Commissioner would be reluctant to do this unless the Secretary wants it done. If it is waived, a \$1,620 job in Albany could be developed for him which with the overtime would make his total salary about \$1,950. He formerly received \$2,400.

John

February 26, 1943

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

Dear Mr. Secretary:

Pardon my delay in expressing my deep appreciation for delaying the closing of the Albany Procurement Office thus enabling the help to be transferred without being jobless at a week's notice. I was about to write when I saw of your visit to Cuba for your health. Mr. Leonard, to whom I was assistant, went with the Lend-Lease and the girl with Internal Revenue. A year and a half ago we had eighteen in the office and as they were laid off employment was found elsewhere. I was through February 1st. with no job in sight, and as I had a severe attack of the flu have been at my home in Beacon since.

I do not want to be classed as a nuisance. It is unnecessary for me to tell you of my thirty-five years newspaper work in Dutchess; of my more than that length of time as Beacon chairman terminated only because of the Hatch Act, and of personal friendship of the President since he entered public life. But I have never directly or indirectly sought any favor for myself or anyone else of him as I valued his friendship far beyond any office I could be given.

And deep down in my heart I bear the same feeling toward you. Except for an elective office, Police Judge at Fishkill Landing for twelve years, the fact is I never asked anything for myself but did assist others, until 1935 when I asked you, and if you will recall after the 1932 election in which I gave every candidate of my party a substantial majority, Roosevelt five hundred-- Lehman four hundred and fifty, etc., you voluntarily wrote me a letter congratulating me and saying my work entitled me to some patronage. Three years later newspaper conditions were such I recalled this to your mind and you very generously gave me a job as "assistant to Mr. Leonard" in Albany where I have been since very happy and contented. For four years my son, Philip, was here as Secretary to Mr. Poletti as Lieutenant Governor and Governor which made it pleasant.

Would it lower me in your estimation to again ask you to transfer me to some other Department leaving the place and salary entirely to you. They are putting on help in the Internal Revenue both in Albany and in New York. I shall not annoy you by asking anyone to intercede for me. I surely need it. In case certain things happen next year I would resign anyway to campaign in Dutchess County.

Yours very truly,

Morgan H. Hoyt

Morgan H. Hoyt
77 Spring Valley Street
Beacon, New York

Tel. Beacon 601

I believe I have Civil Service status as I have been paying on retirement since January 24, 1942 at \$2,500 salary.

March 9, 1943
3:25 p.m.

FINANCING

Present: Mr. Bell
Mr. Haas
Mr. Murphy
Mr. Viner
Mr. Eccles
Mr. Sproul
Mr. Rouse
Mr. Hanson
Mr. Piser
Mr. Paddock
Mr. Goldenweiser
Mr. Evans

H.M. JR: I hear you made real progress as soon as I left the room. (Laughter) It was very encouraging to me.

Go ahead, Dan, why don't you go over it once more? Why don't you do the things that we are together on? Then we can do the things we are not together on. Is that agreeable to you, gentlemen?

MR. ECCLES: I think the things we are not together on were practically eliminated here, weren't they, Dan?

MR. BELL: I think we are together on this memorandum on quotas, on the amount of the drive, the thirteen billion, separated as five billion dollars to banks, and eight billion dollars to non-banks. We broke down the non-banks rather arbitrarily, based on Mr. Haas' previous figures: two and a half billion for individuals, and five and a half billion for all others. (Plan II attached.)

Then as to the basket, we made some changes there and got an agreement. We opened the drive with a

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seven-eighths-percent certificate for two billion dollars, for banks, for the first three days, it being available throughout the drive; the two-percent bond would be available throughout the drive to individuals, and would be available to banks the last three days of the drive up to two billion dollars. We would have it mature September 15, 1950-'52 instead of December 15, '50-'52 as we had it originally. The two-and-a-half-percent bond would mature '64-'69 instead of the '65-'70 that we had.

We didn't come to an agreement on the lowest denomination. There was still a feeling that we ought to go down to a hundred dollars. I think Mr. Sproul feels rather strongly about it, that there is some money there, and we should have that hundred-dollar piece available in case anybody wants a coupon bond.

H.M.JR: I thought I would like to let that go over until tomorrow. We have people coming in from Chicago, New York, and Boston at ten o'clock tomorrow. I would like to put that up to them.

You know about it?

MR. SPROUL: Yes.

MR. ECCLES: Dan, there was this point made: I think we felt it more important to cut that to a hundred dollars than to carry them in stock with the banks. You indicated that if you carried them in the stock of the bank in hundred-dollar denominations, it would be quite a job.

MR. BELL: Yes, but I think that probably you misunderstood me. I said first that I didn't care whether it was a hundred or five hundred, but that since the Secretary decided to stock up the banks with the whole of these securities I was leaning toward the five-hundred-dollar denomination, but if it is decided to make it a hundred dollars, we will just have to stock the banks.

H.M.JR: It is known as the Bell plan - the stocking of the banks. (Laughter)

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MR. BELL: Yes - I am "agin" it. (Laughter)

MR. SPROUL: I said that if there was still any choice between stocking banks and having a hundred-dollar denomination, I would rather have the hundred-dollar denomination, because if it is just a matter of the drive, I think that would sell more bonds to small non-bank investors than stocking the banks. I don't hook up the two things in my mind. I mean, in considering them - they have no relation to each other.

MR. ECCLES: I don't know that they should, as a matter of fact. Dan raised it.

MR. BELL: That is what swung me to the five hundred dollars. (Laughter) In my mind they have no relation to each other. Up to that time I didn't care.

H.M.JR: While we are talking about stocking the banks, was it decided whether we would sell them and let them get the interest or put them on consignment?

MR. BELL: Put them on consignment.

MR. ECCLES: What the thought had been was that you would let the banks get interest - I mean, that is what the original recommendation was at the time it was discussed here, but that only - they would have to keep on selling them. They had them there, and they would put their money in them, but the Treasury, of course, if they didn't have them, would always have the call on them.

H.M.JR: But that isn't putting them on consignment.

MR. ECCLES: No, it was a question of buying them.

MR. BELL: After discussing it for some time we felt that that would change the pattern we had set for the banks.

MR. ECCLES: If you are not going to give them the interest, I would forget it. A lot of them wouldn't bother to qualify.

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MR. BELL: I think a lot of them will.

MR. ECCLES: Some of them will, but you won't get the universal effort to sell them.

H.M.JR: I am willing to let them have the interest.

MR. ECCLES: I think that that is the thing to do, personally, because I think you would get real interest in the thing, and you would get them, practically all of them, to take the bonds and really make an effort on it. Otherwise there is going to be an apathy about it.

H.M.JR: I am willing to let them have it with the understanding that we will buy back whatever they don't sell and have left at the end of the drive.

MR. ECCLES: Of course what had been recommended, if you will recall, by the bank presidents when this thing was discussed first - I don't know whether you were here or not, but anyway, this was a very important matter. They were all very much in favor of keeping a stock of them on hand constantly with the banks. You would keep a stock so that not only just during the drive would they take them and keep them with the idea of continuing to sell when people had money, but when they come into a bank and ask for a recommendation or advice they have something to sell. Now, that was the general view of the presidents at the first meeting we discussed this, wasn't it, Dan?

MR. BELL: Yes, I think it was.

MR. VINER: What rate of turnover would you specify in order that there shouldn't be bank investment?

MR. ECCLES: It would be a comparatively small amount, Jake, and they would expect to report to you the sales periodically. If it appeared that they were just not doing any selling, you would call them back. On the other hand, if it appeared that they were acting in good faith and were moving them out, you would leave them there.

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MR. VINER: The banks legally buy these in the open market?

MR. ECCLES: No.

MR. VINER: How would you distinguish between the ones they legally acquire and those they acquire otherwise?

MR. ECCLES: The Treasury would sell them to the banks in a certain amount. They would know what was sold to them, and they would then report to the Treasury the sales.

H.M.JR: The certificates would be numbered.

MR. ECCLES: That is right. It would be a question of identity, and they would report the sales to the Treasury just as though they were on consignment; the only difference being that they would have their money in them. That would be the only distinction.

MR. BELL: The only way we have of policing is through the examination.

H.M.JR: I think it is a very nice way of compensating these banks for a lot of work they are doing.

MR. BELL: Well, you are in part crossing that bridge when you allow them to get the interest. They are doing a lot more work on series E bonds for which they should have compensation.

H.M.JR: Aren't you going to stock them with everything?

MR. BELL: Yes, but there isn't any way of giving them interest on E bonds unless they hold them for a year, when the interest becomes due.

H.M.JR: That is right. Well, as far as I am concerned I am willing to do it. I agree with whoever said it. If you really want to stock them, I think you

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have to let them get the interest. It can't amount to an awful lot.

MR. ECCLES: If I stocked them at all, I would do that. I wouldn't put them on consignment.

H.M.JR: I am very keen to have them stocked.

MR. ECCLES: I think if you are going to stock them the only way is to let them have the interest.

H.M.JR: It is all right with me.

MR. ECCLES: Of course, that is a detail of the thing. I mean - this wouldn't be a part of the announcement, would it?

MR. VINER: What would you say to the small bank that can't sell two and a half's, but can sell E bonds? If it says that you are remunerating the large banks that don't really need it, you are not compensating those who really need it.

MR. ECCLES: There are very few banks that couldn't sell some of these.

H.M.JR: That is his bad luck that he is a small bank.

MR. BELL: That is where we will get our kicks from.

MR. ECCLES: You have farmers, small investors, and professional men in every community.

MR. SPROUL: I think if the provision has any advantage, which we thought it had, it would be for the small buyers and buyers who would be in the districts where the small banks are located. This provision has no great meaning for the big banks and the city banks; they don't run across this demand of people who want to step up to the counter and buy a bond and get it when they put their money down.

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MR. BELL: Do you want to stock them or pay them?

H.M.JR: Either one. Viner raised the point - the little bank doesn't issue E bonds, does it?

MR. BELL: Yes, they can hold E bonds.

H.M.JR: No, the E bond is the one that requires the application form. The small bank doesn't have the E bond, does it?

MR. BELL: Yes, we make them an agent.

H.M.JR: They do that for nothing?

MR. BELL: That is right.

MR. ROUSE: It comes down to the case of paying the banks to do a job and seeing whether you can make it more uniform by paying an outright commission.

H.M.JR: Twenty-five cents a bond?

MR. ROUSE: Whatever it may be, whether it is an E bond or a two and a half--

H.M.JR: Let's think about that a little bit more.

MR. ROUSE: You can pay a man to delay in selling bonds. In other words, you pay him the interest so it is to his interest to sell them at the end of the drive rather than at the beginning.

H.M.JR: Let's think about it. You don't have to announce that this week.

MR. BELL: Tax notes, series C, would be in the basket. It is suggested that series A, which was not a very important item in the December drive, be eliminated from this drive. Of course if Congress passes the pay-as-you-go bill, it will eliminate them altogether.

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Savings bonds, series E, F, and G, would be in the drive. It has been suggested that we announce on April 1 that F and G be discontinued on April 30. That would bring in more money during the drive for those two series.

H.M.JR: I am not going to agree on that today. I don't have to agree to it today.

MR. BELL: No, you don't.

MR. ECCLES: As I understand it, it is just a recommendation that we make.

MR. SPROUL: It was thought that if it were going to be done it should be announced at the beginning of the drive.

H.M.JR: Yes, but you are pushing to do this thing - get out this stuff for the advertising people and everything by Thursday--

MR. BELL: I don't think you have to do that.

MR. ECCLES: This wouldn't appear in your announcement necessarily, just so you announce it at the time of the drive and announce it as a separate matter.

H.M.JR: Then load up everybody with F and G and on May 1 resume sale of them again. (Laughter)

MR. SPROUL: Or you could call them H and I after May 1. (Laughter)

MR. ECCLES: Yes, resume, if you could, after you load them up. (Laughter)

MR. BELL: For the refunding of the billion seven hundred ninety-five million of May 1 maturities, they suggested you offer in exchange a new one-year, seven-eighths-percent certificate around April 20 or 25, the certificate to be dated May 1 and run for one year.

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We would announce sometime along here that we would pay off the maturities in June, which is a bond and a note, and the RFC maturity in July, in cash. We have already announced that we will pay the call bond off in cash; and possibly sometime in late May or early July we would offer a note which would replenish our cash balance for the money we used to meet those maturities.

H.M.JR: Wait just one second - oh, all right.

MR. ECCLES: You don't decide on that note. The idea is that you are going to announce that you are going to refund these June maturities, the RFC, and the July maturities - that is, they will be paid in cash; and the thought was that it would be a good time to put the note out then instead of at the end of the drive such as was discussed this morning.

MR. BELL: Investments for bank time deposits - we just discussed that a minute and related what we had agreed upon yesterday, that we wouldn't do anything about it at this time. I think Mr. Eccles feels that we have to do something about it sometime because it is going to be with us for a long time. The bankers are going to continually criticize us for discriminating between mutual savings and the commercial banks with savings.

MR. ECCLES: Building and loan, and postal savings are other factors that they kick against. You had RACC, postal savings, building and loan companies, and then you don't let them take the two and a half's. I mean, they feel it pretty badly - some of them do.

H.M.JR: Would you do that this time?

MR. ECCLES: I don't know; I don't feel very strongly about it at all, except the only reason I raised the question is it is a question of a psychology in having it to the extent that you get hundreds of thousands of banks feeling that they are being treated as fairly or reasonably as you can. That psychology is worth something in connection with these drives getting down to the grass roots. I am not able to say what it is, but I do know that it is a factor.

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H.M.JR: I am awfully hesitant to do it. I think--

MR. ECCLES: I think we might pass it up this time. You have made it easy with this certificate. I think you get your money - I would pass it up this time and leave it to the time when you are going to have to make a hard drive.

MR. BELL: When we want something hard.

MR. ECCLES: That is right.

MR. SPROUL: I would pass it up this time, because I question doing it at all anyway. (Laughter)

MR. ECCLES: New York and Boston are not affected, you see. They have no such problem. They have nothing but mutual savings banks, you see.

MR. SPROUL: We have banks that complain too.

MR. PADDOCK: We have a few in New Hampshire and Vermont.

MR. ECCLES: There is much less of a problem. You should have heard the bank presidents talking about Boston and New York selling two and a half's. They got all the insurance and mutual savings bank money from over there and the rest of the country. Even the savings that they do have you can't put it in two and a half's.

MR. BELL: At this point we all got hungry. (Laughter)
That is as far as we got.

H.M.JR: All right. The five hundred dollar denomination - we are going to let that go?

MR. BELL: At the present time.

H.M.JR: If during the next couple of weeks we have a lot of heat put on us we can always reconsider it.

What about dealers?

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MR. BELL: It is a question as to where you should classify dealers this time. The last time we classified them as non-bank subscriptions, and I think they got a total of about eight hundred and ninety million, wasn't it?

MR. HAAS: Eight hundred and eighty-eight or something.

MR. ECCLES: There is no need of limiting the banks if you are not going to limit the dealers. The banks will take what is limited, and the dealers will come along and take the balance.

MR. BELL: I have about eight hundred eighty million dollars of subscriptions that were allotted to the dealers - I think it was a hundred and fourteen million of the two and a half's. Mr. Rouse has made some estimates which show that of the seven hundred fifty million left about one hundred fifty million were sold outside of the banks. Is that right, Bob?

MR. ROUSE: Of the seven-eighths and one and three-quarters, twenty percent were sold by Government security dealers outside the banks. Taken as a whole, a third of them were sold outside of the banks, including the two and a half's. A third of what they took down was sold outside of the banks. I don't know about the other security dealers, but these I do know about.

H.M.JR: What would you do if you had the decision?

MR. ROUSE: I would treat them the same way I did in December; otherwise you drive the business right into the ground. If I were a security dealer and I couldn't subscribe the way I did in December, I would subscribe as an individual. My wife would subscribe, too.

H.M.JR: You would do it anyway.

MR. ROUSE: Sure.

MR. SPROUL: Mr. Secretary, the question is, what is meant by dealers. If it means just a small group of

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Government security dealers, then to single them out and to say that they are not to be permitted to subscribe as non-banking investors merely means that you take the one group that has some distribution and deprive them of the ability to subscribe. It is admitted that they subscribed and sold to banks, but this is a possibility which is open to every stock exchange house and every investment banking house in the country, and it is also open to individuals. It seems to me that to merely take this one group which has some distribution and to put it in with the banks is not meeting the problem and is depriving you of some possible distribution in non-banking investors.

MR. BELL: That would mean all kinds of dealers and brokers.

MR. ECCLES: Both of them.

H.M.JR: Do you feel very strongly, Marriner, on this?

MR. ECCLES: I think it is a pure camouflage, if you opened up to them, to try to put any limit on the banks. I mean, that is why I think, of course, the whole issue of keeping the banks out of these drives and separating it from the other makes the problem easier, but to the extent that you would put the banks in the drive - and you want to keep a limit on the banks - you fixed two billion here and two billion there. Then you open the door up to dealers and brokers to come in for all they want, and it just means that you are more or less encouraging an unlimited subscription on the part of the banks.

MR. VINER: Can a bank subscribe directly and then also make a deal with a dealer at the same time?

MR. ECCLES: Sure.

MR. SPROUL: They can and do.

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MR. ECCLES: That is just the point. So I say that putting a limit on what the banks take is an illusion.

MR. VINER: What sort of a deal - are they going to pay the full premium, if there is a premium, or do they split it with the dealers?

MR. ECCLES: They possibly pay them some small commission.

MR. VINER: But not the full premium the market may later have?

MR. ECCLES: They buy it before there is a premium. If they--

MR. ROUSE: The highest they have paid has been a sixty-four, and it is usually less than that, one one-hundred-twenty-eighth.

MR. HAAS: Some are at par, too. The dealer gets the interest and borrows at a half.

MR. ROUSE: There is some combination so it works out at just a few dollars.

MR. VINER: The deal is really made in advance of the market, saving the premium; so it is really a subscription by the bank.

MR. ROUSE: The thing is that you lose - of course, the result of the dealers' activities in getting subscriptions is not shown in the direct subscriptions. If you remove their good will, I think you remove quite a considerable factor from the atmosphere surrounding the deal, because they are an influential group in determining how the deal sets up in relation to the rest of the market. And the banks in the country and the insurance companies in the country will go to the dealers and inquire from them how the deal looks to them.

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I think it is worth something, as a matter of fact, to the Treasury to retain that good opinion. I think under these conditions you will get it anyway. I think it is not unreasonable to pay a little bit for it, too.

H.M.JR: Rouse, I will make a deal with you. Now, I am unalterably opposed to this thing, see - absolutely - but if you will guarantee to keep the reserves at two and a half billion dollars I will go along with you on the dealers. (Laughter)

MR. ROUSE: Let's go outside. (Laughter)

H.M.JR: I think it is a terrible thing; I think it is camouflage; I think it circumvents the thing, and everything else; but I would gracefully give in, you see, if you will take care of the reserves. (Laughter)

I don't know whether you want to go outside to have a fight or an argument. (Laughter)

MR. ROUSE: I will decide both questions if you would like. (Laughter)

H.M.JR: What do you think? I am almost adamant on this thing, but I would give in gracefully if you take care of the reserves. (Laughter)

MR. ROUSE: I would say I'd just as soon you stayed adamant on it. (Laughter) I am looking after Bob Rouse now.

H.M.JR: Well, that didn't get me very far, did it? (Laughter)

MR. ECCLES: He is like Allan. He has to walk around the other side of the chair. (Laughter)

H.M.JR: To be serious, I think it is a necessary evil, and I think we had better let it go along once more.

MR. BELL: We have a lot of necessary evils. (Laughter)

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H.M.JR: We might as well close our eyes to it.

MR. RANSOM: Can we trade with you on the same basis you propose to trade with Bob?

H.M.JR: You want to trade with me?

MR. RANSOM: Yes.

H.M.JR: Sure.

MR. RANSOM: We will give in on the dealer situation if you give in on the reserves.

MR. BELL: Boy, that is one for our side, as far as the Federal Reserve Board. (Laughter)

H.M.JR: I know how to get Sproul and Rouse on the reserves. I will wait until the day before and then say, "Why didn't you say something to me, that this is what you wanted?" (Laughter)

I am not going to argue about it. I will wait until about the day before the drive starts.

MR. ROUSE: Why don't you wait until you have something to--

H.M.JR: To kick about? (Laughter)

MR. ROUSE: To kick about, yes.

H.M.JR: Well, that would be about the day before. (Laughter)

MR. SPROUL: You will know in advance when you are going to kick. (Laughter)

MR. ROUSE: We will be out - Allan and I - that day. (Laughter)

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MR. ECCLES: I do think that dealer thing, though, is quite a problem. For this time it may be all right. The thing is pretty wide open, anyway, but it certainly is a camouflage.

H.M.JR: Sure it is.

MR. ROUSE: There is one thing we can do.

H.M.JR: Excuse me - I am being serious now. I know it is, but I am relying on Sproul and Rouse to see it stays within reason.

MR. SPROUL: That is quite an order. We do what we can on it.

H.M.JR: I say within reason - that it doesn't get out of bounds, that is all.

MR. SPROUL: As far as the Government security dealers are concerned, we can do that.

H.M.JR: That is what I am talking about.

MR. ECCLES: If you eliminate the dealers from the picture and take the rest of it, it isn't as large--

H.M.JR: I am serious now. I am looking to Sproul and Rouse to keep the Government dealers in line, to see that it doesn't get out of bounds.

But it is a safety valve. If you wanted to say to these boys, "Now look, we want you to take a half a billion", they will take it.

MR. ECCLES: If we are going to do that we ought to change the basis of the quotas.

MR. VINER: It seems to me the banks are the ones to deal with. They ought to be told that we won't expect to find them having a hundred percent more than their quota a week after the issue is out.

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H.M.JR: It won't happen that way.

MR. VINER: That is what would happen if they buy from the dealers.

H.M.JR: But it won't happen that way.

MR. ECCLES: It won't? It did last time.

H.M.JR: A hundred percent above their quota?

MR. ECCLES: Oh, I didn't hear that - not a hundred percent, no.

H.M.JR: Again, seriously, Mr. Sproul and Mr. Rouse, are you willing to accept that responsibility of seeing that these Government dealers stay within reason?

MR. SPROUL: We will accept it with respect to Government security dealers, yes.

H.M.JR: That is what I meant. I am not interested in what they do in United States Steel.

MR. SPROUL: I mean dealers. The stock-exchange houses and investment banks of all sorts, and individuals play this game, also.

H.M.JR: I am talking about--

MR. SPROUL: The Government security dealers.

You might say in the circular of offerings that the banks are expected to subscribe directly but not to buy in the market from intermediary subscribers.

MR. VINER: Not during the campaign.

H.M.JR: The thing I would like to do tonight, if somebody could stay behind with Bell, is send a telegram tonight to the twelve presidents of the Federal Reserve

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banks, giving them this basket. Say, "This is what we have in mind, and we would like to have your comments back here the first thing Thursday morning." Tell them not to discuss it outside of the banks, just to keep it within the banks.

MR. RANSOM: You mean within the Federal Reserve bank?

H.M.JR: Yes. No, wait a minute. Would you want to consult with War Bonds - the War Finance Committee?

MR. SPROUL: You are going to have down here tomorrow some representatives of both. You will have the War Finance Committee, as represented by Victory Fund and War Savings Staff, so I should think you would allow the others to make the same inquiries at home.

H.M.JR: That is right, to consult with the War Finance Committee in their district.

MR. BELL: And some of them will be here.

H.M.JR: That is all right. But I was thinking, you consult with these fellows and why shouldn't Day in San Francisco have a chance. We have always done that.

MR. ROUSE: You could address it to the chairman of the War Finance Committee.

H.M.JR: To consult with the members of his committee. It would go out over my signature. Ask them to have an answer back on my desk Thursday morning.

MR. BELL: Would you two gentlemen want a wire?

MR. SPROUL: I don't need one.

H.M.JR: Just to keep the record - I would put it on the record.

MR. BELL: All right.

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H.M.JR: Why send it to eight and not to twelve?

What else is there, Mr. Chairman Eccles?

MR. BELL: There is one more item on there.

MR. ECCLES: Yes, you have the reserves.

H.M.JR: That is all right. We will wait until about the day before. We will put the heat on. (Laughter)

MR. ECCLES: I do think, however, that with this seven-eighths certificate being available in unlimited amounts - both for the banks through the dealers as well as through - as well as directly during the entire period of the drive - I think the reserve situation is less important than otherwise might be the case. There would be the shorter certificates on sale on a very large scale; your three or four or five or six or seven months' certificates will be sold at the premium that they bear on the basis of the pattern; and the subscriptions for the seven-eighths will be very heavy.

The way the subscriptions to the seven-eighths would be heavy, of course, would be by the Fed supplying the funds through that means.

I think you will find there are plenty of reserves.

In considering reserves I don't think that enough consideration has been given by the Treasury to the mechanism that has been set up by the Fed in establishing a buying rate for bills. Likewise, it is almost the equivalent of a buying rate for certificates.

In looking at a bank's reserves you can't look at them without also considering the amount of bills and the amount of short certificates which they hold, which are the equivalent of reserves. In other words, they can elect to have whatever reserves they want to have.

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The member banks, for instance, in the leading cities - well, there is approximately two billion of excess reserves, and the leading cities have four billion two of bills, which to them - I think we have pretty well educated them into feeling that those are the equivalent of reserves through the establishment of the buying rate.

The holders outside of these leading cities - that would be all other holders, including the small banks - have two billion six. I don't know just how many of that two billion six are in the smaller banks, but those are the banks that have the large excess reserves, anyway.

Where the reserves are short is in the leading banks, and particularly in Chicago and New York. They make it a point to immediately invest the reserves. You can't give them reserves. If you give them reserves they immediately put them into bills and into certificates. So it isn't an easy matter to fix the amount of reserves they are going to take because they just don't keep them. It is just like overnight funds. They put them right to work.

Therefore, in measuring the reserve picture you have to take into account the bills and the certificates which they have, which are the equivalent.

H.M.JR: Well, Marriner, I am perfectly serious. The week before this drive starts I want to sit down with you and see where we are at. We have always looked at the thing differently. I have always felt, sort of an unknown psychological thing about this, that there are not enough reserves - if there aren't enough the thing won't work.

But I am more than willing - I know in the final analysis - you people have demonstrated the thing handsomely - that you will do whatever is necessary to make the drive a success.

MR. ECCLES: Of course. I am glad you feel that way because I don't think you have any reason to--

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H.M.JR: In the final analysis you fellows are going to do what you have to do on excess reserves to make the drive a success, so I am not going to worry.

MR. ECCLES: The offering of a certificate to commence with, two billion dollars to the banks, is certainly the easiest possible kind of an offering to put over with the banks because they know that the certificates are with the premium when they buy them.

They would sooner take a new certificate at seven-eighths and sell a shorter certificate at a premium than to pass up their right to subscribe to a new one.

H.M.JR: I would like to say this here now, on the record. I think the way the Federal Reserve System as a whole is putting their shoulder to the wheel is simply grant. When you see the way the Federal Reserve System and the Treasury work together - at least I should think the President would feel that he has one group that he does not have to worry about. And I know he doesn't. I mean he doesn't have to give the thing thirty seconds a month.

With all his other worries and so many of the other agencies breaking down under the strain, I am quite proud of the cooperation between these two groups. I think it is fine.

MR. ECCLES: I think our worries are ahead of us.

H.M.JR: Aren't they always?

MR. BELL: That is all right if we can keep them far enough ahead. (Laughter)

H.M.JR: That is all right. Three months ahead is good enough for me. (Laughter)

I think this is fine.

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Now, Dan, if you could get out a telegram on this and ask them to have an answer back Thursday morning, and if you aren't too busy, Marriner, around ten o'clock when these men come over I would be delighted if you would sit in with us. That is purely up to you.

MR. ECCLES: I don't know whether there is anything I can add to it.

H.M.JR: Or if you would rather come back Thursday when the telegrams come in and sit down--

MR. ECCLES: I won't be here. I have to go out of town tomorrow.

H.M.JR: That is all right, either way.

MR. ECCLES: If you want me here I can be here in the morning, but I have quite a lot to do.

H.M.JR: It is not necessary.

MR. ECCLES: It seems to me that the only undetermined items on the program here are matters that can wait for some little time.

H.M.JR: No, it is not necessary.

MR. ECCLES: There is the question of the F and G's, the question of whether you will reduce this denomination from five to one hundred, and whether you will put the securities in the banks. They seem to be about the only questions here. And, as you say, you will take a look at the reserve picture before the drive.

I would like to say this in connection, however, with that reserve question, that the matter of the overdraft at the time becomes an important matter - what your balances are. You have a good deal to do

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on that. Your own action on that will have a lot to do with it. As a matter of fact, you can give reserves and influence that thing easier than we can.

MR. BELL: We are giving them reserves now in an overdraft.

MR. ECCLES: If you create an overdraft before the drive, that is the most direct and the most automatic way of giving it, whereas we have to try to go into the market and buy securities to give a reserve. That makes it very much more difficult because we can't buy bills or certificates unless they want to sell them. They have always got a right to return them to us.

If we try to force a certain reserve position, then we are in a position where we have to take whatever they want to offer; and they use that as an opportunity to give us a lot of premium bonds that we really should not take. They ought to hold them.

MR. BELL: There is also that bill in Congress eliminating the reserve requirements against Government deposits, and that will add eight hundred million to the reserves.

MR. ECCLES: So that, plus your overdraft, are two very important factors. It is very difficult for us to give reserves. It is an extremely difficult problem. I don't know how you are going to do it.

MR. RANSOM: Dan, are you going to check with Steagall on that?

MR. BELL: I called Leo and he called Steagall, and he was out. He is going to be back tomorrow and will try to get it out this week.

MR. RANSOM: We learned that he isn't leaving tonight but will be leaving here tomorrow, so he could have a meeting tomorrow and get a rule from the Rules Committee Friday, which would enable us to save

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considerable time on it. So if Steagall knows of your interest, that may put it across.

MR. ECCLES: We are putting pressure, and if you would put pressure and get Leo on it - we have been doing it not only with Steagall but some of the others on the committee.

H.M.JR: Before we break up, is there anybody in this room who is not satisfied with the so-called basket? I wish you would talk up.

MR. ECCLES: We had a chance to make our statement and our recommendation, and I was outvoted and the majority rules. So whatever the decision is I gladly cooperate. I am of the same opinion still.

H.M.JR: Are you a minority of one?

MR. ECCLES: No, no, I have a lot of support.

The principle of the seven-eighths is involved here, and I am in hopes - I have some sympathy with Allan's position and the presidents who have the job of selling this very large amount and the fact that they have not a lot of time to try to work an organization together - naturally they don't know how effective this organization is going to be in selling, and therefore they would like to have something that they can be sure of putting over. I am in sympathy with that.

But looking at it from the standpoint of good, sound financing, I think that the Fed unanimously feels that the seven-eighths certificate is something that should not be ordinarily put in the basket to be sold during a drive.

As I understood the discussion this morning, looking to the future, certainly consideration should

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be given before we get right up against the next drive to changing the pattern to that extent.

MR. RANSOM: This morning's decision does not in any way freeze that into the pattern of the next drive.

MR. ECCLES: You (the Secretary) expressed some sympathy for the idea that the certificate was something that was really a money-market thing; that to use the time and effort for a drive to try to sell something that ought to sell itself - we ought to make them really work to sell something that will stick a little bit longer than a certificate.

H.M.JR: That is right.

MR. RANSOM: Perhaps the other ten Federal Reserve presidents will differ with Mr. Sproul and Mr. Paddock.

H.M.JR: Well, a wire will go out anyway.

MR. RANSOM: Maybe they won't, too. (Laughter)

MR. ECCLES: No, I think they are all more or less glad to get that certificate because it lets them as salesmen off the hook. That is what it does. It makes the job easier for them.

H.M.JR: Dr. Viner, in the next twenty-four hours that you are with us would you take a look at this quota business, please? Would you take a look at it and be sure and give me your recommendation before you leave.

MR. BELL: We want to discuss that, too, with some of your people, Marriner.

MR. ECCLES: I would like to before you actually fix that quota. There does not need to be any hurry about it. You have a month before the drive starts. Fixing the quota is not something that is pressing at all, but I do think you have to look at that quota in the light of opening this wide open to the dealers

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because that subscription will be very heavy in New York. They get the credit for the dealers' subscriptions. (Laughter) And certainly you have got to take, if they can hold the dealers and the brokers down to the billion, which is possibly about as well as they might do - there should be a quota given and then a billion dollars added to New York and a billion dollars taken off the others. (Laughter)

MR. SPROUL: They have a formula for adding onto us and taking off the others, and you can throw almost anything in there you want to - insurance companies, mutual savings banks, dealers - you can extend that indefinitely. (Laughter)

MR. VINER: Wouldn't you say the inclusion of the certificates in the basket ought to add to New York's quota, Marriner? (Laughter)

MR. ECCLES: That is what I am arguing. (Laughter)

MR. VINER: No, you were talking about the dealers before.

MR. ECCLES: I am talking about the fact that the certificates in the basket makes an opening with the dealers which--

MR. VINER: So would the two and a half.

MR. ECCLES: But the dealers don't buy heavily of the two and a half. It is the short stuff they sell to the banks throughout the country; but the subscriptions in New York, New York gets the credit but the rest of the country finally gets the securities. You see, when the dealers take them the credit goes to New York, and the rest of the country finally takes them.

H.M.JR: Well, the majority rules. The other eleven presidents will fix New York's quota. (Laughter)

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MR. SPROUL: We discussed the quotas, and we had the report of our committee, which I discussed with your staff. The other eleven presidents questioned the formula and thought New York should be higher and all of theirs should be lower. But in the absence of a magnanimous gesture from New York they accepted the report, with the understanding, however, that it might be changed before the drive. (Laughter) And after further consideration.

MR. ECCLES: That was before this dealer question came into the picture. (Laughter)

MR. RANSOM: Marriner, couldn't you do this with New York? Couldn't you say that whatever Allan and Bob will agree they are going to hold the dealers' subscriptions down to - say a billion dollars - you will add whatever amount they agree to hold to the New York quota?

MR. ECCLES: Don't give them the credit of the dealers' subscriptions. That belongs to the country; that is where they go.

H.M.JR: Before we take up this New York quota, we are going to talk excess reserves. (Laughter)

MEETING OF THE EXECUTIVE COMMITTEE
OF THE OPEN MARKET COMMITTEE OF THE FEDERAL
RESERVE SYSTEM IN THE SECRETARY'S
OFFICE ON MARCH 9, 1943

I. Quotas -

- a. Over-all amount for the country - \$13 billion
- b. Breakdown of non-banking funds for each Federal Reserve District
- c. No quota for each county or other region of each Federal Reserve District. Federal Reserve Banks may make this breakdown for their own use.

II. Amount -

- a. Banks - \$5 billion
- b. Non-banks - \$8 billion
 - 1. Individuals - \$2.5 billion
 - 2. All others - \$5.5 billion

III. Basket - (All new securities dated April 15)

- a. 7/8% Certificate maturing April 1, 1944.
Available throughout the drive for non-bank investors; available for the first three days of the drive up to \$2 billion to bank investors.
- b. 2% Treasury bond of September 15, 1950-52.
Available throughout the drive to non-bank investors; available for the last three days of the drive up to \$2 billion to bank investors.
- c. 2-1/2% Treasury bond of June 15, 1964-69.
Available throughout the drive only to non-bank investors. (The lowest denomination to be \$500?)
- d. Tax Notes, Series C.
(Series A should be eliminated from the drive. If Congress passes the pay-as-you-go bill eliminate it altogether.)
- e. Savings Bonds, Series E, F and G.
(Announce April 1, 1943 that Series F and G will be discontinued on April 30.)

- 2 -

- IV. Refunding of May 1 maturities (Certificates - \$1,506,000,000; Commodity Credit Corporation - \$289,000,000; total, \$1,795,000,000.)

Suggest a new one-year 7/8% certificate be offered around April 20, outside the drive, in exchange for the May 1 maturities, announcing at the same time that this is not to be considered as a precedent for future maturities of certificates. (Any further funds offered for cash subsequent to May 1 should be a note. Announce that notes and bonds maturing in June and R.F.C. maturing in July will be paid off in cash.)

- V. Investments for bank time deposits -

The question is as to whether we should permit banks to purchase the long 2-1/2's up to a specified percentage or a specified amount of their time deposits in order that they will be to some extent on a par with mutual savings and building and loan associations.

- VI. Dealers -

Should dealers be classified as non-bank subscribers as in December or should they be classified as bank subscribers and confined to the subscriptions and period opened to banks.

- VII. Excess reserves -

March 9, 1943.

Plan II

March 9, 1943
P.M.

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March 9, 1943

Goals for a \$15 Billions April Drive
By Issues

Issue and Time of Offering	Amount to be obtained		
	From : banking: sources	From : other investors	Total :from all :sources
(In billions of dollars)			
April - Continuously (weekly) Regular bill program*	.8		<u>.8</u>
April 12-14 Bank offering 7/8 percent certificates (due April 1, 1944).....	2.1		<u>2.1</u>
April 12-30 Nonbank drive Tax notes*		1.7	1.7
7/8 percent certificates (due April 1, 1944).....		2.3	2.3
2 percent bonds of December 15, 1950-52.....		1.1	1.1
2-1/2 percent bonds of March 15, 1965-70.....		2.7	2.7
E bonds*		1.5	1.5
F and G bonds*7	<u>.7</u>
Subtotal - nonbank drive			10.0
April 28-30 Bank offering 2 percent bonds of December 15, 1950-52.....	<u>2.1</u>		<u>2.1</u>
Total - April drive	<u>5.0</u>	<u>10.0</u>	<u>15.0</u>
April 20-22 Refunding Issue (outside of drive) Offering to holders of maturing certificates and CCC notes (bank and nonbank) 7/8 percent certificates (due May 1, 1944).....			<u>1.8</u>

* Amount shown includes the entire volume of sales during the month.

Distribution of Securities During April Drive ^{1/}
By Classes of Nonbanking Investors

(In billions of dollars)

Issue	Individ- uals	Insurance companies and mutual savings banks	Other cor- porations	Federal, State and local Govern- ment agencies	Total
Tax notes....	.2		1.5		1.7
7/8's.....	.2	.1	2.0		2.3
2's.....	.2	.3	.6		1.1
2-1/2's.....	.5	1.6	.2	.4	2.7
F and G bonds	.6		.1		.7
E bonds.....	<u>1.5</u>	—	—	—	<u>1.5</u>
Total	<u>3.2</u>	<u>2.0</u>	<u>4.4</u>	<u>.4</u>	<u>10.0</u>

Treasury Department,
Division of Research and Statistics.

March 9, 1943

^{1/} Data in this table are in agreement with data in the memorandum entitled "Sources of Funds for Federal Borrowing, Calendar Year 1943".

December - April Non Bank Comparison

	December	April	Net Change
Tax notes	1.3	1.7	+ .4
7/8's	1.7	2.3	+ .6
2's (1-3/4's)	1.0	1.1	+ .1
2-1/2's	2.8	2.7	- .1
E bonds	.7	1.5	+ .8
F & G bonds	.3	.7	+ .4
	7.8	10.0	+2.2

UNITED STATES TREASURY WAR FINANCE COMMITTEE

Bulletin No. 3
March 9, 1943

Presidents, Federal Reserve Banks:

In response to a specific question from one of the Districts relative to the attitude of both Internal Revenue and renegotiating authorities on advertising appropriations for War Bond campaign, we quote for you an opinion from our Legal Department. Please be guided accordingly.

"The regulations of the Bureau of Internal Revenue provide that expenditures for advertisements 'including the promotion of Government objectives in wartime, such as conservation, salvage, or the sale of War Bonds' are deductible for tax purposes only if they are reasonable in amount and are not made in an attempt to avoid proper taxation. In the renegotiation of Government contracts, the practice insofar as it has crystallized is to the same general effect.

"In other words, the Bureau of Internal Revenue is prepared to permit for income and excess profits tax deductions as business expenses a reasonable amount for advertising. This amount varies from company to company and is determined in the light of particular circumstances of the particular company involved. The Bureau of Internal Revenue in no way distinguishes between War Bond advertising and any other type of institutional or good-will advertising, and the fact that the company elects to enhance its good will by cooperating with the Federal Government in promoting the sale of War Bonds or by promoting any other program in which the Government is interested in no way increases the amount of advertising budget which is deductible for tax purposes.

"The Commissioner of Internal Revenue alone has the authority to make a prospective ruling on the deductibility of an advertising item. Of course, Bond sellers or solicitors for advertising funds have no authority whatsoever to make any statement upon which the taxpayer may rely or which would in any way be binding upon the taxing authorities or the renegotiating agencies."

William M. Robbins
National Director of Sales

UNITED STATES TREASURY WAR FINANCE COMMITTEE

Bulletin No. 2
March 9, 1943

Presidents, Federal Reserve Banks:

We are now in a position to give you some more definite information about the forthcoming campaign.

1. Name. The name of the drive will be announced by wire as soon as possible. The central theme also to be announced by wire.

2. Date. Campaign opens on April 12th and closes May 1st, inclusive.

3. Decentralization. We must be sure that all understand that the management of the April Drive will be on a decentralized basis. In other words, the Presidents of the Federal Reserve System will be responsible for all activities of the Drive within their respective Federal Reserve Districts. This office will make a particular effort to follow organization lines carefully and our strength will be increased if the respective Presidents will insist that clearances from their regions proceed through regular organization channels.

4. Amount. The Secretary's telegram of March 9th covered this subject.

5. Quotas. This subject also covered in Secretary's telegram of March 9th.

6. Local Advertising. Present indications are that we will have a fund for preliminary announcement advertising in each Federal Reserve District. Beyond this amount, we may have additional funds to spend on a national basis during the campaign. Local sponsored advertising will still be needed - we can provide cuts, mats, etc.

7. Announcement Plan. It is too early in the game to give you specific details about the formal plans for announcing the campaign. We have enthusiastic preliminary plans but nothing specific to say at this time.

8. Manual. We have copy for sales manual which will be sent to each of the Federal Reserve Districts before the close of the week. We will need two types of manuals, one for those who

will solicit banks, security dealers, insurance companies and large investors, and another for those who will solicit small investors and the public at large. We expect to send you copy for the bank type manual which you can then reproduce in your own District. We will proceed immediately to prepare the small investor manual, which will then become a major printing operation. More details later.

9. Posters. Work on posters will go ahead as rapidly as possible as soon as we have settled on a central theme for the campaign. Details to come later.

10. Publicity Meeting. We are calling a meeting of Publicity men from each Federal Reserve District here in Washington, March 19th. We would like to have one man only from each Federal Reserve District. Our reason for limiting the meeting is we believe we can do a better job with twelve men and if you send your key man, he should be able to carry back the full story for broadcast from your office on his return.

11. Meeting of Executive Managers and State Managers. We had hoped to have such a meeting for you but, under the circumstances, it is going to be impossible. If, as our plans materialize, this unfortunate omission from campaign planning can be corrected, we will reopen the subject. If such a meeting is called, we would want only two men from each Federal Reserve District, one who represents the Victory Fund Committee, and one who represents the War Savings Staff.

12. Advertising Plans. Nothing specific to report at this moment. Should be able to release in considerable detail at the end of the week.

13. Basket of Securities. Specific releases are going forward before the close of the week.

14. Special Events. It would probably be a good idea to postpone the inauguration of any new special event plans until they can become part of the April campaign. Of course, any programs that have been started should be carried through, but new ones might be delayed to become part of the big month of April.

15. Cooperation with Office of Civilian Defense Field Organization. It has been suggested that the Field Organization of the Office of Civilian Defense might be used helpfully in the campaign. We have no specific recommendation on this point but the suggestion was made to us and we would like to pass it along to you for your consideration. Generally speaking, volunteer organizations such as the OCD must be kept constructively busy if they are to

-3-

continue as effective working groups. In some communities, they may welcome the opportunity to tie-up with the forthcoming Bond Drive. All of this for your consideration. This is a suggestion only.

16. Paid Salesmen. It is not our intention to have any paid salesmen in the forthcoming Drive. The people on our payroll should act as instructors and supervisors - not solicitors. There will be no funds available for paying sales personnel who perform the actual solicitation work.

17. Advertising Manager. Effective March 10th, Stuart Peabody, Vice-President and Advertising Manager of the Borden Company joins our staff as Advertising Manager of the April Drive. Mr. Peabody is widely known in the field of advertising and brings to us a wealth of experience and ability. Under his leadership, we hope to coordinate the advertising facilities at this end of the line for your better help in the Field.

18. Seals, Printing, Stationery, etc. We have already sent you an explanation of the official name which we would like to use on the stationery, etc. as follows: "United States Treasury War Finance Committee" to be the main heading, with a subheading on the left, "War Savings Staff", and on the right, "Victory Fund Committee". Many of the Districts have already printed stationery using either the Victory Fund or War Savings Staff seal or some adaptation of these seals. We have here in Washington a seal which combines the Minute Man seal of the War Savings Staff and the "V" seal of the Victory Fund Committee - if you wish to have photostats of this seal we will be glad to send them to you. We are not greatly concerned and strongly advocate using any stationery or printed matter which is already prepared.

19. Buttons. There will be no official button provided from Washington for the April Drive. We feel that buttons would use materials which are scarce and can be put to better use in time of war.

20. Franking privilege. This question is troublesome. Current indication of thinking would suggest advisability of discontinuing all use of franking privileges. Will advise specifically later.

Unfortunately, some of our Bulletins were numbered (#1 and #3); henceforth, there will be no numbered Bulletins.

William M. Robbins
National Director of Sales

Last Hour Flash! Final official name for campaign is "Second War Loan".

- 2 -

quotas within districts if you so desire. We do not contemplate making any quotas for types of securities, except for the banks.

The securities which we contemplate making available in the April drive are:

(1) a 7/8% certificate dated April fifteen maturing April 1, 1944, to be available throughout the drive for non-bank subscribers and available for the first three days of the drive up to two billion dollars to bank subscribers.

(2) a 2% Treasury bond dated April fifteen maturing September 15, 1952, callable September 15, 1950, available throughout the drive to non-bank subscribers and available at end of drive for three days up to two billion dollars to bank subscribers.

(3) a 2-1/2% Treasury bond dated April fifteen maturing June 15, 1969, callable June 15, 1964, available throughout the drive only to non-bank subscribers.

(4) tax notes of Series C only.

(5) Savings bonds of Series E, F and G.

Between April twenty and twenty-fifth we will offer outside of the drive a new one-year 7/8% certificate dated May one in exchange for the maturing certificates amounting

- 3 -

to \$1,506,000,000 and the maturing Commodity Credit notes amounting to \$289,000,000. We would state at the time we announce the complete program that this exchange of one security for another would not establish a precedent for future operations.

H. MORGENTHAU, JR.
Secretary of the Treasury

(Initialed) D. W. B.

DWB:NLE

March 9, 1943
4:10 p.m.

HMJr: Hello.

Operator: Dr. Gallup.

HMJr: Right. Hello.

George Gallup: Secretary Morgenthau?

HMJr: Speaking.

G: This is George Gallup.

HMJr: Yes, Mr. Gallup.

G: I didn't want to bother you, but it - it seems to us here at the - at the Institute that there is pretty desperate need to get to tell more people that they need to file returns next week.

HMJr: Oh, really?

G: We find quite a few people who apparently haven't yet been reached, and they - they have all kinds of confused ideas about who should and who - or who has to return a - make a return....

HMJr: I see.

G:file a return, and who doesn't, and it - I'm wondering if - well, there are people who think that if you buy War Bonds you don't have to. We find a few people who - who apparently just haven't learned that - that if you have an in.. - if you're married and have an income of \$1,200, you have to file a return.

HMJr: Yeah.

G: I mean they think if they do not have to pay a tax, they do not have to file a return.

HMJr: I see.

G: So it occurred to us that - that you might possibly want to fire all the 16-inch guns you've got down there between now and next Monday.

HMJr: Yes. Well, now I'll tell you what I'd like you to do. I'm going to have a chance to go on the air

(cont.)

- 2 -

HMJr: for a few minutes myself Friday night, and....
(cont.)

G: Yes.

HMJr:I expect to say something.

G: Uh huh.

HMJr: But if you could hold on a minute, I'd like you to talk with Mr. John Sullivan, Assistant Secretary....

G: Fine.

HMJr:who's handling this.

G: Yes.

HMJr: Now will you just stay on a minute, please?

G: Yes, you bet.

HMJr: And I appreciate very much your calling me.

G: Well, I....

HMJr: It was very kind of you.

G: We wanted to help.

HMJr: And we - now if you just - just stay on a moment.

G: All right.

Operator: Operator.

HMJr: Will you give Dr. Gallup to John Sullivan, please?

Operator: Right.

HMJr: Thank you.

March 9, 1943

MEMORANDUM FOR THE SECRETARY

The Ruml Plan

A. Major elements of the original Ruml Plan

1. Tentative payments

The taxpayer would file a return by March 15 of each year and make quarterly tax payments based on his income in the preceding year, exactly as he does under present law. Quarterly installments would be considered tentative payments on the current-year liability, not payments on the prior-year liability.

2. Annual adjustment for underpayment or overpayment in preceding year

By March 15 of each year the taxpayer would compute his final tax for the preceding year on the basis of his actual income for that year. If the final tax liability proved to be greater than the tentative payments actually made during the preceding year, the taxpayer would make up the deficiency while he was also paying his tentative tax for the current year. If the final tax liability proved to be less than the tentative payments, he would receive a credit or refund.

3. Cancellation of one year's taxes

To avoid the payment of two years' taxes in the year of transition to pay-as-you-go, taxes for one year would be cancelled. Mr. Ruml considers the cancellation of one year's taxes the "one principal feature" of his plan.

- 2 -

B. Amendments to the original Ruml plan

1. Special provisions for fluctuating incomes

Taxpayers with a decrease in wage and salary income would be permitted to substitute expected current-year income for known prior-year income as the basis for their tentative tax payments.

Taxpayers with an increase in income from whatever source would also be permitted to use expected income as the basis for tentative tax payments.

2. Special provisions governing tax cancellation

- a. Cancellation would apply to the tax on 1942 income instead of on 1941 income as originally proposed.
- b. Cancellation would not apply to the tax on capital gains.
- c. In the case of persons dying in 1942, "or during some appropriate transition period," the amount representing the cancelled income tax would be subject to a special death tax.
- d. In the case of persons with abnormally high 1942 income, the amount of taxes cancelled would be determined by the average income during 1941, 1942, and 1943.
- e. Persons in the armed forces or in the Federal Civil Service would be given the option of cancelling the tax on either their 1941 or 1942 income.

3. Collection at source

Mr. Ruml has endorsed collection at source for wages and salaries, and has suggested two possible methods of adapting it to his plan:

- 3 -

- a. The taxpayer would be allowed to deduct from each quarterly payment the actual amount collected at source during the preceding quarter, or
- b. The taxpayer would be allowed to deduct from his quarterly payment an amount which would be collected at source from his wages and salaries, assuming them to be the same as in the preceding year.

C. The Treasury's objections to the Ruml plan

1. Cancellation of a full year's taxes

- a. Full cancellation of individual income taxes on the high 1942 incomes would seriously violate the principle of ability to pay:

It would bestow the greatest benefit on those best able to pay and the smallest benefit on those least able to pay. About 60 taxpayers with million-dollar incomes in 1942 would each receive a benefit of at least \$854,000. At one stroke, the Ruml plan would add to their wealth more than they could save in six years, even if they saved every cent of their income after taxes. The benefit to a person with a \$100,000 net income would be about \$64,000; to one with a \$10,000 income, about \$2,150; and to one with \$2,000, only \$140. Those who had no income in 1942 would receive no benefit at all.

It would, in effect, wipe out much of the tax increases imposed to finance the war. In the case of a person with a \$2,000 net income, it would wipe out 77% of the tax increases imposed in the last three years. At the \$100,000 level, the amount forgiven equals 102 percent of these tax increases and at the \$1,000,000 level, 320 percent.

- 4 -

It would, in effect, shift part of the tax burden from the few at the upper end of the income scale to the many at the middle and the lower end. To meet war revenue needs, tax collections have to be increased substantially. If we collect during 1943 taxes on both 1942 and 1943 incomes, the revenue required can be raised without increases in tax rates. If, however, taxes on 1942 incomes are cancelled, the needed revenue can be obtained only by raising rates on 1943 incomes. Such rate increases, however, have to be concentrated on lower and middle incomes since the rates on upper incomes are already high.

It would, in effect, shift tax burdens from old taxpayers to new taxpayers. Only those who had incomes in 1942 would benefit from tax cancellation, but all who will receive incomes after 1942 would bear the burden of the tax increases. Those who entered the armed services before 1943 would not get a full share of the benefits but would have to pay a full share of the costs when they returned to civilian life.

b. Full tax cancellation would be a psychological deterrent to the war effort:

It would be injurious to the morale of the armed forces, since it would imply economic gain rather than economic sacrifice on the home front.

It would lead people to expect lower taxes at a time when higher taxes cannot be escaped.

It would release funds which had been set aside for taxes already due and would thereby contribute to the psychology of inflation.

2. Technical deficiencies

Without collection at source, the Rum1 plan cannot place the income tax on a pay-as-you-go basis. The tax paid in any one year would be determined by incomes received during the two preceding years. Tax payments

- 5 -

in 1944 would consist of a tentative tax based on 1943 income, together with an adjustment for overpayment or underpayment during 1943 (because of changes in income between 1942 and 1943). The Ruml plan would work satisfactorily if incomes were stable. However, in more than two-thirds of the cases, income fluctuates substantially from year to year.

Without collection at source, the Ruml plan does not make it easier for individuals to budget for taxes.

If collection at source is superimposed on the Ruml plan, the collection system would become unnecessarily complex.

With or without collection at source, both the taxpayer and the Government would have to work with two years' incomes to determine one year's taxes.

D. Comparison of the Ruml and the Ways and Means Subcommittee Plans

1. Cancellation of taxes

The subcommittee's plan postpones the decision on how to handle the doubling up of two year's taxes when the pay-as-you-go system is adopted. The Ruml plan would cancel 1942 taxes in full.

2. The pay-as-you-go plan

The subcommittee's plan like the Ruml plan is directed toward placing taxpayers on a current basis.

The technical aspects of the subcommittee's plan differ from those of the Ruml plan.

- 6 -

Wages and salaries: the subcommittee's plan would withhold 20 percent of wages and salaries in excess of exemptions. Where the full liability is not collected at source, the balance is payable currently in quarterly installments. Mr. Ruml does not specify how he would integrate collection at source with quarterly payments.

Farm income: the subcommittee's plan requires farmers to pay at least two-thirds of their estimated current liability before December 31 and the balance when the annual return is filed on March 15 of the following year. Farmers are expected to estimate their income before the end of the year. Mr. Ruml would require farmers to pay a full year's tentative tax on the basis of their previous years' income.

Other income: the subcommittee's plan requires quarterly payments on the basis of estimates of current-year income (which may be revised each quarter). The final year-end return would be filed on March 15 of the following year. Mr. Ruml would use a similar procedure, but would base the estimates on the previous year's income.

E. Congressman Carlson's Modifications of the Ruml Plan (H. R. 2042).

1. Tax cancellation

The 1942 tax would be cancelled for persons with 1942 net incomes of less than \$20,000. For all others, the lower of 1942 or 1943 taxes would be cancelled. The plan would go into effect on July 1, 1943, and the March and June, 1943, installments would be treated as tentative payments on 1943 liabilities.

2. Tentative tax payments

Taxpayers would be given the option of basing their tentative tax payments on either prior-year income or estimated current-year income. To discourage gross underestimates of current-year income, a 6 percent penalty would be imposed on the amount by which the final tax liability on the income for any year exceeds 120 percent of the tentative payments made during that year.

- 7 -

3. Collection at source

Taxes would be collected at source from wages and salaries at a rate of 20 percent in excess of exemptions. Taxes actually collected at source could be credited against quarterly installments of tentative tax; any balance would be a credit against the final tax.

F. Tax Payments under Present Law, Ruml Plan, and Ways and Means Subcommittee Plan

Taxes payable on incomes received in 1942, 1943, and subsequent years and tax payments during 1943, 1944, and subsequent years under (a) present law, (b) Ruml plan, and (c) Ways and Means Subcommittee plan are shown in Table 1 for individuals with selected incomes. These calculations are based on the assumption that the amount of income is identical from year to year. Substantial fluctuations in income from year to year would materially alter the pattern of tax collections under the Ruml plan.

Roy Blough

Table 1

Individual income tax liabilities ^{1/} and payments, 1942 and subsequent years, under present law, Ways and Means Subcommittee plan, and Ruml plan, for selected net incomes ^{2/}

Married person - no dependents

	: Tax liability on in- : : come received in :		Taxes payable in		
	: 1942 :	: 1943 and : : subsequent : : years :	: 1943 :	: 1944 :	: 1945 and : : subsequent : : years :
<u>\$2,500 net income</u>					
Present law	\$ 232	\$ 297	\$ 341	\$ 297	\$ 297
W. & M. Subcommittee plan	232	297	436	390	297
Ruml plan	0	297	297	297	297
<u>\$5,000 net income</u>					
Present law	\$ 746	\$ 894	\$ 985	\$ 894	\$ 894
W. & M. Subcommittee plan	746	894	1,313	1,221	894
Ruml plan	0	894	894	894	894
<u>\$10,000 net income</u>					
Present law	\$ 2,152	\$ 2,467	\$ 2,676	\$ 2,467	\$ 2,467
W. & M. Subcommittee plan	2,152	2,467	3,648	3,438	2,467
Ruml plan	0	2,467	2,467	2,467	2,467
<u>\$25,000 net income</u>					
Present law	\$ 9,220	\$10,035	\$10,578	\$10,035	\$10,035
W. & M. Subcommittee plan	9,220	10,035	14,917	14,373	10,035
Ruml plan	0	10,035	10,035	10,035	10,035
<u>\$50,000 net income</u>					
Present law	\$25,328	\$27,075	\$28,075	\$27,075	\$27,075
W. & M. Subcommittee plan	25,328	27,075	40,239	39,239	27,075
Ruml plan	0	27,075	27,075	27,075	27,075
<u>\$100,000 net income</u>					
Present law	\$64,060	\$68,584	\$69,584	\$68,584	\$68,584
W. & M. Subcommittee plan	64,060	68,584	101,114	100,114	68,584
Ruml plan	0	68,584	68,584	68,584	68,584

March 9, 1943

^{1/} Including net Victory tax.

^{2/} Income is assumed to remain constant in 1942 and subsequent years.

March 9, 1943.

Dear Mr. Connor:

The Secretary has received your Air Mail, Special Delivery letter enclosing copies of correspondence you have exchanged with Mr. Frank H. Neely, Chairman of the Board, Federal Reserve Bank of Atlanta.

The Secretary has accepted an invitation extended by Mr. McLarin for a luncheon to be held Saturday, after the War Finance Committee meeting in the morning.

With thanks for your courtesy in writing him,

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. John Connor,
Chairman, The New Atlantic
Cruiser Committee,
113 Hurt Building - P.O. Box 1096,
Atlanta, Georgia

GER/dbs

File in Diary



TREASURY DEPARTMENT
WAR SAVINGS STAFF

OFFICE OF STATE ADMINISTRATOR

EXECUTIVE COMMITTEE

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MAYOR WILLIAM B. HARTSFIELD
ARTHUR LUCAS
MRS. MARGARET MITCHELL MARSH
MRS. RALPH MCGILL
FRED SINGTON

Atlanta, Georgia
March 8, 1943

VIA AIR MAIL
SPECIAL DELIVERY

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

Dear Mr. Morgenthau:

Attached please find copy of letter received from Mr. Frank H. Neely, Chairman of the Board, Federal Reserve Bank of Atlanta, together with copy of my reply, which will be found self-explanatory.

With kindest regards and best wishes, believe me to be

Sincerely your friend,

John J. Jones
Chairman
The New Atlanta Cruiser Committee
113 Hurt Building - P. O. Box 1096

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attachments



108 #

COPY

FEDERAL RESERVE BANK
of ATLANTA

March 6, 1943

Office of
Chairman of the Board.
Federal Reserve Agent.

Mr. John Connor
118 Hurt Building
Atlanta, Georgia

Dear Mr. Connor:

I note with great interest Mr. Morgenthau's
and Mr. Knox's visit to Atlanta under your
auspices.

As Chairman of the Board of the Federal
Reserve Bank, I have talked with our
President, Mr. McLarin, and we will be
very glad to have a luncheon for Messrs
Morgenthau and Knox at the Federal Reserve
Bank any time that they are here, if it
will fit in with their plans and yours.

In order not to complicate the matter I
am not writing to Mr. Morgenthau direct,
but will pass this invitation on to them
through you.

We hope very much that we can be allowed
to entertain them while they are here.

Will you please let me hear from you when
your plans are formulated.

Very sincerely,

Frank Healy (Signed)

Chairman of the Board
Federal Reserve Bank

FHN:H

Atlanta, Georgia
March 8, 1945

Mr. Frank H. Neely, Chairman of the Board
Federal Reserve Bank
Marietta Street
Atlanta, Georgia

Dear Mr. Neely:

Your letter of March 6th regarding the luncheon
for Messrs. Knox and Morgenthau is before me.

Unfortunately, they and their party will not arrive
in Atlanta until after four P. M. on March 12th.
In fact, a luncheon planned weeks ago by the ranking
Navy officers in the Atlanta area was regrettably
refused because of the time element. However, I am
sending your letter to Secretary Knox so that he will
know of your kind thoughts in his direction and also
a carbon copy to Secretary Morgenthau.

Mrs. Conner and I are looking forward to seeing both
you and Mrs. Neely at the dinner at the Capital City
Club on March 12th.

YOURS FOR VICTORY!

Chairman
The New Atlanta Cruiser Committee
115 Hurt Building - P. O. Box 1096

J W
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o

THE WHITE HOUSE
WASHINGTON

March 9, 1943.

My dear Mr. Secretary:

Mrs. Roosevelt has your letter of March 6th about Mr. Constantin Paul Lent's "food plan" and asks me to thank you so much for letting her have your analysis of it.

Very sincerely yours,

Marion C. Thompson
Secretary to
Mrs. Roosevelt.

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

THE WHITE HOUSE
WASHINGTON

March 9, 1943

Dear Henry:

Thank you for sending on to me
the material which Lady Denman wished
me to have. It is very interesting
and I am glad indeed to have it.

Affectionately,

Eleanor Roosevelt

MAR 9 . 1943

My dear Prentiss:

I received your letter of March 6 in which you ask for our help on O.P.A. enforcement work and have given it very careful consideration. I know how serious a problem you have on your hands and I wish it were possible for me to say we would do all you ask. However, after appraising our present force and the volume of work we have on hand, I come to the conclusion that we can go only part way with you. Specifically:

(1) Since counterfeiting of ration coupons and ration certificates is so closely allied with the work the Secret Service is now doing, we can continue to investigate cases of that sort.

(2) As to bulk thefts of coupons and ration certificates, I have the following to propose: With your permission I shall ask Chief Wilson of the Secret Service, in cooperation with Director Hall of the Bureau of Engraving and Printing, to survey the system of protection surrounding the printing and distribution of your ration currency. I think it quite possible that they may be able to suggest more effective means for the prevention of thefts than you have been able to effectuate in view of the great pressure you have been under to get out the ration books. In addition the Secret Service will undertake to investigate such bulk or major thefts as you may find it necessary to refer to them.

(3) I fear that it will not be possible for us to undertake primary responsibility for the investigation of any black market operations. We can, however, give you some assistance I believe in organizing a force to deal with them if you decide to carry on these investigations yourself instead of referring them to any other

- 2 -

agency. We have men here in Washington who are experienced in training groups of investigators and they could devote a part of their time to organizing your men for this type of investigation. In addition our field investigators throughout the country could be instructed to cooperate with your men to the extent of giving them any information in the possession of our investigators and advising them to such an extent as would not interfere materially with work we have under way.

I am sorry to have to limit our cooperation to this extent in view of the very great importance of your enforcement problem. If, however, we were to undertake responsibility for the black market investigations we would have to put the burden on two of our investigative units that are now both under-manned and overloaded with work. This is especially true of the Intelligence Unit of the Bureau of Internal Revenue, which now has a very formidable backlog of cases before it and whose force has been greatly reduced through induction of men into military service. While the immediate burden on the Alcohol Tax Unit is less, the force has been reduced from some 1400 to an even 1000 and the increase in alcohol taxes is keeping them very busy. Our entire force of investigators in all six units is down from 2600 a year ago to 2130 at present and in all agencies there is a considerable increase of work due to special wartime assignments.

Participation in your enforcement work to the extent outlined above will of course necessitate the promulgation of an Executive Order giving the necessary authority to Treasury enforcement agencies.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable Prentiss M. Brown,
Administrator, Office of Price Administration,
Washington, D.C.

HEG/mah

Photo file in Diary
File to Gaston

OFFICE OF PRICE ADMINISTRATION
WASHINGTON, D. C.

March 6, 1943

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

My dear Mr. Morgenthau:

In connection with the enforcement of OPA regulations, we have come upon several types of violations which we have found very difficult to handle through our regular investigating staff and procedures. These types of violation are:

- (1) The counterfeiting of ration coupons and ration certificates.
- (2) Bulk thefts of ration coupons and ration certificates.
- (3) Black market operations by organized gangs of professional criminals.

Thus far the counterfeiting of ration coupons and certificates has not occurred on a large scale. This has perhaps been due in part to the fact that substantial number of major thefts have occurred, thus placing ration coupons in the hands of the criminal element without the necessity for counterfeiting. We anticipate, however, that counterfeiting of ration coupons and certificates will very likely increase, particularly as shortages occur and ration coupons become more and more valuable. This problem of counterfeiting is, of course, one with which your investigating staffs are directly concerned and in which your Department has had much experience.

Bulk thefts of ration coupons and certificates have proved one of the most important sources of illegal diversion of rationed commodities. There have been 20 or 25 major thefts of this character of gasoline coupons. And the value of the gasoline represented by the stolen coupons is around 100,000,000 gallons. While we have tried to take much greater precaution in the distribution of Ration Book No. 2 (now being used for processed foods and intended for the use of meats), nevertheless several thefts have already occurred. One of these, from a War Price and Rationing Board in North Carolina, involved the loss of 29,000 ration books.



Many of these major thefts are performed by criminal gangs and the coupons thereafter distributed through the gang organization. It is apparent that we are dealing in this situation with professional criminals and our staff of investigators is not trained, and cannot readily be trained, to handle this type of problem. On the other hand, your Department has an immediate interest in the protection of ration currency and an experienced investigating staff equipped and trained to deal with this type of lawlessness.

Black market operations by organized gangs have just recently come to light. We have reason to believe that, at least in one instance, a member of a professional gang has used gang money to purchase a group of slaughtering plants and is selling meat at prices in excess of the ceilings imposed by the regulations. The overcharges are being collected in cash by agents of the gang. Operations of this sort have been confined largely, so far as we know, to the meat industry. There is some evidence, however, of gang operations in gasoline and tires and, if successful in meat, it would certainly spread to other important industries. I need not stress the importance of quick and effective action to stamp out these gang operations. Here again, through its income tax and other investigating staffs, your agency has worked on very similar problems and has had a great deal of experience.

In view of all these considerations, we wish to ask your assistance in combatting the three special types of violation described above. Specifically, we would like to have your Department assume responsibility for investigation of violations of the type described, upon our referral of a case to you. In cases of black market operations we would call upon you for assistance only in matters of extreme importance. We would not anticipate that many of these situations would arise.

I should add that we have discussed with the Federal Bureau of Investigation the obtaining of assistance on violations involving bulk thefts and black market gangster operations. The FBI has felt that it did not have the available manpower to take on the additional task of investigating these cases. In view of this fact I would assume that the Department of Justice would not feel that assumption of this work by the Treasury Department would involve any overlapping of its own functions.

I realize that your staff is already greatly burdened with its regular work. Nevertheless, the enforcement problems I have discussed are of tremendous significance in the whole campaign against inflation. We would greatly appreciate your assistance on these matters, as we have appreciated your cooperation in the past.

If you find it possible to give us this assistance I will, of course, be glad to have my legal staff draw up and clear with you the necessary Executive Order.

Sincerely yours,

Frederic M. Brown

Administrator

March 9, 1943

AGENDA

FOR THE BOARD OF ECONOMIC WARFARE MEETING
TO BE HELD MARCH 11, 1943, AT 10:00 A. M.
IN THE OFFICE OF THE VICE-PRESIDENT
IN THE CAPITOL

Room 201
Senate Office Bldg.

1. Summary of Axis Shipping Situation in the Mediterranean. (Summary not circulated.) Discussion by Mr. Perkins.
2. Report on agreement between the Lend-Lease Administration and the Board of Economic Warfare. (Report not circulated.) Discussion by Mr. Stettinius and Mr. Perkins.

INVESTIGATION DEPARTMENT

MAR 10 10 15 22

SECRETARY OF INVESTIGATION
OFFICE

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

March 9, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go- The House Ways and Means voted down for the second time the principal of complete forgiveness of a year's taxes in their rejection yesterday of the Carlson version of the Ruml plan. But Republican members of the Committee with the exception of Representative Gearhart, issued a signed statement announcing their support of this plan, which would inevitably result in the loss of some Federal revenue, and their intention of carrying their fight to the floor of the House. Committee action yesterday, however, did approve their Subcommittee's source collection tax plan, providing a 20% withholding tax for most salary and wage earners, quarterly payments for professional men, etc., or persons with salaries too large to be taken care of under the 20% withholding tax, and the payment of two-thirds of their tax liability in the current year by farmers. The Committee is expected to consider today various methods of putting taxes on a current basis such as: (1) cancelling all taxes on the first \$2,000 of 1942 net income; (2) applying the lower 1941 rates to 1942 income; or (3) by the "half-and-half" plan, cancelling half of either 1942 or 1943 taxes. There has been talk, however, of postponing the whole subject of cancellation until a later date, either until the General Revenue Bill is considered or until pay-as-you-go proposals come up before the House. Commenting upon this phase of the tax question, Edson Blair in his column "Washington: Both Sides of the Curtain" said, "With canny timing, Treasury and Congressional opponents of the Ruml Tax Plan are hoping to separate from the creation of a pay-as-you-go mechanism any talk of how much, if any, taxes are to be 'forgiven'. By waiting until Congress is wrestling with the 16 billion dollar demand, they figure to compress the greatest possible levy into the current year."* Harrassed committee members are said to be admitting privately (N.Y. Times, p. 24) that the whole

* Barron's National Business and Financial Weekly - March 8, 1943

tax question is "muddled" and would possibly agree with Earl Godwin's statement last night that "apparently the House Ways and Means Committee is substituting for a pay-as-you-go plan, a pay-as-you-go-crazy plan."

2. Lend-Lease - Perhaps the most significant statement on the Lend-Lease Extension Bill now before the House was made in Russia yesterday by American Ambassador William Stanley, who announced officially that Soviet authorities were withholding from the Russian people the full story of United States aid, and intimated that in view of such action Congress might hesitate to pass the Lend-Lease Bill. Congressmen and officials in this country have so far shied away from discussing the statement, possibly leaving the first official pronouncement to President Roosevelt in his press conference this afternoon. Increased aid for China, possibly on a protocol basis, highlighted the House debate on the bill yesterday, with all members in virtual agreement on the need of passing the measure. President Roosevelt was praised for his foresight in initiating the program before American entry into the war. But unfavorable comment came from Representative Fish, who, although favoring the bill's passage, called Lend-Lease "a one-way boulevard leading to a bottomless pit," and said he would offer an amendment to the measure empowering the Secretary of Agriculture to limit the amount of food exported in order to protect the domestic food supply, and another providing for the permanent acquisition of the British island bases leased to the U.S. as a reciprocal part of the Lend-Lease program. Whether Ambassador Stanley's statement will cause the proposal of still other amendments remains to be seen.
3. Manpower - The manpower issue is apparently becoming even more involved in the sharp disagreement of two Administration leaders. War Manpower Commissioner McNutt, answering criticism from a Senate Appropriations Subcommittee on the lack of adequate attention to the farm labor problem, replied, "I gave that responsibility to Agriculture.... If Agriculture can't do it, then I'm going to take it back." Secretary Wickard, on the other hand, is said to have confessed before the same committee to "a feeling of futility" on the manpower problem, and to have urged immediate Congressional investigation of the whole issue. Meanwhile, the Manpower Commission has announced its opposition to the Johnson Bill to curb absenteeism on the grounds that the Commission is formulating their own methods of combatting the problem.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

March 9, 1943

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended March 6, 1943.

Another special Lend-Lease program has developed within the past few days which has to do with the annual commercial requirements for the arctic outposts of the Russians. The time which is provided for procurement is limited. Shipping must be undertaken in time to make deliveries during the few weeks when the routes are opened. We have asked that they expedite all possible the submission of requisitions in order that we may get started promptly.

Clifton E. Mack
Clifton E. Mack
Director of Procurement



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

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$2816.7 (2716.6)	\$1444.7 (1423.1)	\$1066.1 (965.8)	\$102.9 (58.5)	\$4.6 (4.6)	\$198.4 (264.6)
Purchase Authoriza- tions (Requisitions)	\$2331.9 (2320.1)	\$1333.2 (1329.4)	\$ 910.7 (909.8)	\$ 41.1 (41.6)	-	\$ 46.9 (39.3)
Requisitions Cleared for Purchase	\$2255.1 (2218.8)	\$1302.5 (1283.7)	\$ 865.3 (855.5)	\$ 41.1 (41.6)	-	\$ 46.2 (38.9)
Obligations (Purchases)	\$2106.1 (2092.4)	\$1216.0 (1215.7)	\$ 803.5 (796.8)	\$ 41.0 (41.5)	\$4.1 (4.1)	\$ 41.5 (34.3)
Deliveries to Foreign Governments at U. S. Ports*	\$ 931.5 (918.3)	\$ 704.9 (697.2)	\$ 198.6 (193.4)	\$ 17.6 (17.8)	-	\$ 10.4 (10.3)

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

Note: Figures in parentheses are those shown on report of February 27, 1943.

EXPLANATION OF DIFFERENCES.

The decrease of \$500,000 for China in Purchase Authorizations, Requisitions Cleared and Obligations represents transfers to North Africa.

The decrease of \$200,000 in Chinese transfers represents material turned over to the War Department.

MAR 9 - 1943

My dear Mr. President:

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

Tonnage at the end of March will be 625,572, an increase of 26,230 tons over February. This increase is attributable to the accumulation of equipment under the special industry programs, specifically the tire plant, electric power and oil refinery programs.

Yours sincerely,
(Signed) H. Morgenthau; JF

The President

The White House

Del. by Mess. Bundy 4:26 3/9/43

Copies in Diary

Copy sent to: J. H. Burns, Maj. Gen.,
U. S. Army, Room 149,
C. C. S. Bldg.,
1901 Const. Ave., N. W.
Washington, D. C.

TREASURY DEPARTMENT - U. S. S. R.

MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING MARCH 1945

COMMODITY	PRIORITY CARGOS SPECIFIED FOR MARCH 1945	AVAILABLE		BALANCE
		STORAGE	PRODUCTION	
STEEL BARS, SHEETS, STRIP, PLATES, SHAPES, ETC.	22,250	179,515	34,965	102,215
TOOL AND DIE STEEL	1,295	1,030	8,150	7,855
RAILROAD RAILS, WHEEL SETS AND ACCESSORIES	8,500	97,900	-	89,400
WIRE PRODUCTS	9,625	69,941	15,170	75,586
PIPE AND TUBING	2,200	99,680	3,500	99,980
TIN PLATE	-	15,200	-	15,200
COPPER AND ITS PRODUCTS	12,250	48,658	23,800	60,208
ZINC	3,000	50	3,800	550
ALUMINUM AND ITS PRODUCTS	3,000	40	3,000	40
NICKEL AND ITS PRODUCTS	-	40	280	300
FERRO ALLOYS	50	2,700	580	3,550
CHEMICALS	-	3,885	1,200	5,085
MERCURY	-	300	4	304
INDUSTRIAL AND CONSTRUCTION MACHINERY, MATERIAL, ACCESSORIES AND PARTS	8,000	51,115	36,965	60,080
AUTOMOTIVE EQUIPMENT AND PARTS	-	-	262	262
TIRES AND TUBES	2,000	2,510	6,000	6,510
GRAPHITE - METAL ELECTRODES	200	2,850	1,213	3,863
RUBBER PRODUCTS	-	1,095	575	1,670
HAND AND MACHINE TOOLS	100	700	575	1,475
BALL AND ROLLER BEARINGS	50	70	500	520
PAPER AND PAPER PRODUCTS	-	1,690	225	1,905
HARDWARE	-	385	274	659
MISCELLANEOUS SUPPLIES AND EQUIPMENT	-	455	249	704
	<u>72,520</u>	<u>588,547</u>	<u>139,545</u>	<u>625,572</u>

NOTE: Priority cargoes represent only that tonnage assured of shipping space.
As in previous month other cargo will be shipped.

NOT TO BE RE-TRANSMITTED

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 77

Information received up to 7 a.m. 9th March, 1943.

1. NAVAL.

A 7,000 ton U.S. ship in convoy from North Russia was abandoned yesterday and left sinking after being seriously damaged by weather. Air reconnaissance of GDYNIA yesterday showed SCHARNHORST absent.

2. MILITARY.

TUNISIA. 8th Army. There was no renewal of the enemy's attack during the night 6th/7th and our patrols failed to gain contact. The following day the enemy began to withdraw towards TOUJANE and the hills west of MEDENINE having lost altogether 50 tanks of which 33 blown up by R.E. We suffered no tank casualties. 1st Army. 7th. Activity in all sectors mainly confined to patrolling except near BEJA where a British Infantry Brigade attacked successfully in the area 10 miles north east of the town. No details yet available but considerable casualties believed inflicted on the enemy who is now reported digging in. In the south French forces occupied REDEYEF.

BURMA. In the RATHEDAUNG area small parties of Japanese infiltrated in rear of our positions 3 miles north of RATHEDAUNG. Attempts to dislodge them on the 7th failed. Operating from the KALADAN area the enemy captured KYAUKTAW 25 miles northeast of RATHEDAUNG on 6th/7th.

RUSSIA. Russian offensive continues in OREL sector. On the 6th they occupied SYCHEVKA south of RZHEV. Germans claim that their attacks west and southwest of KHARKOV have made further progress.

3. AIR OPERATIONS.

WESTERN FRONT. 8th. 55 Fortresses scored many hits on the main RENNES railway yards and caused considerable damage to rolling stock and station buildings. 14 Liberators met intense fighter opposition over ROUEN and bombing was scattered. Enemy casualties reported - 24, 9, 10 by bombers, and 5, nil, 1 by escorting Spitfires. Our losses 4 Bombers and 2 Fighters. 16 Mosquitoes successfully attacked the railway centres at LINGEN in HANOVER, TERGNIER northwest of LAON and AULNOYE southeast of VALENCIENNES. 1 Mosquito missing. 8th/9th. Following aircraft despatched - NUREMBERG 335 (8 missing), RUHR 4, Minelaying 16. Preliminary reports NUREMBERG indicate that ground haze prevented positive identification. Fires were rather scattered in the target area and also in woods to the southeast.

TUNISIA. 7th. Fighter and Fighter Bombers attacked enemy H.T. withdrawing in the MARETH area. 16 escorted Fortresses bombed the docks at SOUSSE. Enemy casualties 9, 6, 11, Allied 1, nil, 1.

MEDITERRANEAN. 7th. Escorted Mitchells and Fortresses dropped nearly 50 tons of bombs in two attacks on a convoy between SICILY and TUNISIA. 2 ships were sunk, 4, including a naval vessel set on fire, and another left sinking. Enemy aircraft casualties 6, 2, 3, Allied 1 crashed.

TREASURY DEPARTMENT
805 MAR 10 PM 12 44
OFFICE OF THE SECRETARY OF THE TREASURY

March 10, 1943
9:20 a.m.

ATLANTA SPEECH

Present: Mr. Gaston
Mr. Mager

(First draft of Atlanta Speech read by the Secretary,
copy attached.)

H.M.JR: Here is a suggestion. "It is not pleasant for me, as your Secretary of the Treasury, to continually speak of sacrifices you should make and of increasing taxes we must all pay, but I would be remiss in my duty if I did not remind you that it is these taxes you pay and the War Bonds you buy that make possible the advance of our fighting forces, and that in a very real way, keeps our American Flag flying. There is no one who can say that he has made his full contribution to his country in its hour of need, who has not done his utmost to insure complete and total mobilization of our materials, our man power and our financial resources.

"Any American who neglects to pay his taxes on time or invest every cent he can in War Bonds is surely giving aid and comfort to the enemy. I know these are difficult times; I know of the innumerable sacrifices that you are all making now, and will be called upon to make in the days to come; but let us realize it is in the eternal cause of human freedom and is a fight which must not end short of complete victory.

"Let's be sure we keep all our dollars fighting."

Well, that is Gamble's - he offered that as a suggestion.

Do you have any ideas, Herbert? There is nothing of you in this.

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MR. GASTON: There is this idea, that dollars used to buy bonds now - dollars saved and used to buy bonds now help to keep prices down. They provide weapons for our soldiers, and they will help to make jobs for our soldiers when they come back after fighting.

H.M.JR: I think that is all right.

MR. GASTON: I am just trying to outline an idea.

H.M.JR: I am trying to try, too. I haven't had time. I have been so immersed in my financing. That is the trouble, to try to spark new when you get all soaked up in one thing.

Let me go at this thing kind of backwards. I was reading an article yesterday comparing what Canada did to what we did. They claim Canada had two million people subscribe to their war bond drive and that eighty-five percent of their money comes from outside the banks; that with us it is only thirty-seven percent; and that through war bonds we aren't doing enough to soak up, and so forth, and so on.

Now, there are two things - I can go down and compliment the people of Atlanta - Atlanta or the State of Georgia - on what they have done. I think I should do that. I want to say something to the people like this: I want to again bring to the people's attention that irrespective of what move Congress may make, the Congressional leaders have assured me that everybody should pay their tax on the 15th of March - one-quarter of their tax. I want to use this opportunity to bring to the attention of the people that there are only four days to go until midnight on March 15 when the time is up - something like that.

MR. GASTON: I think you might add, too, that whether they pay one-quarter or half or their entire tax, they can't possibly lose a cent. Every cent that they pay will be credited to their tax liability.

H.M.JR: Now what I want to say is this - after all, we are in the midst of getting ready for the biggest drive

- 3 -

we have had yet, which opens up on the night of April 11, and this stuff is the kind of stuff normally War Bonds gives me. I just don't feel like saying it. I would like to say something because I feel very strongly that - why not put it this way, that the American public, if it wants to control prices, not only each individual himself, but he must encourage his neighbors to put their surplus earnings back into the Government; that none of us have done enough so far; and that when we start our drive on April 12 I am looking forward to a much greater participation in lending money to the Government than this country has ever seen before.

I mean, let's talk a little bit about the April thing - and a little bit about - not only have you and I not done enough, but our neighbors haven't done enough, our community hasn't done enough. Now what Atlanta has done is fine, but Atlanta is only one community. There are a hundred thousand Atlantas. I don't know how many Atlantas there are. I know I had an idea - and you can check this - not every community can buy an "Atlanta," but you can buy a bomber and we will name it after your city. You can buy a tank - you can clear that. If a tank costs so much - you can get the price - and if your community is a smaller community and you want to raise fifty or sixty thousand dollars, the War Department will be glad to name a tank after your community. You can't all do--

MR. MAGER: There is a little danger in that. I was thinking of that. I will tell you what the danger is: The danger in that is that you make what must be, it seems to me, in the future a continuing operation - you make buying bonds a periodic affair in which they buy a bomber, or they buy a tank, and then they rest on their laurels and they are satisfied.

H.M.JR: We will be back every three months.

England has done it, and they have been very successful.

MR. MAGER: But that, I say, is one of the dangers. It is one of the dangers - instead of emphasizing the continuity of buying every pay day--

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H.M.JR: We have done that, but you see the unfortunate thing is - let me argue with you - I don't know what they have, whether it is five or thirty million people doing this thing - and it is magnificent, but what does it amount to? Four hundred million a month - that is the trouble. If they reach their fondest hope, they will go to five hundred million, and what is that? It is magnificent when you get down to the little group, the individual, what he is doing, the man who is buying ten percent - it is wonderful, and certainly never outside of this room would I belittle it, but inside this room, when I have to raise fifteen billion dollars, the four or five hundred million I get on my pay-roll effort - that goes in, and it is wonderful, but it won't keep people - I am throwing it out.

As I say, not every community can do it, but you can buy this or this. I don't know how the War Department would feel, whether they would let us name a tank after a community or not; but, after all, if they buy one tank in April, they can buy another one in August.

MR. MAGER: There is another thing to emphasize if that is what you want to emphasize.

H.M.JR: I don't know - I am just throwing stuff out.

MR. MAGER: It has a real advantage as well as the disadvantage I pointed out. The advantage is - and I mean to emphasize that in here - I was thinking when I was writing this whether I should do it or not, and that is this: It makes concrete in a way that just the purchase of war bonds never makes concrete what you are doing for the war. You see something going some place - you see something happening.

H.M.JR: For instance, what was brought home to me - my very good friend Colonel Greenbaum, who is second assistant to Patterson - he gets contributions - they said they only got a few, but what they are doing now - I think it amounts to sixty dollars - you can buy a Girand rifle

- 5 -

and they will give you the serial number on it. It is your gun, and you lend it to the Army. When the war is over, if it still exists they are going to give you that very gun back.

MR. GASTON: That is if you pay - make a contribution.

H.M.JR: I am just showing you the length to which they are going. Imagine what that means, if they caught on, that each serial number - I am just showing the length that they are willing to go to.

MR. GASTON: They will give it back to you with the history of it.

There is another idea there that I think might be possible to use. That is, don't be satisfied with doing what your Congress orders you to do; this war can't be won in that way. I can tell you now that whatever Congress does about taxes and whatever it should do about forced contributions is not going to be enough. We have to have in the democratic process the voluntary participation, the voluntary investment of savings by all of the people to finance this war adequately. It can't be done by any other way - no other way.

H.M.JR: That is good. And I would like to say a couple of times "And remember today ninety-five cents out of every dollar is going into the war." I would like to say it about twice.

MR. MAGER: Remember this is a four-and-a-half-minute speech.

H.M.JR: Well, supposing we give you - I take it you are absorbing this, you see.

MR. MAGER: I am conscious of it; I am aware. With me when I write a short speech, it is what to leave out, not what to put in; that is my problem.

H.M.JR: As I say, if Mr. Gaston and I can give you a good idea - and I would like something a little bit

- 6 -

fresh. From my standpoint "Ninety-five cents out of every dollar" is fresh. The thing that Mr. Gaston spoke of--

MR. GASTON: Save for future prosperity.

H.M.JR: The idea that what Atlanta has done is wonderful; there are many other Atlantas. The city of Chicago is now going to do something, but, after all, the destroyers cost so much, or a tank costs so much, or a bomber costs so much.

Now, we could very quickly - they gave us a clearance on bombers; they will name any bomber, and I am sure they would a tank. It shouldn't take very long to get a clearance on that if you want to mention it.

Again here is a reaction. Henry said, "One afternoon we shot off fifteen thousand dollars' worth of ammunition." He said that he shot off, let's say, two hundred and fifty dollars' worth, or three thousand dollars' worth, or whatever it was, himself.

I said, "How do you come to figure it that way?"

He said, "One of the officers told us one afternoon just how much the ammunition costs and gave us everything in terms of dollars, and it made a tremendous impression on the boys."

The point was that they were saying "Why don't we have something besides these eighty-five millimeter guns on trucks?" you see. "Why isn't it, the whole thing, equipped that way?"

He went on to explain that the thing cost sixty or eighty thousand dollars per unit, and they just couldn't equip the whole motorized unit with a thing like that.

Way, way back I wanted to talk that, "A tank costs so much." First the Army didn't want me to, and the President didn't want me to, but I think it is good stuff if we can get over to the people that a bomber costs so much.

- 7 -

"We will name it after your city, and don't forget, out of every dollar you give us ninety-five cents will go into one of these bombers," and so forth, and so on. This is a counteraction to Congress about wastefulness.

Now, see what you can do, will you?

MR. MAGER: Where can I find out the price of a bomber? Can you get that for me?

H.M.JR: George Haas will get it for you, or through General - who is head of Public Relations over there?

MR. GASTON: Surles.

H.M.JR: Give it to Chick Schwarz. Tell Chick Schwarz to get it and also get a clearance from them so that I can use it - a bomber and a tank - the latest tank. I want to use it in this speech, you see.

Now on this thing here - I will give you that. If you need more space, you could leave out that second paragraph as far as I am concerned.

MR. MAGER: There should be some local color, though, some recognition.

H.M.JR: That is right.

And also if you need space that American Legion thing, if you want to, you can leave out.

Supposing you put this aside and sort of do it kind of fresh, will you? See what you can do.

Now the question is, when are we going to meet again? Let's see what we can do.

MR. MAGER: There is one thing I want to call to your attention. The Gallup poll was published this morning of the tax situation.

- 8 -

H.M.JR: He called me on the phone yesterday.

MR. MAGER: It is extremely interesting. You know what it is then?

H.M.JR: I was terribly worried. He called me personally on the phone.

MR. MAGER: It is a very, very important poll. It shows that in the latest survey they just finished, over one-half of the single men with incomes of five hundred dollars or more do not know that they are supposed to file a return - one-half - and in the case of married people, over one-third do not know they are supposed to file a return.

H.M.JR: I have called a meeting at eleven o'clock today to discuss this very thing in view of Gallup calling me. When Gaston gets back he will hear about it.

MR. MAGER: You certainly ought to use the radio an awful lot to educate the people between now and the 15th.

H.M.JR: I called a meeting at eleven o'clock.

Where did you see it, in the Post?

MR. MAGER: Yes.

H.M.JR: See what you can have by three.

It is not pleasant for me, as your Secretary of the Treasury, to continually speak of sacrifices you should make and of increasing taxes we must all pay, but I would be remiss in my duty if I did not remind you that it is these taxes you pay and the War Bonds you buy that make possible the advance of our fighting forces, and that in a very real way, keeps our American Flag flying. There is no one who can say that he has made his full contribution to his country in its hour of need, who has not done his utmost to insure complete and total mobilization of our materials, our man power and our financial resources.

Any American who neglects to pay his taxes on time or invest every cent he can in War Bonds is surely giving aid and comfort to the enemy. I know these are difficult times; I know of the innumerable sacrifices that you are all making now, and will be called upon to make in the days to come; but let us realize it is in the eternal cause of human freedom and is a fight which must not end short of complete victory.

Let's be sure we keep all our dollars fighting.

Draft of Atlanta Speech

Governor Arnall, Secretary Knox, Ladies and Gentlemen:

It is indeed a privilege to be here with you this evening.

For a long time now I have watched with great interest the contributions the people of Georgia have been making to the success of our war effort. I am happy that an opportunity has been afforded me to congratulate you on your magnificent contributions.

Georgia is not the largest state in the Union in point of size; it is not the greatest state in the Union in point of wealth. But it is not in these terms that we measure a State's contribution to the war. Georgia -- all of Georgia, from Rabun Gap to Tybee Light -- has given unstintingly of the resources it possesses to the winning of the war. No state can be expected to do more.

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I remember well your great War Bond campaign of last November sponsored by the Georgia Department of the American Legion. It was a model of democratic organization and enlightened public spirit. Working with the Georgia War Savings Staff and an Advisory committee made up of prominent bankers, industrialists, physicians, and others, the Legion Committees and post memberships organized the State by Congressional districts, counties, and towns to put over one of the most effective war bond drives on record.

This evening we are assembled to express the gratitude of the nation for another contribution of the State of Georgia to the war effort -- the successful conclusion of a great war bond drive to build a new cruiser Atlanta. The old Atlanta was sunk in the battle of Guadalcanal in the South Pacific in November. Only a few minutes after word reached here that

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the cruiser Atlanta had been sunk, a committee was formed announcing its purpose to sell \$35,~~750~~,000 in War Bonds to finance the construction of a new Atlanta. The deadline for the campaign was originally set for April 15th. It was then pushed ahead to March 12th. The drive went over the top on March 3rd. I congratulate you on your magnificent achievement.

Your money is going to provide the Navy with a new Atlanta to take the place of the old. Your dollars are going to war in the way that your fathers and sons and dear ones are going to war. This is the way it should be; it is the way the people of Georgia want it.

We have said time and again that War Bonds are the best investment a person can make -- an investment for himself, an investment in his country. I want to say now that I consider the purchase of War Bonds more than a mere investment.

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The purchase of War Bonds is above all an act of faith -- an act of faith that expresses our loyalty and kinship with the men and women who are sacrificing their lives for you and me. We owe a great debt, a debt we can never repay, to the men who went down with the Atlanta at Guadalcanal. We owe the same debt to thousands of other soldiers, sailors, and marines on the far-flung battlefields of the world.

We can keep faith with our gallant men and women of the armed services only by making our dollars fighting dollars. We can keep faith with them by making every pay day bond day. We can keep faith with them by paying our taxes speedily, generously, uncomplainingly. Our dollars this year will truly be fighting dollars. Soon ninety-five cents out of every dollar the Government spends will be devoted to war. These fighting dollars will be found side by side with our men in

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the malarial swamps of Guadalcanal, the sagebrush of Tunisia, and the dangerous waters of the seven seas. One day they will march with our men in victory through the streets of Berlin, Tokyo, and Rome. The glorious day of victory cannot come too soon. By keeping faith with the men and women of the armed forces, by keeping faith with the men and women who have made the supreme sacrifice for home and country, for you and for me, we will speed the day of blessed victory.

-oOo-

March 10, 1943

To Secretary Morgenthau
From Dr. Viner
Subject: Mager Draft Article

From my reading of the article and my conversation with Mr. Mager I get the impression that he will be able to do a good job for you. I strongly suggest, however, that the Treasury take this particular task very seriously and that all the research staffs be asked to assist in the preparation of material for it and in the checking of the final results.

In its present form it has not got enough content and it is too complacent in tone. I would suggest, in particular, that the tax system in relation to its impact on business enterprise, Federal-State tax relations, the problem of international double taxation, and international monetary arrangements, all be specifically mentioned as topics which the Treasury plans to study with a view to a post-war Treasury program.

March 10, 1943
11:05 a.m.

TAXES

Present: Mr. Gaston
Mr. Schwarz
Mr. Sullivan
Mr. Houghteling
Mr. Helvering
Mr. Rogers

H.M.JR: Did you talk to Gallup?

MR. SULLIVAN: Yes, sir.

H.M.JR: You saw the poll?

MR. SULLIVAN: Yes, and yesterday afternoon I asked him if he would be willing to look over what we had done this year and make suggestions for next year. Yesterday afternoon I sent him a copy of the memorandum I gave you about what we had done.

I have my conversation with him. He said that this was not restricted to any general section - any particular section. He said it seemed to be fairly general. He didn't give me the figures yesterday. He said about a third, but when I read those figures this morning I was not disturbed, Mr. Secretary.

(Mr. Rogers entered the conference.)

H.M.JR: This is a meeting I called on publicity on March 15 tax returns. (Memorandum on this meeting is attached.)

MR. SULLIVAN: To complete the story, sir, after I talked with Mr. Gallup I got Mr. Horne and Mr. Schwarz. I tried to get Mr. Lewis at OWI. I talked with the

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Commissioner and with Mr. Cann, and we made out some thirty-minute announcements stressing--

H.M.JR: Thirty-minute?

MR. SULLIVAN: Thirty-second announcements stressing the five hundred and the twelve hundred personal exemptions. This morning I reached Mr. Lewis at about quarter of eleven, and he asked me to talk with Mr. Rogers who was with Mr. Gaston. Mr. Rogers now has those announcements and thinks that he can help us on them.

H.M.JR: Do these tie up the tax returns with the war bonds? Those are the ones I have been hearing on the radio.

MR. SULLIVAN: No.

H.M.JR: Frankly, I think in the next few days I would make it straight "pay your tax March 15."

MR. ROGERS: We can substitute these for the others.

H.M.JR: You are familiar with those?

MR. ROGERS: Yes.

H.M.JR: Don't you think it would be better to drop tying the two together and make it straight?

MR. ROGERS: Yes, I think so.

H.M.JR: Do you agree to that? In all the announcements I hear the two are tied up together. It's a good thing there are no war bond fellows around here. (Laughter) I think from now until the 15th - now you think you can get us a kind of green light on that?

MR. ROGERS: I think we can get it very fast; we should be able to. I spoke to them already this morning about it, and they are all ready; they are just waiting for me

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to come back with the copy.

H.M.JR: Have you got the copy?

MR. ROGERS: I have it.

H.M.JR: Is it all right?

MR. ROGERS: Yes.

H.M.JR: Is it all different - could I just see how it looks, please, just to get an idea. (Announcements handed to the Secretary, copy attached.)

MR. ROGERS: Then there are some one-minute announcements coming.

H.M.JR: Couldn't somebody over there put in a little friendly - I mean, it is awfully cold - just make it a little bit warmer.

MR. ROGERS: I think we can in the ones where we will get the time. It seems to me that I would go first for number of announcements, and then where we feel we can get the time, we can expand those a little bit. We need the number of announcements first. Do you agree with that?

MR. SCHWARZ: Yes.

H.M.JR: I have a suggestion to make to see if anybody thinks well of it. I would like - after all, the thing that is hurting us is what Congress is doing, and I wondered if we couldn't get the Republican and Democratic Senators and the Republican Congressman and the Democratic Congressman - I mean, Mr. Doughton and whoever the second man is - the Republican - I don't know who he would be.

MR. GASTON: Treadway.

H.M.JR: I would like to have the four of them sign a statement which could be announced both to the press

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and radio saying that Congress had nothing in mind which would keep a fellow from paying his tax, that they should pay the tax, and that there is nothing they were doing or had in mind which would vitiate a fellow's paying his tax on the 15th of March. I would like to see those four people give us a statement which could appear in Sunday's papers.

MR. SULLIVAN: You know they have all said that.

H.M.JR: But you forget it. They said it once, but that was two weeks ago. If I know anything about advertising, it is a good thing to keep repeating.

MR. ROGERS: That is right.

H.M.JR: If you could get the four of them to sign a statement for Sunday morning's release which could go - what do you think?

MR. ROGERS: I agree absolutely.

MR. SULLIVAN: Yes, sir.

H.M.JR: Good.

Now the other thing - I wrote this all out. This is why I invited Larry Houghteling: I would like you, if you think well of it, to get in touch with the three or four big unions. Instead of doing it through the front door I want to do it through the unions and ask them if in some way they could poll their members late Monday afternoon - not all of them, but if I could get across the country, say AF of L - if I could get ten thousand AF of L, ten thousand CIO, ten thousand from the Railroad Brotherhood, you see - in some way or other get them to poll them Monday to find out whether they paid their tax.

MR. HOUGHTELING: Yes.

H.M.JR: Then I got a suggestion, a very confidential suggestion to make, if a big percentage haven't - I only

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want to do this if the Commissioner will agree to what I am going to suggest. Supposing we find that twenty-five percent haven't paid. Then I would like to give the people the simplified forms - three thousand dollars and under, isn't it?

MR. HELVERING: Yes.

H.M.JR: I would like to give the people with three thousand and under a two-weeks extension. If say twenty-five percent - I mean, I wouldn't breathe it until, say, Tuesday or Wednesday, but supposing we find after the labor test that that number have not because they didn't understand it, we would simply announce that anybody whose income is three thousand dollars or less has until the 1st of April. Think about it.

Now, may I just say this - I will have to swear a little bit - it is a damned sight better to do it than to do what OPA did. I want you to listen to this - say they are going to arrest everybody and then come out and say, "You are on your own," and so forth, and so on, and get everybody down on you and then have to reverse yourself and say, "No, we are not going to arrest anybody any more, and if you get a ticket it is waived." It is a matter of public relations.

MR. HELVERING: The only thing I don't like about it is the notifying everybody at the price of those--

H.M.JR: It isn't just going to apply to labor unions.

MR. SULLIVAN: You said those whose income is three thousand dollars or less.

H.M.JR: Yes, because I figure the other people ought to know.

MR. HELVERING: When do you want a report on this, Monday night or Tuesday morning?

H.M.JR: We will pay for the telegrams. They could send us night letters collect to Commissioner Helvering. We will collect, and we will pay for it. Then he will

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get them all together and have statistics ready, and we could announce it by Tuesday noon. I mean, that is if the Commissioner will agree to this. The reason I said three thousand is because the fellow over three thousand ought to know. Just chew on that a little bit.

MR. SULLIVAN: You have a lot of people earning more than three thousand dollars this year who have never paid an income tax before, Mr. Secretary.

H.M.JR: Well then, put it this way "Anybody who either (a) has never paid an income tax before, or (b) whose income is three thousand dollars or less."

MR. SULLIVAN: Let's think it over. We know what you have in mind.

H.M.JR: You might as well settle it now. He has to get busy, Houghteling does.

MR. SULLIVAN: I thought you wanted this report anyway.

H.M.JR: No. I don't want the report in my lap and then not do anything on it.

MR. HELVERING: The problem that is confronting us, Mr. Secretary, is one of delayed figures. For instance, in the office over here twelve thousand went through there, and only eighty-four hundred went in and paid it.

H.M.JR: What happened?

MR. HELVERING: They got the returns made out and put it in their pockets and sent it in maybe the 15th or later on. The day before nine thousand one hundred and twenty-three were over there, and five thousand six hundred and eighty went up to the cashier's office and paid their tax. That is the problem that is confronting us.

H.M.JR: Do you mind - let me just talk a minute to Rogers. After all, this is the one place, I suppose,

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where the United States Government hits more people face to face than any other front. It is a question of domestic morale - that is what I am thinking about. I don't care whether it is three thousand; I don't care whether it is everybody or those who haven't paid the tax before, but this idea of the large proportion of people who haven't filed by midnight Monday - whether we have the right to give another two weeks - we won't announce it until we see what it is.

On account of this constant discussion on the Hill - I mean, I don't blame anybody for not knowing who should or shouldn't pay his tax who hasn't a tax lawyer or tax accountant.

MR. ROGERS: I would like to ask you one question. This is fairly new to me - I don't know if I have a very good idea of the answer. Do you feel that the majority of the people in the country recognize the tax day as something that they have to live up to? It is a very well accepted date with those who know. Is that a true statement?

H.M.JR: That is right.

MR. ROGERS: So we have the problem now of people, the new payers who just don't know.

H.M.JR: That is right.

MR. ROGERS: The thing I am worrying about is, if you say now that you will postpone under any circumstances - if you say now that you will postpone for two weeks, isn't it likely that you will soften up the tax-paying day the next time or the next year - June 15?

H.M.JR: I can't believe that another time we will have this mess in Congress that we have had now.

MR. HELVERING: But anyhow, Mr. Secretary, you didn't expect to put out this extension until Tuesday after the 15th.

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H.M.JR: That is right, after the 15th.

MR. ROGERS: Yes, but haven't you softened up the day anyway? Another time they may say, "Well, we had better wait and see. Maybe we will get an extension." That is the thing that would bother me. I see exactly what is in the Secretary's mind.

H.M.JR: To answer that perfectly say, "This would apply to people who never paid a tax before."

MR. ROGERS: This makes it better.

MR. SCHWARZ: Make the point that people who have paid before have received a form because they are already on the list.

H.M.JR: That is a good point.

MR. SCHWARZ: They have notice; the forms themselves tell who must pay.

MR. SULLIVAN: Almost all the others have had notice, too, through their

H.M.JR: I am just looking ahead. I didn't sleep last night; I was worrying about this thing. Suppose we have to go out and try to arrest five million people?

How many returns--

MR. HELVERING: About forty-three million.

H.M.JR: All right, supposing we had a job to go out and run down ten percent of the people.

MR. SULLIVAN: That is what we do, about four million every year.

H.M.JR: You have to go out and chase four and a half million people, say five million people.

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MR. HELVERING: Of course you understand, Mr. Secretary, every employee received this from his employer, this 1099 notice on which was posted this exemption of five hundred and twelve hundred.

H.M.JR: Look, he got it once, and then he reads in the paper all about this Ruml plan and all about the cancellation of taxes. Now you read in the papers that they are talking about cancelling the last half of '43 - that was a new one on me. I have had people come up and say - a servant in the house came up to me and said, "I have the money. Should I pay my taxes for the year or should I pay it quarterly, or what should I do? I see by the papers that maybe it is going to be forgiven."

MR. HELVERING: That is all over the country.

H.M.JR: Now I didn't know they were talking of forgiving the last half of '43 until I read the paper last night. I thought it was '42 Ruml was talking about.

MR. SULLIVAN: You have all kinds of combinations up there now. Nothing is out.

H.M.JR: And I don't blame anybody who gets that once - he may lose it or not understand it.

MR. SULLIVAN: I think what you have in mind, Mr. Secretary, is some sort of announcement by the Commissioner on the 16th or 17th of March that because of all of the confusion and the crowded conditions no penalties will be invoked for failure to file before April 1.

H.M.JR: That is right, to people who have not filed before. What do you call them - a man who votes the first time, what do you call him?

MR. SULLIVAN: A first voter, a first filer.

H.M.JR: First income-tax filer.

MR. GASTON: If you set a definite date, that means that they will hang off until that date again. I wonder

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if some announcement to the effect that there will be a liberal - not imposing a penalty - that the office remains open to receive filing, and your chances of being able to pay the tax without severe penalty will be increased the quicker you come in and settle up.

H.M.JR: That could be worded carefully. The main thing is, I hate, as Secretary of the Treasury, to be faced with the idea of having to go out and try to hound down five million people.

MR. ROGERS: It is a big job and public relations fireworks, too.

H.M.JR: And you go into every factory and you get the worker's mind off his business. I think if they would all come up the line - if Ruml had really played ball, and every time had said, "But remember, Mr. Taxpayer, you have to pay on the 15th of March" - he made that offer to do it on March 15th at eight-fifteen.

MR. SULLIVAN: San Francisco, Western Time - he did give out a statement.

H.M.JR: Did he?

MR. SULLIVAN: Yes, and none of them carried it.

H.M.JR: He has done the damage.

MR. GASTON: Would a week have been better than fifteen days? Say, "All new taxpayers will have another week in which they can pay without penalty."

MR. SULLIVAN: You don't think you are going to know on the 16th or 17th?

MR. HELVERING: No, you are going to have this year a very much less complete report on the close of business the 15th than we have ever had, because I have been advised this morning from three different collectors that the mail is just commencing to come in, together with the taxpayers, in their office, and they weren't able yesterday to open yesterday's mail.

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H.M.JR: Supposing we asked these unions to do this and to send in these telegrams collect - the question would come in their mind, "Why does Mr. Morgenthau want to know that?" They wouldn't dream we were thinking of postponing it, would they?

MR. GASTON: It would be very good propaganda to have union people going around asking others, "Have you paid your taxes?" It would be the best kind of propaganda.

H.M.JR: Can you see any harm in that?

MR. GASTON: No, I think that is fine.

MR. HOUGHTELING: I don't think we ought to offer them any indication of that.

MR. GASTON: No, I don't think so. As far as the reports are concerned I don't think it makes any particular difference. We don't have to have exact reports; we know there are going to be a lot of laggards. It has to be the same anyway, whether we know who has paid or not.

H.M.JR: Don't you think it would be a good move to ask the unions to do that? Have you any doubts about that?

MR. GASTON: Yes.

H.M.JR: Have you any doubts?

MR. HELVERING: No. The more we can check up between now and then the better it is.

MR. ROGERS: I think that is fine.

MR. SCHWARZ: Yes, it will bring some other people in, even if late, if they are reminded again.

MR. HELVERING: All these unions have their captains in local communities.

MR. GASTON: Why not check up on Saturday rather than on Monday?

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MR. ROGERS: How would that be handled? Would that be a controlled specific questionnaire, or would you ask them to answer it in general questions?

MR. SCHWARZ: It will just be a canvass.

MR. ROGERS: Would the figures be reliable?

MR. HELVERING: Here is a captain - take my own town, Salina, Kansas - in the Railroad Brotherhood, he knows every one of them that is there. In very short order he can make a report on those that have filed or who have had them ready to file, and so forth.

MR. SULLIVAN: I think Saturday would be bad.

H.M.JR: I think so, too. The very fact that we go to the unions to check up - they may get busy and send out a last-minute appeal to their members. I don't want to prolong this thing.

I think it is good enough to ask you to do this, and I have to work on the Commissioner a little bit, you see, soften him up a little bit.

MR. HELVERING: On this?

H.M.JR: No, about possible extension.

MR. HELVERING: Well, I am just basically opposed to an extension to one class if you don't give it to all classes.

H.M.JR: All new taxpayers.

MR. ROGERS: From the standpoint of the public, does this have to be an extension, or can it just be leniency in administering the penalty? It would make quite a lot of difference to the public.

MR. GASTON: Advertise the fact that the quicker they come in the less likelihood there is of their having a stiff penalty.

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H.M.JR: You could be working on this. I think Rogers has a good suggestion.

Rogers, if it is agreeable to you, do you mind not reporting this thing back, because you know; and you are the only one, so to speak, outside of the Treasury who knows this? I consider you in the Treasury.

MR. ROGERS: Thank you. I will carefully guard it.

H.M.JR: I mean, if you start getting it around your shop it might get out. That would be fatal.

MR. HELVERING: Mr. Secretary, could I just clear one thing with you? I had already this morning - well, yesterday afternoon we dictated a memorandum going to every collector to the effect that we wouldn't put any penalty on people who filed returns on the 16th, 17th, and 18th.

H.M.JR: Anything that came in the 16th, 17th, or 18th?

MR. HELVERING: The reason I think that ought to be done is because the mails certainly are in bad condition now.

MR. GASTON: You rely on the postmark anyway, don't you; that is, if it is postmarked before midnight of the 15th it is O.K.?

MR. HELVERING: Yes.

H.M.JR: But you mean if it is postmarked the 16th, 17th, or 18th?

MR. HELVERING: Yes. What I am thinking about is a man who files out here in some suburb of Washington, for example. It comes down and is sent to the general post office, and there is where the stamp goes on, not out there.

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H.M.JR: It is all right with me if it is all right with John.

MR. SULLIVAN: Yes, sir.

MR. HELVERING: All I am saying is that the collectors should check. If there is an attempt to get it in on the 15th, they should use their discretion on it and go to the extent of three days after the filing date to not assess any interest or penalties.

H.M.JR: You mean you are going to leave that to his discretion, or is that an order?

MR. HELVERING: I am going to issue that as an instruction.

H.M.JR: That no penalty - you give a man three days' grace in other words?

MR. HELVERING: Yes.

MR. SULLIVAN: That is a confidential instruction.

H.M.JR: You wouldn't mail that to ^{him} before the 15th, would you?

MR. HELVERING: To the collectors?

H.M.JR: Yes.

MR. HELVERING: I was getting it ready to--

H.M.JR: I wouldn't mail it before Saturday night.

MR. HELVERING: We can do that all right.

H.M.JR: I wouldn't mail it to them until Saturday night.

MR. SULLIVAN: It wouldn't get to the fellows on the West Coast. All of these men can be trusted to keep that confidential, can't they, Guy?

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MR. HELVERING: Yes, it is a confidential memorandum.

MR. SULLIVAN: It goes just to the collectors.

H.M.JR: All right, if you are sure you are right.

MR. HELVERING: I am sure we are all right or else we are going to have an awful kick.

H.M.JR: I mean on the leaks?

MR. HELVERING: Oh, well, I don't know of any.

H.M.JR: If you mail it Saturday - they are not going to examine that stuff - supposing the collector on the West Coast gets it on Tuesday, he isn't going to start examining that and putting on penalties, anyway.

MR. HELVERING: Oh, no.

H.M.JR: I wouldn't put it in the mail until Saturday night. Those to the West Coast could go Friday night. Why not mail everything West of the Rockies, say, Friday night?

MR. HELVERING: That will be all right.

H.M.JR: Mail the others on Saturday night.

MR. HELVERING: There is about a four-day mail service to the West Coast now.

H.M.JR: Put it in Friday night.

MR. HELVERING: That would be all right. Tuesday is the first time it becomes effective anyhow.

MR. HOUGHTLING: Now you want to have Mr. Helvering receive a number of telegrams from all over the country - for instance "Boeing Aircraft, local No. 1, five hundred members canvassed, two hundred have filed returns, one hundred claim exemptions, two hundred not yet gotten around to file." You want just that information?

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H.M.JR: That is right.

MR. HOUGHTELING: From say thirty thousand people, ten thousand CIO, ten thousand AF of L, and ten thousand Railroad Brotherhoods?

H.M.JR: Right.

MR. HOUGHTELING: And a good geographical distribution?

H.M.JR: You have it. As a former newspaper man you know just what I want.

MR. HELVERING: This is going out as a matter of information as to how many have filed returns?

H.M.JR: Only, yes - only that.

MR. HOUGHTELING: Yes.

H.M.JR: And if you want to consult with anybody, consult with - would you like to see that before it goes out?

MR. HELVERING: No.

MEMORANDUM

(For 11:00 o'clock meeting)

I would like to bring up the suggestion that we ask the labor unions to make a check Monday afternoon among their employees as to what percentage have paid their income tax, and then to send me a collect night letter Monday night to let me know. What I have in mind is that if a very high proportion of laboring people have not paid their income tax there's a possibility of giving a blanket extension to everybody with incomes of \$3,000 or less, in other words, those who use the simplified form.

Also, at this meeting I want to bring up the suggestion of getting Senator George and Doughton to give out another joint statement about paying your income tax, and make a special drive to get the radio broadcasting stations to put it on every station, in addition to getting it published in the newspapers.

In addition to George and Doughton, I'd want the two Republican minority leaders of the two committees. In other words, have four of them sign the statement.

Thursday

Four more days to file your income tax return! All single persons whose 1942 income was \$500 or more and all married couples whose 1942 income was \$1200 or more must file their returns before midnight March 15.

Friday

Three more days are left for filing your income tax return! Remember, all single persons whose 1942 income was \$500 or more and all married couples whose 1942 income was \$1200 or more must file their returns before next Monday midnight. Returns in the mail and postmarked before midnight March 15 will be on time.

Saturday

Two business days remain for filing income tax returns! All single persons whose 1942 income was \$500 or more and all married couples whose 1942 income was \$1200 or more must file their returns before midnight Monday.

Sunday

Here is an important reminder: Tomorrow is the last day for filing your Federal income tax return! All single persons whose 1942 income was \$500 or more and all married couples whose 1942 income was \$1200 or more must file their returns before midnight tomorrow.

Monday

Don't forget the income tax deadline! You have until midnight tonight to get your return to the Collector of Internal Revenue or into the mail addressed to him. All persons whose 1942 income was \$500 or more and all married couples whose 1942 income was \$1200 or more must file. Your country needs the money for Victory!

March 10, 1943
11:35 a.m.

ATLANTA SPEECH

Present: Mr. Gaston
Mr. Murphy
Mr. Mager

H.M.JR: Henry, they tell me you are a good speech writer.

I have Harold Mager coming in. He is trying to do a speech for me on the broadcast for Friday night. Here it is Wednesday, and I didn't like the speech. He is going to do it over. He thinks his speech is pretty good. He likes his own words - just like you like yours.
(Laughter)

So I am going to get the two of you together.

(Mr. Mager entered the conference.)

H.M.JR: Henry has a lot of lovely two-dollar words, and he likes his words just as much as you like yours. (Laughter)

I don't know what he is doing, but I am going to ask him to drop it. I want the two of you to get together. I am so tired I can't spark any more, and it is so near my speech date.

So supposing the two of you put your heads together between now and three and see what Henry has got. Will you? I have got to go down there and christen a battleship, more or less.

MR. MURPHY: Yes. I don't even know the occasion for the speech.

- 2 -

H.M.JR: Supposing the two of you go into Mr. Gaston's room now and let Mr. Gaston tell you what it is.

Will you do that?

MR. MAGER: I have finished half of the draft, but I will go over it with him.

H.M.JR: Let Mr. Gaston tell you what it is and just drop what you are doing, and the two of you collaborate. I am going to see you again at three o'clock.

March 10, 1943
12:45 p.m.

HMJr: Did you ever get the A.B.A. and the Department of Agriculture straightened out?

Daniel Bell: No.

HMJr: You never have.

B: I got one thing. The - one regulation was changed to kind of soften it a little and not do what they wanted, and they promised to go back and see if they could do the same thing, at least that much in the other regulation, which was really the loans they were objecting to, and I haven't heard from them since.

HMJr: I see.

B: They were going to talk to the Independent Bankers Association, which were in town last week and with whom I had a conference. Now that's the last I've heard of it.

HMJr: Well, there's a clipping in the Times which I'll send in to you, which....

B: All right.

HMJr:which you....

B: Now Byrd sent me down last night -- and which Mr. Heffelfinger has worked on over the evening and he's trying to work on it today some -- a copy of the Byrd Committee Report, in which they've come out with a definite recommendation that the - this organization that Agriculture has set up....

HMJr: Yeah.

B:be eliminated....

HMJr: I see.

B:from the credit field, and that there be some attempt on the part of the Agriculture to consolidate all their lending agencies and put them into one place....

- 2 -

HMJr: Well, that's....

B:and let Congress legislate as to what they can and cannot do.

HMJr: Yeah.

B: And then they put in there that - the feeling that the banks ought to make these loans if they can do it at not more than 5%.

HMJr: Yeah.

B: I want to talk to you about that before....

HMJr: All right.

B:it goes back, but they were anxious to get it today so he could submit it to Congress tomorrow.

HMJr: Well....

B: I don't know whether I've got time or not to do it.

HMJr: No. (Laughs)

B: (Laughs) Doughton called me and said that the Debt Bill might come up -- or at least the rule....

HMJr: Yeah.

B:might come up this afternoon late after they finish with Lend-Lease.

HMJr: Yeah.

B: He wanted a letter from me stating what I stated before the Committee.

HMJr: Yeah.

B: Largely summarized, so that he could use it on the floor.

HMJr: Yeah.

- 3 -

B: Would you like to sign that or shall I go ahead and just....

HMJr: Uh....

B:send it up.

HMJr: Either way - I'll be glad to sign it.

B: Well, it ties in with the testimony and that's the only reason I....

HMJr: Well, you better sign it then.

B: And I can just go ahead and tie it in with that if you....

HMJr: If - you - you sign it.

B: I'm working on it now.

HMJr: All right.

B: He thought he might get it through tomorrow, if he could get the rule this afternoon.

HMJr: Wonderful.

B: All right.

HMJr: Thank you.

B: Goodbye.

March 10, 1943
3:05 p.m.

ATLANTA SPEECH

Present: Mr. Gaston
Mr. Murphy
Mr. Mager
Mr. Odegard
Mr. Henry Morgenthau, III

H.M.JR: (Reading "Draft of Atlanta Speech," copy attached.) "Governor Arnall, Secretary Knox, Ladies and Gentlemen: It is indeed a privilege for me to be here with you this evening."

There isn't a big word so far, what is the matter?
(Laughter)

"For a long time now I have watched with great interest and growing admiration the part the State of Georgia has been playing in the war effort. What has impressed me most has been the splendid spirit of self-reliance and local and community initiative you have set as an example to the country as a whole. In the successful conclusion of a war bond drive to build a new cruiser Atlanta, you have demonstrated again the capacity of free men to rise to the needs of the times and do what is required for the protection of their own interests and their country's interests.

"I trust that what you people of Georgia have done by local, county, and community action will blaze a path for the country as a whole. For it is precisely this exercise of local and individual initiative that the times today demand. Georgia has raised \$35,750,000 to build a new cruiser Atlanta. Let the free men of all the States in the Union, of all the cities and communities in the Union, do all that they can do. There is a weapon of freedom to fit every community's purse, from the battleship that costs 97 million dollars, the Flying Fortress that

- 2 -

costs \$450,000, right on down to the Fighter that costs \$150,000.

"It is good to visualize what you are getting for your money. It will be a source of satisfaction to all of you to see the trim lines of the cruiser 'Atlanta' and say 'There is my money.' Yours is an example which might well be followed widely by communities all over the country next month, when the Treasury will launch a campaign to raise at least \$13,000,000,000 for war purposes.

"Our dollars today are indeed fighting dollars. Your Government will devote 95 cents of every dollar with which you provide it, either through taxes or war bonds, to war purposes. Your war bond dollars are dollars fighting Hitler and Hirohito. But they are also dollars fighting an important battle here on the home front. Every dollar you put in war bonds helps keep prices down now and will help provide jobs after the war. They are double-duty dollars, and they will perform both duties well."

There is a lot in that paragraph.

"Finally, let me say a word about taxes. Tax dollars are double-duty dollars, too. They fight the battle abroad and they fight the battle on the home front.

"Next Monday at midnight is zero hour when billions of these tax dollars are due to go over the top to battle. There have been persistent rumors that somehow this zero hour will never come off; that somehow taxes due March 15th will be forgiven. It would be tragic for our war effort if this rumor should gain general credence. It is utterly incorrect. Senator George and Chairman Doughton, and other members of the committees of Congress handling tax matters, as well as the Treasury Department, have done their best to scotch it.

"Be sure that your tax dollars are not late when the zero hour strikes and the dollars of your friends and neighbors go forth to battle."

- 3 -

I think this is a great improvement. Let me do a little editing.

Have you seen this before?

MR. GASTON: We only had a few minutes. I made a few notes here. I also dashed off another effort that Mrs. Herbert is typing now.

H.M.JR: Entirely different?

MR. GASTON: Yes. You may be entirely satisfied with this.

H.M.JR: Herbert, I made so many disagreeable decisions this morning - I don't want to make any more today. I told Mrs. Klotz that I am tired of being boss; I just want to be a private.

(Mr. Odegard entered the conference.)

MR. ODEGARD: This is the Atlanta speech?

H.M.JR: Yes, and then Herbert Gaston tells me he has written one and wants me to decide which is better.

MR. GASTON: No, not exactly that. If you want something entirely different, I will offer you that.

H.M.JR: Shall we work on this in the meantime?

(Reading) "Governor Arnall, Secretary Knox, Ladies and Gentlemen: It is indeed a privilege for me to be here with you this evening."

Do I have to say that, "It is indeed a privilege to be here with you this evening"?

MR. MAGER: Say, "I am happy," or "I am glad."

MR. GASTON: Would you like to say instead of "Ladies and Gentlemen," "People of Georgia"?

- 4 -

MR. MAGER: No.

MR. ODEGARD: I sometimes think it is refreshing, Mr. Secretary, to begin a speech immediately without any preliminaries - simply say "Governor," and so forth, and then say, "For a long time I have watched with great--"

H.M.JR: I think so, "For a long time now I have watched with great interest and growing admiration the part the State of Georgia has been playing in the war effort." That doesn't sound patronizing, does it?

"What has impressed me most has been the splendid spirit of self-reliance and local and community initiative you have set as an example to the country as a whole."

MR. GASTON: I have done a little editing of those two sentences. I thought they were a trifle extravagant.

"For a long time now I have watched with admiration the contribution of the people of Georgia to our wartime needs. What has impressed me most has been your splendid spirit of self-reliance and local community initiative which is a pattern of our democratic American method of getting results in whatever we undertake."

H.M.JR: That is all right with me.

MR. GASTON: I don't think Georgia has really set any great example to anybody.

MR. ODEGARD: Everybody is setting examples to everybody else.

H.M.JR: I think that that is an improvement.

MR. ODEGARD: Mr. Secretary, did you want to make any reference in Georgia to the fact that the State of Georgia was one of the original States of the Union and is the second home of the President?

H.M.JR: I certainly would say something about it being the second home of the President, but I wouldn't

- 5 -

care about it being one of the thirteen States. Is that what you said?

MR. ODEGARD: Which would you use?

H.M.JR: I would certainly say something like "I am glad to be here in the second home of the President." He has a certain language for that which he uses. Doesn't he call it "my other home"? Somebody could look up one of his speeches. Miss Diamond could get that for you. He has a definite terminology that he uses. You are absolutely right. The thirteen States - no--

MR. ODEGARD: The only thing is, the people of Georgia are very conscious of that; they talk about it all the time.

H.M.JR: Do they?

Do you also want to say something about the place where Sherman marched? (Laughter)

MR. ODEGARD: No. (Laughter)

H.M.JR: I think the "second home of the President" is all right, yes, but I will get Miss Diamond to look up certain terminology he uses. She could find it somewhere. If she can't, tell her to call up Miss Blackburn. She will get it for her.

MR. GASTON: You could tie it in in one sentence after your salutation and welcome like "I always welcome invitations to appear in the State that is the second home of our President, and particularly tonight to congratulate you on the success of the great contribution to our wartime needs."

H.M.JR: Not only - say this: "I have spent many pleasant days with the President at Warm Springs." I would say something about, "I have spent many very pleasant days" - see, Warm Springs is just very close there.

(Mr. Henry Morgenthau III entered the conference.)

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Where were we? We had taken out one sentence, and we had added--

MR. MAGER: "In the President's Warm Springs home"?

H.M.JR: We are taking Gaston's suggestion, which he will have to write out.

"I trust that what you people of Georgia have done by local, county, and community action will blaze a path for the country as a whole."

When you say that, couldn't you tie that up with the sentence about also for your money getting a tank, and so forth?

MR. MAGER: It is in the same paragraph.

H.M.JR: You haven't got too much local stuff? Do you like that?

MR. ODEGARD: Not particularly. I think the idea of self-reliance and local community initiative is all right, but I think it should be enough. There is a lot of repetition.

H.M.JR: I think it is putting it too thick on Georgia.

MR. GASTON: I have the same feeling about the repetition.

H.M.JR: "For it is precisely this exercise of local and individual initiative that the times today demand. Georgia has raised \$35,750,000 to build a new cruiser Atlanta. Let the free men of all the States in the Union, of all the cities and communities in the Union, do all that they can too."

I think, again, it is a little bit repetitious.

Do you like "There is a weapon of freedom to fit every community's purse"? I don't understand that.

- 7 -

You couldn't do it the other way around, could you, and say, "The battleship and the Flying Fortress are weapons of freedom"?

I like the expression "weapon of freedom", but you don't know what it is.

MR. MAGER: Of course what we would have to do, then, off-hand, is drop out the figures.

MR. MORGENTHAU, III: Does that mean according to the size of the community they can buy different things - that a big city can buy a battleship?

H.M.JR: Yes.

MR. ODEGARD: I don't think I would put the figures in. You can go farther down. There are lots of small communities buying jeeps for nine hundred dollars.

H.M.JR: How about a tank?

MR. MAGER: All right, we will go down to a tank.

H.M.JR: I don't know whether I like, "It is good to visualize what you are getting for your money. It will be a source of satisfaction to all of you to see the trim lines of the cruiser 'Atlanta' and say 'There is my money.'" It sounds like, "Pop goes the weasel, there goes my money." (Laughter)

MR. MAGER: It isn't "There goes." It is, "There is."

H.M.JR: The way I would do it is, "It will be a source of satisfaction to all of you to see the trim lines of the cruiser 'Atlanta' and say to yourself, 'I contributed a share; I contributed towards the cost of that ship'."

MR. ODEGARD: Could you say something like this, "I helped to set that ship afloat."

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H.M.JR: I like that.

MR. ODEGARD: Or, "I helped to launch that ship."

H.M.JR: Yes, I like that.

"Yours is an example which might well be followed widely by communities--"

MR. ODEGARD: That is the third time that has been said.

MR. MAGER: That is right.

MR. ODEGARD: They sure are making an example of Atlanta.

H.M.JR: I think they could say, "This is a practice which is well to be followed."

"Your Government will devote 95 cents of every dollar with which you provide it, either through taxes or war bonds, to war purposes."

I don't like that. I would like to make it simpler. "Your Government will devote 95 cents of every dollar to war purposes."

MR. MURPHY: Say, "every dollar which it receives for war purposes."

MR. ODEGARD: I would start directly by saying, "Ninety-five cents of every dollar with which you provide your Government, either through taxes or War Bonds, will be devoted to the prosecution of the war."

MR. MURPHY: Say, "will be devoted to the war."

H.M.JR: That is good.

In the next part do you like that "double-duty dollars"?

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MR. MAGER: Yes. That is Murphy's.

H.M.JR: On the next page, "Senator George and Chairman Doughton, and other members of the committees of Congress handling tax matters, as well as the Treasury Department, have done their best to scotch it." I don't think that is necessary. I don't think that adds to it.

MR. GASTON: I don't think so.

H.M.JR: I would say, "It is utterly incorrect" period.

MR. ODEGARD: I think that is singularly lacking in force. I think it could be much more forceful.

H.M.JR: Take a crack at it.

MR. ODEGARD: Yes, I will.

H.M.JR: "Be sure that your tax dollars are not late when the zero hour strikes and the dollars of your friends and neighbors go forth to battle." That is all right.

Do you want to close on that theme?

MR. ODEGARD: It is a good point to close on.

H.M.JR: Now, Herbert, have you got something you want me to see?

MR. GASTON: If you care to see it. It is a little too long.

H.M.JR: Here is what I would like to do because there is no use in trying to do the thing in less time than I have got. I can't do any more today. Could you people go to work together on it right now and get something up to the house to me tonight? You have from now until five o'clock.

- 10 -

MR. GASTON: Yes, I think so.

H.M.JR: The first time I could do this would be eleven-thirty tomorrow morning. That would give you a little more time.

Do you want to leave me your speech?

MR. GASTON: I will be glad to, and you can see if there is anything in there you like.

H.M.JR: Come back again tomorrow morning at eleven-thirty. Couldn't you give it to me pretty well finished by eleven-thirty tomorrow morning?

MR. GASTON: I should think so.

H.M.JR: All right.

MR. GASTON: Do you want to look at anything tonight?

H.M.JR: No.

Draft of Atlanta Speech

Governor Arnall, Secretary Knox, Ladies and Gentlemen:

(It is indeed a privilege for me to be here with you this evening.) For a long time now I have watched with great interest and growing admiration the part the State of Georgia has been playing in the war effort. What has impressed me most has been the splendid spirit of self-reliance and local and community initiative you have set as an example to the country as a whole. In the successful conclusion of a war bond drive to build a new cruiser Atlanta, you have demonstrated again the capacity of free men to rise to the needs of the times and do what is required for the protection of their own interests and their country's interests.

I trust that what you people of Georgia have done by local, county, and community action will blaze a path for

- 2 -

the country as a whole. For it is precisely this exercise of local and individual initiative that the times today demand. Georgia has raised \$35,750,000 to build a new cruiser Atlanta. Let the free men of all the States in the Union, of all the cities and communities in the Union, do all that they can too. There is a weapon of freedom to fit every community's purse, from the battleship that costs 97 million dollars, the Flying Fortress that costs \$450,000, right on down to the Fighter that costs \$150,000.

It is good to visualize what you are getting for your money. It will be a source of satisfaction to all of you to see the trim lines of the cruiser "Atlanta" and say "There is my money." Yours is an example which might well be followed widely by communities all over the country next

- 3 -

month, when the Treasury will launch a campaign to raise at least \$13,000,000,000 for war purposes.

Our dollars today are indeed fighting dollars. Your Government will devote 95 cents of every dollar with which you provide it, either through taxes or war bonds, to war purposes. Your war bond dollars are dollars fighting Hitler and Hirohito. But they are also dollars fighting an important battle here on the home front. Every dollar you put in war bonds helps keep prices down now and will help provide jobs after the war. They are double-duty dollars, and they will perform both duties well.

Finally, let me say a word about taxes. Tax dollars are double-duty dollars, too. They fight the battle abroad and they fight the battle on the home front.

- 4 -

Next Monday at midnight is zero hour when billions of these tax dollars are due to go over the top to battle. There have been persistent rumors that somehow this zero hour will never come off; that somehow taxes due March 15th will be forgiven. It would be tragic for our war effort if this rumor should gain general credence. It is utterly incorrect. Senator George and Chairman Doughdon, and other members of the committees of Congress handling tax matters, as well as the Treasury Department, have done their best to scotch it.

Be sure that your tax dollars are not late when the zero hour strikes and the dollars of your friends and neighbors go forth to battle.

-oOo-

Suggestion from Mr. J. J. Gaston ✓
March 10th 1918
F. J. O'Connell

Governor Arnall, Secretary Knox, people of Georgia:

I welcomed your invitation to appear here tonight in company with my friend Frank Knox, the Secretary of the Navy, so that I might congratulate the people of Atlanta and the people of Georgia on the direct and effective means they have chosen to put their dollars to work for victory in this war.

I recall the outstanding success of the state-wide war bond drive last November under the sponsorship of the Georgia Department of the American Legion. And now the people of Atlanta and their neighbors have responded with the Georgia fighting spirit ~~to make their answer to the~~
~~see~~ by making certain that our flag will be hoisted again on another cruiser Atlanta to take the honored place of the

- 2 -

Atlanta that went down in glory off the coast of Guadalcanal in the far Pacific.

The dollars that you have poured out so freely for so sacred a purpose will truly be fighting dollars, dollars to smash tyranny, dollars to make democracy and the rights and liberties of man triumphant.

In this war not all of us can go to the front lines or man the ships and planes at sea. Not all of us are fit for that; and there is work for us to do here. Some of us are so fortunate as to be making the tools of war, the weapons and the ammunition and supplies that are put into the hands of our fighting men on sea and land. Into the building of ships and planes and tanks and other weapons they can put the extra energy and the extra attention that

- 3 -

is the reply of a free people to the menace of tyranny.

But not all of us can do even that. Yet all of us are in this war together and all of us can strike effective blows. We can do it by extra devotion to the job we have in hand which contributes to the wartime productive power of America. And one thing of supreme importance we can do is to put our strength and our intelligence to work for our country in the most direct way we can do it -- by saving every dollar we can and putting it to work as a fighting dollar, either through paying our taxes or buying war bonds as you people of Georgia have bought them so freely in this Cruiser Atlanta drive.

Tax dollars -- bond dollars -- both are in truth fighting dollars. Out of every hundred dollars that we count on March 15 of taxes paid on time, ninety-five dollars

- 4 -

will go directly to pay the costs of this war, to supply our men at the front, to smash the Axis. The dollars that you invest in war bonds go to perform the same patriotic service.

We have a job to do and we are all enlisted for the duration. In front line, on ships at sea, in factory or office, we are all selected for service in this war according to our capacities and the work that is before us to be done." The dollars that are not urgently needed to supply our pressing wants are called to service, too. They are asked to report at the cash window of the collector of internal revenue on March 15 and they are to be called for duty in the great war financing drive that is to begin in April.

- 5 -

Under our democratic system it is your Congress -- the Congress you elected -- that fixes your tax responsibilities. But these taxes are not the limits of our responsibility or our opportunity. No tax measures that Congress can enact will meet the whole cost of this war. The war must be financed in great part by voluntary subscription to Government bonds. Only in this way can we meet the war's cost; only in this way can we save our money and spare our supplies so that military needs can be met. This, too, is the democratic process.

Only a great outpouring of the people's money can provide an adequate answer to our war needs. Only through that means can we prevent increases in prices that would make the war far more costly to all of us.

- 6 -

If we save to buy all the war bonds we can buy we serve another great purpose. We can build a great pool of savings that will protect our own futures after this war and will create opportunity and jobs for our boys when they return.

The opportunity is here for us to keep faith with the men who fight for us and to speed the day of victory.

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CG ATLANTA GA MAR 10 1943 203P

HON HENRY MORGANTHAU JR

SECRETARY OF THE TREASURY

1943 MAR 10 PM 3 26

REGRET EXCEEDINGLY ILLNESS WILL PREVENT MY PARTICIPATION
ATLANTA CRUISER VICTORY CAMPAIGN CEREMONIES. HAD ANTICIPATED
WITH MUCH PLEASURE YOUR VISIT FRIDAY AT THE EXECUTIVE MANSION
BRIGADIER GENERAL CLARK HOWELL ADJUTANT GENERAL OF GEORGIA
AND MY PERSONAL REPRESENTATIVE WILL EXTEND TO YOU EVERY POSSIBLE
HOSPITALITY. THE PEOPLE OF GEORGIA ARE LOOKING FORWARD TO YOUR
VISIT WITH GENUINE PRIDE AND PLEASURE. REGARDS

ELLIS ARNALL GOVERNOR.

323P.

March 10, 1943
4:14 p.m.

Operator: He's at the State Department attending a conference.

HMJr: Oh. Give me Paul.

Operator: All right.

4:15 p.m.

HMJr: Hello.

Operator: Mr. Paul.

Randolph Paul: Yes.

HMJr: Randolph? Hello?

P: Yes.

HMJr: I got a memo I'm going to send back to you, which Sullivan brought in with this fellow, de Maillerdoz, which - I should give them \$278,000. You'll see the memo.

P: All right.

HMJr: Well, I didn't want to be rushed quite that much, but I want to explain I asked to see the man. I didn't know he was going to ask me for any money. I just thought - they said he was a very smart fellow.

P: Well, I don't - I don't get the background. I don't know what it's about, but I'll get the memorandum.

HMJr: I'll - I'll send the memorandum to you....

P: All right.

HMJr:and if tomorrow morning it's okay and you want me to okay it, just let me know.

P: All right. Okay. I'll be here tomorrow morning anyway. I won't be up on the Hill.

- 2 -

HMJr: All right.

P: Okay.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

MAR 10 1948

TO Secretary Morgenthau
FROM Randolph Paul

You recently inquired about the Foreign Funds Control investigation to ascertain whether Pierre Laval or any of his associates has any funds in this country.

During the past year Foreign Funds Control has been checking all significant leads and, while we have traced to Rene de Chambrun, son-in-law of Pierre Laval, blocked assets valued at approximately \$50,000, we have not discovered any assets in the United States belonging to Laval.

In this connection we have carefully studied information concerning property held in the United States ostensibly for the following, all of whom are believed to be connected with Laval in one way or another:

(1) The Patenotre Family

Raymond Patenotre is reputed to have been an intimate friend of Laval's and associated with him in many business ventures. He is the son of a former French Ambassador to the United States who married Eleanor Elverson, daughter of the then publisher of the Philadelphia Inquirer. The Patenotre family, including the Marquise Boni de Castellane, holds accounts running into several millions of dollars in various banks in the United States. The origin and ownership of these funds are not entirely clear. All of these accounts are blocked and are being watched.

(2) The Suez Canal Company

This company's assets in the United States include \$16,000,000 in cash deposits with J. P. Morgan & Company, which appear to be its own property and about \$2,000,000 in cash and securities with the Bank of the Manhattan Company which the Canal Company appears to be holding for others who are as yet unknown to us.

- 2 -

(3) Banque de Paris et des Pays Bas

Since 1936, this institution has been the leader of the pro-Nazi trend in French banking circles. Its assets in the United States exceed \$30,000,000. An investigation of these deposits shows that they include the property of many individuals throughout Europe, the identity of whom it has not been possible to establish. The United States representative of this bank has been specially blocked and not allowed to deal with the bank's assets.

(4) Worms and Company

This French group, which has been notoriously pro-Axis, holds funds in excess of \$6,500,000 directly in its own name and in the names of several dummy companies used by it to cloak its interest. After the fall of France the Worms group was so influential that all nominations to the Vichy Cabinet were passed on by the Bank Worms, and Jacques Barnaud, one of its representatives, served as Chairman of the French portion of the Weisbaden Commission and was Director General of the Franco-German Commission on Economic Collaboration.

(5) Banque de l'Indochine.

Paul Baudoin, Laval's former foreign minister is Chairman of this bank. Baudoin is also regarded as a business associate of Laval. The bank's assets in the United States amount to approximately \$40,000,000. The two United States representatives of this bank have been specially blocked and are not allowed to do business on behalf of the bank.

Perhaps the most likely cloak which Laval would select to hold his funds in the United States would be a Swiss bank. We have been making determined efforts to force the disclosure of the names of the true owners of the Swiss assets held in the United States. This is a most difficult

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task since, as you know, the whole Swiss banking system is founded on the premise that such facts will never be disclosed, and for the further reason that our efforts along this line obviously are limited by political considerations. We are, however, making some progress and are continuing our work in this direction.

RSP

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAR 10 1949

TO Secretary Morgenthau

FROM Randolph Paul

You may be interested in the following which is quoted from a recent FBI Intelligence report:

"German controlled commercial enterprises in the United States are being supervised by the Alien Property Control Board. The only item of significance in this regard pertains to the Buffalo Electro Chemical Company, Buffalo, New York. It has been reported during the current period that employees of this concern are circulating a petition for the removal of a supervisor of the Alien Property Control Board assigned to this Company. Company officials are reportedly circulating rumors that the Alien Property Control Board appears to be a political machine and not de facto an agency of the United States government. It has been reported that a minor official connected with this company has stated that a daily record is being kept of all losses incurred as a result of the inefficiency on the part of the present management, so that after the war a claim can be filed against the United States government due to negligence, inefficiency and mismanagement. Consolidation of various complaints and rumors indicates a favoritism for administration by the United States Treasury rather than the new board set up by Presidential directive."

The Buffalo Electro Chemical Company was under the supervision of Foreign Funds Control until July 1942, at which time the Alien Property Custodian assumed control of the enterprise.



March 10, 1943.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston



The following communications were received from Director Hoover of the F.B.I., addressed to the Secretary of the Treasury for the attention of Mr. Klaus:

(1) Report of F.B.I. Special Agent to the effect that Dia Madeireuse, New Bedford, Massachusetts, reported to be a Portuguese charitable organization, collects funds to furnish to Portuguese schools, orphanages and homes. Mr. Hoover states that a copy has been furnished Assistant Secretary Berle.

(2) Memorandum reflecting information with regard to Jan Bata, a well known former Czechoslovakian shoe manufacturer and said to be a former officer of the Bata Shoe Company, Inc., Belcamp, Maryland. Has been endeavoring to establish himself and his business in Brazil for the past two years; that Bata was placed on the proclaimed list of blocked nationals along with four Brazilian concerns. Mr. Hoover states that this information is also being furnished Assistant Secretary Berle, G-2 and Naval Intelligence.

(3) Voluminous reports of F.B.I. agents on Technocracy, Incorporated, forwarded for our information, the content of which is concerned with the F.B.I.'s investigation of that organization. Letter from Mr. Hoover calls specific attention to the fact that many of the officers of Technocracy, Incorporated, addressing various chapters of the society have urgently recommended that their listeners cash in their war bonds and cease buying such bonds in the future; and that several of these officers are likewise reported to have recently advocated the overthrow of this government in order that it may be replaced by a technocratic form of control.

- 2 -

(4) Information regarding certain banking transactions in Argentina of one Walter Deininger, whose funds in the United States are presently frozen. Transmitted in view of our interest in this person.

(5) Bank balances of Russian Government accounts at the Chase National Bank, close of business February 19.

(6) Eight reports of F.B.I. Special Agents on various persons under the general subject of "Internal Security", of interest to Foreign Funds Control.

TREASURY DEPARTMENT

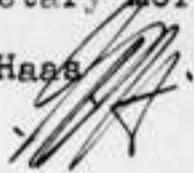
193

INTER OFFICE COMMUNICATION

DATE March 10, 1943

TO Secretary Morgenthau

FROM Mr. Haas



TREASURY DEPARTMENT

1945 MAR 10 AM 10 38

Murray Shields and Don Woodward would
like to return to New York today on the
Congressional, which would mean leaving the
Treasury at 3:30 P.M., if you approve.

TREASURY DEPARTMENT

OK.

Approved
3/10/43

Whereabouts of Non-banking Funds for April Drive

The tentative goal for sales of Federal securities to non-banking investors in the April drive has been set at \$10 billions. This includes sales of all Federal securities to non-banking investors during the entire month of April; it is not limited to the particular drive period. The \$10 billions was derived by combining scheduled goals for four broad classes of non-banking investors as follows:

	(In billions of dollars)
1. Individuals, partnerships and personal trust accounts.....	3.2
2. Corporations other than banks and insurance companies.....	4.4
3. Insurance companies and mutual savings banks.....	2.0
4. Governmental accounts (Federal, State and local).....	<u>.4</u>
5. Total.....	<u>10.0</u>

1. Individuals, partnerships, and personal trust accounts:
Goal \$3.2 billions.

In the 6 months July-December 1942, individuals, partnerships, and personal trust accounts invested in Federal securities approximately 47 percent of their current savings after deduction for life insurance, mutual savings bank deposits and debt repayments. The remaining 53 percent was placed almost entirely in currency and commercial bank deposits.

For the April drive, the goal for sales to these investors has been set at \$3.2 billions. This goal is based on an investment by these investors of 64 percent of their estimated available savings (after life insurance, etc.) in the January-April period and gives credit for purchases of savings bonds and tax notes during the first 3 months. The figure of 64 percent was selected as the first in a series of steps designed to raise the investment by individuals to

- 2 -

100 percent of their available new savings by the third drive this year. The existence of the present large volume of currency and commercial bank deposits will provide an extra reservoir of funds to aid in reaching these goals. The \$3.2 billions goal would include sales of savings bonds, tax notes, and marketable securities during the entire month of April.

It is expected that the current savings which it is proposed to tap through the sale of this \$3.2 billions of Federal securities will have accumulated largely in the form of currency and bank deposits and will be found in all income groups except the lowest. The distribution of current savings by net income groups is believed to be running approximately as follows:

Estimated Distribution of Current
Personal Savings

<u>Net income classes</u>	<u>Percentage distribution</u>
0 - \$1,000	0%
1,000 - 2,000	31%
2,000 - 3,000	23%
3,000 - 4,000	15%
4,000 - 5,000	9%
Over 5,000	22%
Total	<u>100%</u>

The large proportion of savings in the brackets just above the \$1,000 level stems largely from the fact that so many of the people receiving incomes are located in these brackets. Of the 42 million individuals estimated to be receiving incomes at an annual rate of \$1,000 or higher at the present time, more than 40 millions are located in the annual net income classes between \$1,000 and \$5,000 and less than 2 millions are in the brackets above \$5,000. A mass campaign to reach the millions of persons in the lower income groups is thus indicated.

2. Corporations other than banks and insurance companies:
Goal \$4.4 billions.

In the 6 months July-December 1942 these corporations invested in Federal securities approximately 71 percent of their current accumulations after deductions for debt repayment. Such current accumulations include unexpended newly

- 3 -

created reserves for depreciation, bad debts, depletion and the like, tax reserves, and retained earnings. These accumulations arise mainly as a result of war time restrictions which make it impossible for these concerns to undertake expenditures for plant and equipment and for replacement of inventories which would otherwise be made.

For the April drive, the goal for sales to these investors has been set at \$4.4 billions. This goal is based on an investment by these corporations of 81 percent of their estimated current accumulations (after debt repayment) in the January-April period and gives credit for their purchases of savings bonds and tax notes during the first 3 months. As in the case of individuals, the percentage figure used was selected as the first in a series of steps designed to raise the investment by these corporations to 100 percent of their available current accumulations by the third drive this year. The \$4.4 billions goal would include sales of savings bonds, tax notes, and marketable securities during the entire month of April.

The current accumulations which it is proposed to tap through the sale of \$4.4 billions of Federal securities are located throughout many thousand corporations. The funds are distributed throughout both large and small corporations, but no precise data by size classes of corporations are available.

3. Insurance companies and mutual savings banks: Goal \$2.0 billions.

Purchases of Federal securities by these two classes of investors amounted to \$2.8 billions in the last 6 months of 1942. The goal of \$2.0 billions for the April drive is based on a continuation of the current tendency of these companies to invest practically all of their newly available funds in Federal securities. These funds include both the portion of personal savings which is invested in insurance and in mutual savings bank deposits, and the cash made available by the liquidation of other assets held by these organizations. Many insurance companies and mutual savings banks are selling some of their investment securities such as tax-exempt municipal bonds, as well as shorter term Federal securities held in their portfolios.

- 4 -

4. Governmental accounts (Federal, State and local): Goal
\$.4 billion.

These governmental accounts invested \$1.8 billions in Federal securities in the last 6 months of 1942. The goal of \$400 millions for the April drive is based on the full amount of funds which it is estimated these governmental investment accounts will accumulate during the first 4 months of 1943, less investments in Federal special issues to Government agencies and trust funds.

Merch 10, 1943.

The Treasury has requested the help of the members of the National Press Club and their guests in the choice of a name for the campaign next month to raise additional billions of dollars for the prosecution of the war. Will you please indicate your choice of the following:

- 24 1. Second Victory Loan
 34 2. Second War Loan
 6 3. Second Victory War Bond Drive
4. _____
(Your own suggestion)

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 10, 1943

TO Secretary Morgenthau

FROM Mr. Schwarz *CS*

Here are the results of the survey made this afternoon at the National Press Club with respect to proposals for a name for our bond campaign next month. Of the choices offered, the following preferences were indicated:

Second War Loan - 34

Second Victory Loan - 24

Second Victory War Bond Drive - 6

The following new suggestions also were offered by those attending the luncheon:

Unconditional Surrender Drive - 2

Loan For Victory - 2

Victory Drive - 2

Second Win The War Loan - 2

Victory in Forty Three

Four Freedoms Fund
Fighting Funds Drive
Fight For Freedom Drive
Second Loan For Freedom
Bonds For Freedom Campaign

TREASURY DEPARTMENT

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DATE March 10, 1943

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Victory in Forty Three

Four Freedoms Fund
Fighting Funds Drive
Fight For Freedom Drive
Second Loan For Freedom
Bonds For Freedom Campaign

- 2 -

Drive to Survive
Survival Loan

Second Loan for Victory
Second War Victory Loan
Final Victory Loan
Global Victory Loan

The Peoples' Loan

Win the War Bonds
Win the War Loan

Supreme Victory Drive
Continued Victory Loan Drive

Prepare for Victory Loan
United Victory Loan
United for Victory Loan

Lend For Liberty

The Knockout Loan
The Knock Out Blow

Dollars for Democracy
Dollars For Victory
Dollar Draft

Second Front War Bond Drive
The Drive to Insure Democracy
The Abraham Lincoln Loan
Exit-Axis-Loan
"Do it now and get it Over"
Carry On Loan
Liberty Loan Drive
Second Axis-Smashing Loan
April Bond Shower
Bust the Bums with Bonds
Winning War Loan
Bonds for Security
Buy Another Bond

TREASURY DEPARTMENT

WASHINGTON

March 10, 1943

MEMORANDUM

To: Secretary Morgenthau

From: William M. Robbins

The other day you spoke to me about the possibility of using the Steve Hannigan organization in connection with some phase of the Second War Loan campaign. I haven't yet worked out a definite spot for him but I am thinking of enlisting his services to plan our "kick-off" part of the campaign.

I've already talked to Stuart Peabody about it and will have more for you about this.

W. M. R.


March 10, 1943.

Mr. Stuart Peabody,
Washington, D. C.

Sir:

You are hereby appointed Head Advertising Specialist,
War Finance Committee, for the Second War Loan, with com-
pensation at the rate of \$1.00 per annum, payable from
the appropriation "Expenses of Loans, Act of September 24,
1917, as Amended and Extended," the appointment to be
effective today.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Copy in Diary

(Handled by Thompson's
office)

March 10, 1943.

Dear Gene:

I read your letter with a great deal of regret because of its contents, and yet I cannot protest the decision you have made. You know, I think, that both Elinor and I have enjoyed having you with us here in the Treasury, and that we feel you have made a splendid contribution to the cause for which you have been working. You may say that a new-comer can perhaps bring a fresh point of view to the work, but we do not feel that anyone will have quite the approach and skill which you have shown in handling the War Bond work.

In any event, I know that you are going to work of great importance, and that, combined with the personal angle, is reason enough for your leaving the Treasury. So our good wishes go with you, and you may be sure that we shall not lose touch with the Herricks, even though they are now working in another shop.

With very warm regards,

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mrs. John Herrick,
4831 - 26th Street, North,
Arlington, Virginia.

GHF/dbs

Copy to Mrs. M.

(without initials)



TREASURY DEPARTMENT

WASHINGTON

March 8, 1943

DEFENSE SAVINGS STAFF

*Return to
H.A.M.*

g i g

Dear Mr. Morgenthau:

As Elinor may have told you, I am leaving with a great deal of real reluctance to go over to O.W.I. to do a special writing job which would seem to be particularly suitable for my newspaper training.

I want you to know that I have had one of the pleasantest periods of my working life over here with Elinor and Miss Elliott and the others and under your supervision. I think you know how much I have enjoyed working in the Women's Section. I feel, however, that I have perhaps about exhausted my usefulness in writing on the same, though deeply fundamental theme, and that perhaps a newcomer with a fresh viewpoint can put added vigor into the job; and that I correspondingly can bring usefulness to a new job.

The fact too that John is with O.W.I., though of course in a different division, is an added factor in making the change, for the Herricks like the Morgenthau enjoy working in the same shop.

"Thank you" is a feeble phrase for what I mean to say to you, but anyway thank you and my continuing admiration.

Gene

Genevieve Forbes Herrick

FOR DEFENSE



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

March 10, 1943

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - Boggled down in what Chairman Doughton called "the most hateful, difficult problem that ever came along in the annals of mankind," the House Ways and Means Committee yesterday voted down the Doughton proposal to collect 1942 taxes at 1941 rates, and the Robertson plan to cancel 1942 taxes for the normal and surtax brackets. With the dispensal of these two plans as well as their previous rejection of the Carlson proposal for complete forgiveness, the Committee appears to be abandoning all hope of putting taxpayers on a current basis. In fact, Chairman Doughton observed, "There is no such thing as current. You can make a guess at it, you can estimate it, but you've got to adjust it in the end." The Committee expects to consider today two plans which would not put taxpayers on a pay-as-you-go basis: (1) a 20% withholding tax against remaining 1942 liabilities beginning July 1; and (2) the Disney proposal, closely paralleling the present Australian system, to issue to taxpayers for collections made at the source, "script" or receipts which they could at the end of the year charge off against their total tax liability. It is rumored, however, that this inability of the Committee to draft any pay-as-you-go tax legislation and to solve, at least to some extent, the complex problem of forgiveness is simply "adding fuel to the fire," already being stirred by Republican members, for a fight on the floor of the House for the Ruml Plan.
2. Lend-Lease - Despite Ambassador Stanley's remarks in Russia, all factors indicate that the Lend-Lease Extension Bill will pass the House with an overwhelming majority. Moreover, all attempts to amend the bill will probably fail, according to Chairman Bloom of the House Foreign Affairs Committee. The only member in the House discussion yesterday to speak against passage of the measure was Representative Frederick C. Smith, who claimed that Lend-Lease was "actually

impairing the war effort and may lose the peace for us," and that "there is no precedent for this giveaway....in the whole history of the world." Earlier Representative Fish had criticized what he said was the lack of statistics on Lend-Lease operations and the workings of Lend-Lease in reverse, which he claimed was being overestimated by government officials. However, the majority of the House in these two days of debate have given the program their whole-hearted support.

3. Restrictions on the Press - Two senators yesterday charged the Administration with attempts to curb the freedom of the press and to substitute "government dominated news." Citing limitations on newsprint, Senator C. Wayland Brooks yesterday said that over a ten-year period, starting with the codes of fair competition under the NRA, the Administration has been employing "sly, indirect methods" to limit press freedom. "Each restrictive step, he added, "shrewdly progressed under the cover of some ascribed emergency, but always short of a showdown and always with a passing soothing assurance of only this and nothing more." Similarly, Senator Wiley warned that government control of the press and radio followed the policy of Axis countries and estimated that there are "more than 30,000 press agents and publicity aides on the Federal payroll." In the House, too, Representative George A. Dondero urged Congressional investigation of alleged paper shortages and whether government agencies were themselves curbing their use of newsprint, claiming "Let Washington point the way and set the example before the freedom of the press is strangled by indirection."
4. Manpower - The problem of absenteeism in war plants should be well discussed with two House Committees investigating the problem. The two groups duplicating each other's work are the House Labor Committee, which yesterday voted to make its own investigation of absenteeism, and the House Naval Affairs Committee, already deep in the discussion and now considering the Johnson Bill. Both committees have announced their intention of calling Secretary Perkins for testimony. Meanwhile, on the other side of the Capitol, Senator Wheeler threatened to insert his companion bill to the House Kilday measure (placing fathers at the bottom of the induction list) as an amendment to the Bankhead Farm Labor Deferment Bill. The Farm Bloc, however, is said to be protesting this proposal as making even more precarious White House approval of their measure.

INTER-AMERICAN NAVIGATION CORPORATION

March 10, 1943

AIR MAIL

Er. J. Fermin Iturrios, Manager
Jose Arechabala, S.A.
Cardenas, Cuba

Dear Senor Iturrios:

Since my return to this country, considerable thought has been given to the possibility of your constructing the "Caribbean Coaster" for our account.

In line with your memorandum given us in Havana on March 4, it appears that to construct four vessels we would have to obtain priorities for export of approximately 800,000 board feet of lumber and 360,000 lbs. of metal fastenings.

As we tentatively advised you at our meeting in Havana, it was our opinion that it would be almost impossible to obtain export licences for this amount of material. After a complete investigation, I now regret to advise that such is the case and we cannot obtain the necessary construction material requested by you.

In view of the above and out of necessity we, therefore, believe that it is best to call off all negotiations concerning our construction program. If you have any other suggestions to offer, we should be very happy to hear of them.

Please allow me to extend my kindest personal regards to both yourself and Mr. "Knut Rockne" Arias, and I trust that I may have the pleasure of seeing you again at some future date.

RECEIVED DEPARTMENT

Yours very truly,

INTER-AMERICAN NAVIGATION CORPORATION

MAR 12 12 08 PM '43

SECRETARY OF THE TREASURY
OFFICE

By Alfred W. Young
Vice President

cc: Messrs. Morgenthau, Rockefeller & Peabody
State Department (2), Ambassador Braden, Regional Office

AWYoung:baw

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO

SECRET OFFICE
TREASURY

1945 MAR 11 PM 2 02

TREASURY DEPARTMENT

NOT TO BE RE-TRANSMITTED

Information received up to 7 a.m. 10th March, 1943.

1. NAVAL.

On 9th/10th our light forces sank one ship and left 2 others burning off the Dutch Coast. One of four Motor Torpedo boats is at present unaccounted for. Air reconnaissance of GDYNIA yesterday showed E DEN absent. On the 6th one British Merchantship was hit by bombs at MIRMANSK but ship is still seaworthy. On 2nd a Russian convoy taking reinforcements to the NOVOROSSISK area was attacked by aircraft and E-boats. Four ships and 2 barges were sunk and a destroyer badly damaged.

2. MILITARY.

TUNISIA. 8th. 1st Army. In the North the enemy attacked TAMARA but was forced to withdraw leaving about 200 prisoners in our hands. In the South the French have occupied TOZEUR.

BURMA. On 7/8th the enemy gained further ground in the foothills North-east of RATHEDAUNG. Our counter attacks were partially successful. Elsewhere in the ARAKAN sector our troops have withdrawn slightly westwards.

RUSSIA. As a result of German counter attacks the Russians have withdrawn to the North bank of the DONETS and given up KRASHODAR, LOZOVAYA, PAVLOGRAD, KRASNOAYMEISK, KRAMATORSKAYA, BARVENKOVO, S'AVYANSK, and LISICLANSK.

3. AIR OPERATIONS.

WESTERN FRONT. 8th/9th. NUREMBERG. All Bombers were heavy and dropped 775 tons, including 153 4,000-pound H.E. and over 8,000 30-pound incendiaries. Weather clear, no cloud, good visibility, but some ground haze. Marker bombs somewhat scattered, therefore, bombing also, but some concentration obtained as attack developed. Many scattered fires, 1 large explosion seen. A/A moderate and co-operation with numerous searchlights ineffective.

Ninth. 15 Mosquitoes attacked the Renault works south of LE MAUS dropping 60 500-pound bombs. Many hits on factory buildings. 1 Mosquito missing. In offensive operations our Fighters destroyed 2 enemy Fighters and damaged 2 others. 10 enemy aircraft crossed our coasts including 6 Fighter Bombers, which attacked WORTHING and HOVE where 9 fatal casualties reported. 2 aircraft claimed destroyed by our A/A.

9th/10th. Following aircraft despatched - MUNICH 264 (8 missing), Seaming 62 (3 missing). RUHR 8, Leaflets 4. Preliminary reports MUNICH indicate marker bombs accurate and bombing well concentrated. Fourteen enemy aircraft reported over land majority over YORKSHIRE. 1 shot down.

TUNISIA. 8th. Twenty U.S. Fortresses escorted by 34 U.S. Lightnings and covered by 22 Spitfires attacked a convoy off CAPE BON. Over 50 tons of bombs dropped and near misses on 3 ships. 17 enemy Fighters shot down. Our Fighter and Fighter Bombers attacked M.T. and other objectives in MARETH, SEDJENANE and BIZERTA areas. Total enemy casualties in all operations - 20, 12, 13. Ours - 3, 0, 2.

BURMA. 7th. Twelve U.S. Mitchells bombed and hit the GOKTEIK VIADUCT 60 miles North-east of MANDALAY. 8th. Blenheims and Hurricanes co-operating with our land forces successfully attacked objectives North-east of RATHEDAUNG.

March 11, 1943
10:35 a.m.

FINANCING

Present: Mr. Bell
Mr. Buffington
Mr. Robbins
Mr. Haas
Mr. Murphy
Mrs. Klotz

H.M.JR: At your service.

MR. BELL: Do you want me to go over the telegrams from the Federals? (314)

H.M.JR: Please.

MR. BELL: They are not all in yet.

Boston says they have no further comment beyond what he said at the conference, at which he agreed with the schedule.

New York is generally in accord - no comments.

Richmond is in complete agreement. They particularly like the goal and also the quota.

H.M.JR: They like the goal? (Laughter)

MR. BELL: They like the goal and the quotas are satisfactory.

Atlanta would prefer a three or four-year note to the seven-eighths percent certificate. They suggest the hundred-dollar denomination for both the two and the two and a half, and they warn us of the dealer subscriptions for banks during the drive.

- 2 -

H.M.JR: Who is this?

MR. BELL: Mc Larin of Atlanta.

Chicago is satisfied but they are concerned over the rights on the refunding of the certificates. They suggest it would be better to offer a new certificate for cash.

St.Louis wants quotas for each type of security and wants to see the quotas that we fix before they are released. (Laughter) They say the C of I should be a year instead of eleven months and a half, and they hope that we will reconsider the suggestion that the two and a half's be redeemed in the event of death. They also hope you will get the hundred-dollar denomination for the two's and the two and a half's, and that accrued interest principle will be simplified.

Kansas City favors the entire proposal.

Dallas is in substantial agreement. They hope you will have no quota for States and they would prefer one and a quarter percent note to the certificate. Dallas comments on bank balances of branch houses and hopes that they will be eliminated if you are using deposits as a basis for your quotas.

Minneapolis suggests one additional offering of a four or five or six-year note in order to cut down the amount of bank subscriptions to the certificate. They believe that this would facilitate the success of the drive.

San Francisco is agreeable to the proposal. They suggest that we have a two and a half or three billion dollars for the C of I's and the two's. They think that the banks will like them very much and it will be over-subscribed.

Then there are two small questions to be answered. That is all. Philadelphia and Cleveland are not yet in.

- 3 -

H.M.JR: Philadelphia and Cleveland are not yet in? What is the matter with them?

MR. BELL: I don't know.

H.M.JR: We can't wait.

MR. BELL: The first thing I think that you have got to decide this morning is whether or not we are going to have anything lower than the five-hundred-dollar denomination for the two's or two and a half's.

H.M.JR: What did you get out of that crowd yesterday, on that?

MR. BELL: We got complete disagreement between the Victory Fund people and the War Savings Staff. I think Patton of Chicago - Patton or Stubbs - Patton said he didn't care.

MR. ROBBINS: It wasn't quite a direct line-up. There was a little split.

MR. BELL: Yes, and Dick Patterson said that it was all right with him to go to the hundred. But the others thought that - the War Savings thought that you would sell these marketable securities where you shouldn't sell them, and where you should sell an E Bond. I think that is George's feeling. He feels very strongly about it and feels that we are going to get into difficulty if we allow these salesmen to sell these securities to the low-income people. Viner, I think, feels the same way. It seems to me really unimportant.

H.M.JR: It is not unimportant, if you don't mind.

MR. BELL: I can't see that you will sell enough of one-hundred-dollar denominations to make any difference - in any volume.

MR. HAAS: I think it is a main distinction between the war finance of World War I and this one.

- 4 -

H.M.JR: What do you mean by that?

MR. HAAS: When you think of the last war, a man on the street comes up - even in the publicity they don't call it Liberty Loan because they think of what happened - well, under the basis of these bonds that you are now issuing, it will not happen.

Another thing is a postwar problem, that if you get a large number of these bonds - a wide-spread distribution such as Marriner Eccles mentioned, that you tend to freeze long-term rates and you may not want to do that. You get a political following to protect those bond prices at par.

MR. ROBBINS: Those are postwar considerations. Actually, from a selling point of view, I think that we have a very substantial segment of the market to which we can sell that type of security.

I am very much concerned about one aspect of it and that is, we have this ten-percent pay-roll situation which is going to become really a competitive factor in our current plans for marketing. We can't, by any stretch of the imagination, bump that up to fifteen or twenty in a second war-loan drive. We are going to have literally millions of people who are participating in the ten-percent pay-roll deduction who will be insulated from the normal way to get at them. That is, we can't permit people to go to factories and solicit in factories except as they solicit increases in that pay-roll participation.

Now, I would like to have as many securities which will appeal to the small investor as possible. This, to me, appears to be such a security in the lower denomination. I think we will sell them in great number.

MR. HAAS: That is just what frightens me.

MR. ROBBINS: In great numbers, but not in great total dollar volume.

- 5 -

MR. HAAS: I think a way can be worked out and has to be worked out to correlate the pay-roll thing during the drive.

It seems to me you could go - if you go from house to house and a person says he is giving ten percent, you can take a subscription or whatever you want to call it - a man's authorization to raise his pay-roll deduction; or a man can say, "All right, I have taken ten or twelve percent," and he can buy some more E Bonds. This is nothing to prevent that.

I think that is something that has to be worked out. In fact, the administrator for Michigan had a suggestion of going to plants like Ford and saying, "Here is the quota in addition to pay-roll savings. We want to sell twenty-five million dollars in this one plant." He thinks he can put it over.

So I think, Mr. Robbins, that can be worked out all right.

H.M.JR: I think we have to do that. You have to get this thing by industries. You can go to the shipbuilding industries. I think you have to organize this thing by industries and have industry chairmen and simply say to the shipbuilding industry, "Now, we want so much out of you over and above anything--"

MR. ROBBINS: I agree we will have to find a way to do it, but it is going to be a balancing.

H.M.JR: Robbins, let me talk a minute about this. I am glad Haas said what he said. Don't misunderstand what I am going to say. When we start - I have to go back a little bit - I have to make a little speech - when we started this whole thing, this whole conception was that we were going to do something in which we would look after the interests of our customers. In trying to do that, we designed first the E Bonds and subsequently they weren't satisfied - couldn't get enough - so we went to the F and G. From the standpoint of a man with modest

- 6 -

income, the E Bond is the most attractive investment in the world. It has everything for his interest. And we have made very careful checks for the people in that lower income group as to why they buy the bond and the resistance, and everything else.

The things that are here - you can have somebody look through the Likert report - and it is practically nil, the resistance, as to whether it is a coupon - they don't know, but this thing has been drilled into them - the protective qualities of the E Bond, you see. And as I say, when you have a man like Likert - we spent a lot of money to go out in the factories, and that stuff is here and you could have somebody read it for you or read it yourself. You will see that the resistance - I mean, why do they buy the bond? We have asked the question and they buy it because they want to help win the war, and they are not so much interested in the piece of paper.

Then you come back and say, "We can sell them anything." This thing - I am certainly in it for a little less - a year and three-quarters, now, to go. I think that the very fine attitude that we have built up all over, could very easily crumple and cave back on us if we begin to sell them something - particularly the hundred-dollar thing.

I am rambling a little bit, but to show you - for instance, if they have a hundred-dollar bond and some creditor - say the fellow doesn't know how to cash the thing - he is a foreign-born person - they offer him ninety dollars. He says, "That can't happen."

One of the most outrageous things in New York City - I was ashamed of it - they know that the rate on a franc is two cents, and these French sailors came ashore for the first time - it is important that they be well received - and the banks bought these francs and paid nine-tenths of one cent. Now, if the banks of New York, the big banks of New York - now I am talking here in the room - are doing a think like that they will stoop to anything.

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We made the banks give us those francs back at nine-tenths of a cent so they couldn't make anything - is that right?

MR. BELL: I didn't know the latter.

H.M.JR: Yes.

MR. BELL: We investigated it and found out there were very few of them bought.

H.M.JR: And the banks have been forced to cough those francs up. If they will stoop to - it may mean two or three thousand dollars to them in this case - I mean, if they will stoop to a thing like that, they will do anything.

So you can't say, "Oh, the banks won't pay ninety - they wouldn't profit on ninety cents on the dollar." But they profit on these French sailors and they know the official rate is two cents.

What I am getting at is this. We have got somewhere in the neighborhood of fifty million people, they tell me, who own these bonds and who believe in their Government. There is no criticism of the Treasury; they say it is on a good solid foundation.

Now, it is the same thing - I will bring it home to you - if somebody from the factory end of General Foods comes and says, "We have got some coffee. It isn't quite so good; there is a little flaw in it, but I don't think anybody could detect it. Now, we can sell it - there will be a big market for it, and we can sell it cheaper," and so forth and so on - I don't think anybody can--

MR. ROBBINS: Is there a flaw in these two and a half percent long-term bonds except the danger that Mr. Haas points out, that somebody won't stand behind them and support the market in the future?

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H.M.JR: The flaw is why should a fellow buy a two and a half percent bond when he can get a two point nine bond?

MR. ROBBINS: It is a different kind of a security, sir. This one, in the first place, as I see it--

H.M.JR: No, that is the flaw. You are selling him something which isn't as good.

MR. ROBBINS: This is an income bond; a bond that pays an income.

H.M.JR: At two and a half percent.

MR. ROBBINS: It isn't much, to be sure. It is a bond that can be hypothecated.

A man can go to his bank and borrow money without losing title to the bond. It is a non-registered bond, and it is good free merchandise in my vernacular.

H.M.JR: Somebody here said - Viner, or somebody - said - what was the word he used? He didn't use the word "tricky"--

MR. ROBBINS: If that is the case, I am not any more for it than you.

MR. HAAS: Burgess said it shouldn't be sold to a man of low income. He said, "If you are going to put it any place, put it on the two; that is a shorter term."

H.M.JR: We are talking very frankly.

MR. ROBBINS: I am very much surprised to find that if this - it is just a question of adding or dividing by five. If it is that way for a hundred, it is almost that way for five hundred, isn't it?

MR. BELL: Yes.

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H.M.JR: No. What?

MR. HAAS: A man with a bigger income can afford to take the risk.

MR. BUFFINGTON: You will recall the urgent plea of the farmers in Chicago. They wanted this type of security. Remember the question that was asked of you? They made quite a point of that in Chicago.

H.M.JR: The SEC -I got - I want to take a little time because this is important.

MR. ROBBINS: It certainly has got me very curious, sir.

H.M.JR: Look here, in the first place, to answer what you say, that the five hundred has the same flaw, the theory is, you first load the fellow up with three thousand seven hundred and fifty of Δ Bonds and then he ought to buy the next one.

MR. ROBBINS: Well, now--

H.M.JR: Could I just continue a minute?

Now, the SEC says that they are not set up to tell a man whether he should or shouldn't buy this kind of a security, you see, contrary to the general belief that they are set up to protect the investor as against the salesman. Now, I don't take that - call it fraternalistic - I am the hired man of a hundred and thirty million odd people; I am here to look after their interests.

I wouldn't feel right if I went out - I am going to be very frank - and used high-pressure methods to load up these people of modest income with a hundred-dollar bond. If we got out millions of pieces of this thing, we couldn't police it, and some fellow is going to gyp this fellow. We can't make a market all over the United States that this fellow can go in - let's say the market is a hundred and nine thirty-seconds. They are going to - I don't know what they call the thing - bucketed, or whatever it is - short-change this--

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MR. BELL: Bucket shop.

H.M.JR: They are going to short-change this fellow, offer him ninety-nine and a half, or ninety-nine, or something. And the thing that I am afraid of is this drive will be successful, and the next drive; then you begin to get these fellows who are writing in to Congressmen and saying, "I can only get ninety-five on my bonds; I can only get ninety-nine," and then write in to us and say the price is a hundred and eight thirty-seconds. They say, "Why don't you see that that man gets that? Why don't you protect him?"

Now, if the fellow has five hundred dollars, there is the difference - the difference between five hundred and the one.

You can say anything you want.

MR. ROBBINS: From another angle - this is the long-term security - money put into it is money that will not have to be refunded by the nation for some time.

Now, I don't know whether it evolves upon the Treasury Department to stand back of the market on these bonds indefinitely, but it seems to me that one of our jobs here, sir, is to get out of this - to ask the people to participate in a type of security which is of the best type for the financing of this war, postponing the day when the nation will ultimately have to pay off this war bill, spreading it out over the future.

H.M.JR: We are doing that.

MR. ROBBINS: The refunding feature of the E, of course, makes it a pretty vulnerable instrument.

MR. HAAS: I would like to answer that. The problem after the war of people having these bonds and trying to convert them into purchasing power will be there and it doesn't make any difference what type of instrument - now, take your suggestion that the Treasury is better off if

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the people hold marketable obligations. They will refund them, and the only way they can refund them is to try to sell them, and that is what happened in the World War I, so you had a disorganized situation. It went down to eighty and we haven't lived it down yet.

The Treasury Department - the Federal Reserve - has to take care of that situation, and the situation is more difficult to take care of if the refunding takes place that way.

Now, the other way, if refunding takes place and it is a demand obligation, the refunding is channelized; it is a simple refunding operation under perfect control.

So we thought that all out and took it up with the Secretary at the time we were issuing these things, and the problem of postwar is to keep people from spending until the goods are produced. It is not the question of the type of instrument.

As a matter of fact, the type of instrument - this type, the demand obligation - would be easier to handle even if the problem is very serious, than a marketable obligation - to keep it under control.

H.M.JR: Where was Eccles on this thing?

MR. BELL: He wanted the hundred. Am I right?

MR. HAAS: Yes. He wanted a wide-spread participation in this type of bond.

H.M.JR: Do you (Buffington) want the hundred?

MR. BUFFINGTON: I am just in favor of the hundred-dollar denomination. I think that the offices which want it are Boston, New York, Cleveland, San Francisco, Atlanta, and St. Louis, and out of that group you can depend on them for a great deal of distribution. I can't see the difference from the standpoint of the small man buying a hundred-dollar piece and a five-hundred-dollar piece.

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H.M.JR: Well, I can. The five-hundred-dollar fellow can take care of himself. He has got five hundred dollars. I am just scared to death to let millions of these--

MR. ROBBINS: If there is--

H.M.JR: May I finish, please?

With these negotiable securities flooding the country we are right back twenty-five years ago.

MR. ROBBINS: If there is anything that even remotely approaches a challenge to the basic ethics of this offering, let's forget it. I am all for that.

Now, one other point - we have two jobs here. We have got to raise money and we have got to educate the people. The raising of the money in the masses is an educational job. This type of instrument we are talking about is to me - it looks like a very potent one from that broad distribution and educational point of view. I don't know whether there is anything in that observation that I have just made which would recommend any further consideration of the hundred-dollar denomination. Certainly if it transgresses anything that challenges basic ethics then I am so completely opposed to it that--

H.M.JR: Robbins, my feeling is this, that I think the answer to your question is that it does.

MR. ROBBINS: Then that settles it with me.

H.M.JR: I think the answer to your question is that it does. My job is to get the best salesmen I can, but I also have to stand between them and the market that they don't sweep me off my feet.

Now, that doesn't mean that the next time that these boys can't design an E Bond which might, with a coupon possibly be just as good as the E bonds which would take care of this thing.

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MR. HAAS: A modified E.

H.M.JR: A modified B Bond. I think you ought to go right to work on it.

MR. HAAS: To give current income - if that is the factor.

H.M.JR: If it shows up in this drive. But right now - I don't know where you stand - I feel it would be a mistake, that it will come back and we will have thousands and thousands of complaints from the little people which we are completely free of now. We have no dissatisfied customers because if those people don't want it they can sell and get their money back. So in my mail - I think I am correct - we don't have any complaints.

MR. ROBBINS: Of course, that is another feature. There is a great big market at the end of the road that won't buy it in the small denomination, and there is nothing for them because of their age or their anticipation.

H.M.JR: Well, now, if you people feel that the basket isn't good enough, you see, on the age factor, I am willing to put in that death clause. If you feel that I am kind of hamstringing you on the selling - I mean, I have to be brutally frank and you be frank with me.

MR. ROBBINS: I am being just as frank as I can.

H.M.JR: If you feel that it is not going to be good enough, I am willing to give you that death clause.

MR. ROBBINS: I must admit, sir, I am a bit shocked by this interpretation of imposing something on the little people of this country because, my goodness, all I do is multiply by five and say that we are still imposing on people if that is the case.

H.M.JR: No, it isn't a question so much of imposing. You flood this country with hundred-dollar pieces of paper it is one thing. Am I right?

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MR. HAAS: That is right, Mr. Secretary. These small people in their own mind are really not investors at all. The reason they are buying is because the country is at war. They don't want that investment. They want the goods they are going to have later on. A man with five hundred dollars is an investor - he has more sophistication. I don't know - the Secretary doesn't know - five hundred is just a breaking mark, but it is up there somewhere, you see.

H.M.JR: I don't see why you are shocked.

MR. ROBBINS: Well, it is a matter of degree, because actually I would rather buy a one-hundred-dollar bond - this is personal - for each of my children than I would one hundred dollars of E Bonds. I would like them to have the satisfaction of being a security owner rather than a participant in that other type of debenture with their Government. To my mind, one is the complete integrated security participation, and the other one is a mechanism for accomplishing the same purpose but it is a discount arrangement which does not yield income. That is personal so it doesn't matter. I would like to have them go down and cut the coupon.

H.M.JR: As against that, you have somewhere between twenty-five and thirty million people that are doing it every month.

MR. ROBBINS: That is right - even myself.

H.M.JR: So we have got the mechanism established and you have that thing established.

Where were you, Bell, before I started on this thing?

MR. BELL: I lean a little towards the hundred dollars. The other day I said I didn't think it made any difference and I thought you could flip a coin and decide it. But when you decided to stock all the banks with denominations, I leaned a little toward the five hundred for mechanical reasons.

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But I still don't think it is as important as you people think it is. You may be right, I don't know. I don't think you will sell enough in the hundred-dollar classes to affect the market now or postwar. And even if they were in the market in the postwar period, I can't get it out of my mind that we are going to protect this market for the next ten years. We will just have to, I think.

H.M.JR: Do you know who scared me as much as anybody - who scared me and made me really sort of jell? You would be surprised - the man from New York.

MR. BELL: Perry Hall?

H.M.JR: Yes. He said, "We can just sell floods of this stuff."

MR. ROBBINS: "Sell like hot cakes," he said. Of course that appealed to me from the educational breadth of distribution which is part of this job, as I see it.

H.M.JR: I don't think it is going to make or break this drive, do you?

MR. ROBBINS: No, I do not.

H.M.JR: Then let's leave it at five hundred dollars. As I say, if you need an additional shot in the arm, if you people feel that to off-set this thing, I am willing to put in the death clause in those bonds.

MR. ROBBINS: Obviously, from a selling point of view, that makes it better; That is a better security.

MR. HAAS: Mr. Secretary, I don't like to seem as if I am opposing everything today. This death payment thing, I was just talking to Mr. Robbins and I suggested to him, unless he thought it would be a great help to him, that there is some implication in that death payment thing. You could do it in September if you feel right

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but there are a good many people that think that has implications that are not fully appreciated.

H.M.JR: How do you mean?

MR. HAAS: If the bond should drop below par a little bit, it would mean that that whole issue would be refunded. That is one thing.

And secondly, a thing you mentioned--

H.M.JR: You mean if people die?

MR. HAAS: No, it would be a value to people who are old and they would buy it up. And the thing that you mentioned before--

MR. BELL: That isn't a refunding.

MR. HAAS : Pay it off in cash at par at an early maturity. Then the other thing you mentioned, if you do it on this, they will want it on all these issues.

H.M.JR: That doesn't bother me.

MR. HAAS: And another thing is you have the same postwar complication. It tends to bring about quite a rigidity in the long rates. I don't feel strongly one way or the other.

H.M.JR: I don't either. I don't want to have my sales force go out of here crushed.

MR. ROBBINS: Don't you worry about that. We won't be crushed.

I want to come back to the first question, however, if I may for a moment. What is the official answer of why we don't have the one-hundred-dollar denomination, because we consider it an offering that is an investment offering and should be made available in denominations for people who have real investment money?

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H.M.JR: The answer is the answer we gave right along. We feel that for people of moderate income that the E Bond is the most attractive investment for them.

MR. ROBBINS: That is part of the answer, because the next question is why?

H.M.JR: Well, it pays two point nine to maturity; any day after sixty days they can get their money back.

MR. ROBBINS: You would rather have small investor's money in that kind of investment?

H.M.JR: There is no risk. And the other one would be distributed to the small people - a large number of securities - and it would be impossible for us to assure them of a place to dispose of that bond at its value.

I think that you will find once the decision is made and if you will talk to people who are not the salesmen - who are bankers - I think you will find that the bankers will agree that that is a wise decision. I mean if you will talk to non-salesmen as against bankers.

Where are we on this death payment?

MR. BELL: You haven't decided to put it in.

H.M.JR: If these people say we have to have something to sweeten this thing up, I am willing to go along.

MR. ROBBINS: It will make it more salable; and another talking point, it isn't essential finance from a sales point of view.

H.M.JR: It is just a question of making it more attractive. Perry Hall felt very strongly about it.

MR. BUFFINGTON: They all feel that way, but if you put that in you have a much better market situation if you ever go to a hundred-dollar bond, haven't you?

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You have a much safer way to go to a hundred-dollar bond if you have that provision in because you have good buying support under par.

MR. HAAS: It tends to stabilize the market somewhat.

MR. BUFFINGTON: Inflexible after the war.

MR. HAAS: It is not as important as this other thing. I want to make sure that the Secretary has all of these implications. I know some of these people in the market don't realize some of the implications.

MR. MURPHY: It is a major decision.

H.M.JR: Let's go back on it. Where are you on the hundred?

MR. MURPHY: I prefer not to have them, Mr. Secretary. I spoke my piece earlier in which I said that if we have some hundred-dollar denominations outstanding it will affect our policy with respect to the whole amount of the issue. I agree with Mr. Bell. I think we are going to have to support the market in the postwar period around the present level. If we put out hundred-dollar denominations we will be making that decision now, however. I see many advantages of the hundred dollar piece, but I think that the disadvantages outweigh the advantages, particularly in view of the fact that the Series G bond may be available - will be available - during this campaign, and will meet many of the problems; although even there I have considerable trepidation in pushing the sale of Series G bonds in the hundred-dollar piece. We have never done that before and I am afraid that this cut-back provision may prove an unpleasant surprise.

H.M.JR: But the G has the death provision?

MR. MURPHY: Yes.

H.M.JR: Has the F got that?

MR. MURPHY: No; just the G.

MR. BELL: The F is the discount bond.

H.M.JR: It is the funniest thing, I mean the way young people want the F bond and older people want the G bond. What about giving the death clause in these coming issues?

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MR. MURPHY: I think that it is an extremely important decision, Mr. Secretary. Anyway, it would change the whole character of the Government's security market. If we put the death provision in this issue, we are, in fact, guaranteeing that the issue can never go way below par. It certainly can't go out of the ninety's. Say that an issue with the death provision goes to ninety-five; it becomes very much to the interest of every person who is at all advanced in years or in bad health to concentrate his entire estate, as far as gilt-edged securities are concerned, in this issue, and to concentrate, as a matter of fact, other securities - that is, to sell stocks and purchase this security.

For him, purchasing at ninety-five means that he is assured of a coupon bond and his heirs will get the benefit of a substantial capital gain at his death. It means that if the general market should go below two and a half he - of course, nothing means anything as long as the rates are below two and a half, but if rates go above that we stand ready to bring back the issue, and would as fast as that issue could be channeled to us by the normal process of succession. The speed with which that would happen would depend on what had been the discount on the bond if it didn't have the death provision, but it might be pretty fast. After all, there is perhaps four hundred billion dollars' worth of property in this country, and it all passes through generations by succession, and that can carry a lot of weight.

I think if we put the provision on the bond we ought to make it a provision which is very valuable to the holder, be the holder a natural person or a corporation, since the corporation will share the stability of the market value that will be given.

H.M.JR: You wouldn't give this to corporations, would you?

MR. MURPHY: The corporation holds it, you see, the bond being paid at the death of natural persons, and the corporation shares equally with the natural persons in the stability of market values.

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H.M.JR: How? Oh, through the corporation holding a similar bond?

MR. MURPHY: Yes, the corporation holds a bond to which this privilege is attached, and that means that if the level of interest rates rises it can sell the bond out and so share in this stability of value and transfer into other securities at higher yields which don't have the provision.

The thing that worries me the most is that this provision, by which, in effect, the Treasury agrees to pay either the prevailing level of interest rates or some future rate, whichever is higher - and which from an actuarial standpoint is quite a commitment on the part of the Treasury - will be valued much too lightly in the market. We are really giving them something very valuable, and yet Piser tells me that he doesn't think you could extend the bond five years for it. If that is the case, we are giving away our birthright for a mess of pottage. We are putting on a provision which is very valuable to the holder and very costly to the Treasury in terms of actuarial probabilities and getting very little for it.

I think if we do put the provision on the bond it is extremely important that the maturity and call dates of the bond be readjusted in order to take advantage of the provision and in order to make it very clear to the market that the provision is a costly provision and is a valuable provision; and that they are paying for it, and that they shouldn't expect that outstanding securities should be given the advantage of that provision without a change in their other terms, which, of course, they wouldn't like.

H.M.JR: We don't have time to go through all the mechanics. It would just be the--

MR. MURPHY: Just the two and a half.

H.M.JR: Of course, the other thing - everything that you say you can put on the other side and say, "Here

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you would get a natural underwriting group which will maintain this particular issue for you."

MR. MURPHY: That is right, although they will maintain it by the process of channeling it back to us, and we will have to refund it. What it would mean would be that - and I don't think it will happen, myself, but the majority of opinions are against me - if the level of interest rates rises at some future time and stays at that level for a substantial period, the Treasury will have to refund its debt, or such portion of it as contains this provision, at the higher rate so that the terms we put on our bonds are more or less illusory. The Treasury is entering into a commitment to pay the higher of present or future rates.

Now it gives the stability to the bond, but it is a provision which shouldn't be offered lightly.

H.M.JR: How about if you did it this time and then they saw that the thing was so much more desirable to anybody else, then the next issue you could price accordingly?

MR. MURPHY: They may not see it, Mr. Secretary, unless the chance occurs which it is designed against, in which event it is too light.

H.M.JR: You mean if it goes down?

MR. MURPHY: The benefits of this provision will become manifest if interest rates should rise, and this issue to meet that maintains its stability.

Now the sales people are far better judges than I am as to whether the market is willing to take this provision at its real value or whether it is just sort of a bonus thing. They don't want any change in terms of their securities.

This provision costs us far more than five or ten years in the maturity of the bond.

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

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MR. BELL: Again, I don't think it is as important as Henry and Haas seem to think it is. I do think we might have gotten a year or two out of this return.

H.M.JR: It is too late to get that now.

MR. BELL: No, you haven't announced it.

H.M.JR: You have to go back through all the people.

MR. BELL: Yes, you have agreed with the Federal that the dates we agreed on the other day would be final. I do think it would add something to the bond and probably make it a little more salable. I am not so worried about the future refunding of it. I think that at the time you quit supporting the market after this war this will be a short bond. Two and a half will be a pretty good rate for that bond, and it won't go below par very much. We had somewhat similar provisions after the last war, particularly for estate taxes; and after we refunded the foreign debts, all the foreign governments could come in and buy our securities at any price they wanted to pay for them; they could get them on the market and turn them in. It wasn't a big item in the market, and yet the securities went below par during those periods.

If we don't need it in this campaign, I would be inclined to leave it for a later decision.

H.M.JR: Let me ask this question of the salesmen: Are you worried at all about being able to sell the two and a half as it is?

MR. BUFFINGTON: No, sir.

H.M.JR: You are not worried?

MR. BUFFINGTON: No. I might--

MR. ROBBINS: We don't need this.

H.M.JR: If you don't need it, forget it. I didn't mean to cut you off.

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MR. BUFFINGTON: The market at this time will construe this as a bonus; and when they understand it more, then I think you can get more for it, but in this offering--

H.M.JR: You are not worried, George?

MR. BUFFINGTON: No.

MR. ROBBINS: I anticipate that the next campaign we launch is going to be quite different in terms of the type, style, number, and so on, of offerings. They will expect to change them, and I am inclined not to disappoint them for the August campaign.

MR. BELL: May I get the hundred dollars through at that time? (Laughter)

MR. MURPHY: I think that the hundred-dollar person, who has a more earthly approach to the subject of bonds has been less trained to look at call periods and maturities attached to the mystic significance which, in fact, they don't have, and looks upon the real contingencies and facts of life, is much more impressed by the fact that, "My wife can get par for this bond if I die" than he is for a statement that, "This is a '60-'62," or something of that kind. I think that if you were down at the hundred-dollar level, if you were going to sell hundred-dollar bonds, I would favor that provision, and I think that it would have more sales value at that level relative to the more esoteric provisions of the bond. (Laughter) It perhaps describes the provisions well, since perhaps it is unintelligible to the average person. (Laughter)

H.M.JR: As long as it isn't "globaloney." (Laughter)

MR. MURPHY: At the risk of anti-climax, except for the G bond, which is a very special case, I don't think we have tried anything like this before. The estate tax provision I don't think really is comparable to it because the whole estate-tax market is maybe three or four hundred million dollars a year.

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The whole repayment of war debts market was at its top a couple of hundred million dollars a year, whereas the potential market here is all the property passing in succession in the United States during the year.

MR. BELL: It is potential, but I mean you never reach any large figure on it.

MR. MURPHY: But it is a tremendous potential we are pushing against.

H.M.JR: Now, having settled those two rather difficult things for better or worse, what else is there left?

MR. BELL: The elimination of the F and G, whether or not we are going to announce that at the time--

H.M.JR: I am exhausted now mentally. I wouldn't announce that until - I want to review that whole thing, Dan.

MR. BELL: It is in the quota. In the basis of the figures which these boys have made up, they have assumed that the F and G will be eliminated at the end of April, which makes their quota for F and G bonds and E bonds a billion seven.

H.M.JR: I will take that up the first thing next week.

MR. ROBBINS: That would be a very potent addition to our campaign. If you are going to have the F and G's on the market the last time during this drive, we will sell more F and G's than if other conditions prevail.

H.M.JR: I can understand that, but you can have another crack at me - there is no reason why this has to go into this publicity tonight.

MR. BELL: No, it has to come in on the quotas.

H.M.JR: I haven't done my Atlanta speech. I told them I would do it at eleven-thirty. It was terrible

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yesterday, and this thing would take me a couple of hours - this discussion of F and G's. I will be around Monday.

MR. BELL: Well now, you remember they brought up the question of simplifying the accruing of interest after the 15th. We think we can give free interest on all subscriptions of a thousand dollars and less, and some of the men who were here yesterday--

H.M.JR: You decide that.

MR. BELL: They thought that that would relieve the situation immensely and would help them out.

H.M.JR: If it would help them, give it to them.

MR. BELL: The other way is stocking the banks - stocking the banks with these securities. They all thought that if we stocked the bank with denominations of a thousand and less and the two and two and a half obligation that that would be sufficient.

H.M.JR: That is all right.

MR. BELL: That would meet all of their problems. Anybody who subscribes for more than a thousand doesn't mind waiting until it goes to the Federal Reserve Bank there.

MR. MURPHY: Is that a consignment basis?

MR. BELL: This is a consignment basis only. We may have to wiggle our authority a little to designate these banks. You see, we can designate them as agents for savings bonds under our authority, but we may have to use our authority here.

The other thing they are awfully anxious to get is the basis of the quotas, and George and his group worked out a formula and then went over and discussed it with Eccles and his people yesterday afternoon. They made a few changes, I think, and came to an agreement.

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MR. HAAS: No, I think on that, Dan - I haven't had a chance to go through the whole thing with you - I think we had better have a chance - there is a point or two that the Secretary could take up Monday when he comes back.

H.M.JR: That doesn't go in the announcement.

MR. BELL: No, it wouldn't go in the announcement; they are very anxious to get it in the field, however. I think the first of the week would be all right.

H.M.JR: Again, if it can wait until Monday it would be - for kindness to a human being, as far as I am concerned, let it go. (Laughter)

MR. BELL: There isn't any in the Treasury. (Laughter)

H.M.JR: I don't agree with you on that.

MR. BELL: Not as far as the work is concerned.

H.M.JR: What else is there?

MR. BELL: I think I have covered everything. Have you anything else?

MR. ROBBINS: No. I am thinking of all the suggestions we got yesterday, and about the only one we are taking any positive action on in their favor is the one on interest.

H.M.JR: Here is a memorandum from Viner on the one-hundred-dollar denomination.

(Memorandum from Mr. Viner dated March 10, 1943, read by the Secretary, copy attached.)

In the words of President Coolidge, he is "agin" it. (Laughter)

MR. ROBBINS: I gathered as much. (Laughter)

MR. BELL: It took him a long time to say so. (Laughter)

I think we have covered everything.

MR. ROBBINS: I think that is the bag of tricks all right, and the one suggestion which we got yesterday

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which is being subject to positive action is this rounding off of accrued interest.

MR. BELL: Yes, and we have this whole baby with us of throwing back subscriptions to the place of origin.

MR. ROBBINS: That is going to be terrible.

H.M.JR: That is the quota thing, isn't it?

MR. BELL: Well, it is involved in the quota, by golly, but--

H.M.JR: Here is Viner on quotas. (Memorandum handed to Mr. Bell.) When you come in with quotas read that.

Are you through with me? Are you ready to write your release for tonight?

MR. BELL: I can't think of anything else.

MR. ROBBINS: May we do this, sir: May we put this release on the wires to our twelve districts prior to the time it appears in the papers, before it is released?

MR. BELL: It will be released for tomorrow morning's papers.

MR. ROBBINS: It is a very important point, and it is involved here and all through the campaign.

H.M.JR: Say that again.

MR. ROBBINS: So far as possible I would like the people who are going to be out on the firing line to get their information from Washington rather than the local press.

H.M.JR: I thought you meant to have them criticize it.

MR. ROBBINS: No, indeed, but I would like to use that facility of the Federal Reserve to tell them not

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only this, but other things as time goes on. I was planning an arrangement whereby we might be able to use their facilities at four-thirty each afternoon for anything that is going to be press-released for publication the following morning.

H.M.JR: I think that is very good if Mr. Bell can meet the time schedule. As far as I am concerned, I think it is proper.

MR. ROBBINS: Psychologically it is wonderful. We used to discover what went on in WPB by reading the New York Times. I don't want them to do the same thing here.

MR. BELL: We have to be careful not to have immediate releases of them - have them released tonight for tomorrow morning's paper.

MR. BUFFINGTON: And cleared in time the night before to get to them.

H.M.JR: And even in WPB it takes them a week to find out that you are working in the Treasury. (Laughter)

MR. ROBBINS: Yes, that was traced down. Do you know who was the bad boy?

H.M.JR: No.

MR. ROBBINS: The Publicity Department of General Foods Corporation.

H.M.JR: What do you mean?

MR. ROBBINS: There is nothing like admission. It is good for the soul.

H.M.JR: What happened?

MR. ROBBINS: We have a very ardent young man who is in charge of publicity of General Foods Corporation

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who went off, should we say, half-cocked - or completely - and dug up an old publicity release and then combined a few modern sentences at the bottom of it and found a photograph that must have been taken when I was an undergraduate at Yale, and did that to me. I am sorry that is the way it happened.

H.M.JR: Might I just say this: What you are saying here is the way I like to work. I mean, if there is something like that, I like to know.

MR. ROBBINS: That is what happened. I spent the evening last night with Mr. Francis, who had sat at the dinner beside Sidney Weinberg, and Mr. Francis was feeling very contrite for the omissions - or commissions - of his fellow associates.

MR. BELL: I don't know that - that caused a little confusion in New York. They called up and wanted to know what this meant, whether or not Mr. Robbins was going to give his full time to this job or did he just consider it something to do with his left hand and do this other job over at WPB during the day and this one at night. There were several inquiries at night.

I think that ought to be corrected.

H.M.JR: Can't Schwarz give out a little thing saying that you severed all connections?

MR. ROBBINS: I understood it was to have been in either yesterday or today. The Times had promised a correction on it.

H.M.JR: It was only the Times?

MR. ROBBINS: Yes, as far as I know.

MR. BELL: We ought to give out something on Peabody.

MR. ROBBINS: We will give out something modest and appropriate on that today.

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H.M.JR: Just so we understand each other, as far as this release is concerned I don't want to be consulted again.

MR. BELL: O.K.

H.M.JR: Be here after lunch; and if there is something that you want as to publicity or something like that, I am available if you want to see me.

MR. ROBBINS: I would like a few minutes with you on organization planning sometime during the day, if I may.

H.M.JR: I will make it two-thirty.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 10, 1943

TO Secretary Morgenthau
FROM Dr. Viner
Subject: \$100-denomination Coupon Bonds

May I presume to urge you once more not to decide too hastily to sell coupon bonds in \$100 denominations, and to consult your economic staff before you make your final decision. I do not believe that marketable bonds are a suitable vehicle for low-income savings. I think it would be a serious mistake if, as in the last war, the Treasury again runs a training school for candidates for bond-house sucker lists. I think it would be a mistake, if for the sake of easing the salesman's task somewhat and of collecting a few hundred millions, you put the Treasury in a position where it is obliged, whatever the cost or the circumstances, to freeze the interest rate on all governments in order to protect a relatively few low-income holders of governments from loss. I think also that \$100 bonds would get in the way of the E-bond campaign and would give low-income persons in non-drive periods an alibi for withdrawing from payroll-deduction plans on the ground that they wish to wait for a coupon-bond issue. Finally, even if you should decide that you do want \$100 coupon bonds, you should wait for the next drive when the organization will really be able to do person-to-person canvassing and will be sufficiently trained to be able to tell prospective subscribers whether the discount or the coupon form is more suitable to their circumstances and their needs. You should not make so important a move on as petty a scale as is contemplated for this drive. If you were after \$5 billions in a single month from low-income groups, there would be a stronger case -- the argument from necessity -- for making so drastic a change in Treasury policy.

All of this memorandum is based on the assumption that if \$100 bonds are sold at all an effort would be made to sell them to all persons who could be persuaded to buy them.

Jacob Viner

March 11, 1943
11:55 a.m.

ATLANTA SPEECH

Present: Mr. Gaston
Mr. Murphy
Mr. Mager
Mrs. Klotz
Mr. Odegard

(Draft number three of speech handed to the Secretary by Mr. Gaston, copy attached.)

H.M.JR: Are you gentlemen satisfied with this, because I am just a wreck?

MR. GASTON: I am satisfied with it.

MR. MAGER: I am satisfied with it.

MR. GASTON: Mr. Odegard is satisfied with it. Mr. Murphy is satisfied with it.

By the way, I have Knox's complete speech on my desk. His speech will run about eighteen minutes if he goes at the same rate you do.

(Mr. Murphy and Mr. Odegard entered the conference.)

H.M.JR: I take it you let him have a copy of mine.

MR. GASTON: No, we haven't yet.

H.M.JR: But you will?

MR. GASTON: Yes, I will see that he gets it. We took care of the fact that they don't go over the same ground. He praises Atlanta and hopes this will be an example to other communities, also, which is all right. He gives us some facts about the campaign.

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H.M.JR: I will read it once and go back over it.
Are you satisfied with this?

MR. ODEGARD: Yes, I think it is all right.

H.M.JR: Henry?

MR. MURPHY: Yes, sir.

H.M.JR: I will read it through once and then I
will do the words when we get through.

(The Secretary read the speech.)

H.M.JR: This is all right. It has a little zip.

MR. GASTON: The word I used was "zing". (Laughter)

H.M.JR: I would like to go over a couple of things
here, if I may.

"Governor Arnall, Secretary Knox, Ladies and
Gentlemen:

"It is always an inspiration for me to visit Georgia,
the State which is the other home of our great and
beloved President. I especially welcomed the opportunity
to appear here tonight with the Secretary of the Navy so
that I might congratulate the people of Atlanta and the
people of Georgia on the direct and effective means they
have chosen to put their dollars to work for victory in
this war."

Wouldn't you say Secretary Knox there instead of
Secretary of the Navy? Oh, you have said it up here.

MR. GASTON: Yes, and then it recognizes the fact
that this is a Navy show.

H.M.JR: You don't know how many words this is?

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MR. MAGER: Five hundred and seventy-two.

MR. ODEGARD: If I could suggest it, that second sentence seems a little heavy to me. I wonder if it couldn't be shortened a bit. Say: "I especially welcomed the opportunity to appear here tonight with the Secretary of the Navy to congratulate the people of Atlanta and the people of Georgia on putting their dollars to work for victory in this war." Saying "direct and effective means" slows it up a lot.

H.M.JR: All right. Somebody change it.

MR. GASTON: We haven't mentioned the way. Why not say "in a most effective way"?

H.M.JR: Why not just say, "putting their dollars to work for victory"?

MR. GASTON: All right. That simplifies it.

H.M.JR: "I have watched with admiration on other occasions the contributions made by the people of Georgia to meeting the wartime needs of their country."

You see what you have done, you have that thing on the American Legion in mind. Do you think that paragraph is necessary?

MR. GASTON: Well, it is necessary if you want to lead up to the next sentence. You could leave it out.

MR. ODEGARD: Isn't it a good thing, anyway, to assume that they make other contributions?

MR. GASTON: I think it is.

H.M.JR: All right.

"And now the people of Atlanta and their neighbors have responded with the unconquerable Georgia fighting spirit to a new challenge."

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MR. ODEGARD: As a matter of fact, they will like that.

H.M.JR: Would you say "a new challenge"?

MR. GASTON: The challenge by the enemy. They destroyed their ship, the Atlanta, and this is their answer to them.

MR. ODEGARD: The next sentence immediately ties in with that.

H.M.JR: "They have made it certain that our flag shall be proudly flown again on a new cruiser Atlanta which is to take the honored place of that other Atlanta which went down in glorious combat off the coast of Guadalcanal."

I would like to leave out the word "cruiser and say "a new Atlanta."

MR. GASTON: Yes.

MR. ODEGARD: I would say "our flag will proudly fly again" instead of "shall be proudly flown again."

MR. MAGER: Also you can cut out the "which is."

H.M.JR: That is right.

MR. GASTON: "They have made it certain that our flag will proudly fly again on a new Atlanta to take the honored place of that other Atlanta which went down in glorious combat off the coast of Guadalcanal."

H.M.JR: A good sentence.

"The people of other communities can -- and I hope they will -- follow your example. Not all will be able to pay for cruisers or battleships, but all can buy effective implements of war according to their abilities, from the great battleship, the flying fortress or fighting plane down to the humble but mightily useful jeep. All these are tools of freedom."

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That "effective implements of war" is heavy.

MR. ODEGARD: Say, "but all can buy implements of war" and leave out "effective."

MR. MAGER: Why not use the phrase "the weapons of victory"?

MR. GASTON: That is all right.

MR. ODEGARD: I prefer "implements of war" because "weapons of victory" is used a hundred times.

MR. MAGER: We haven't used "weapons of victory" in here.

MR. ODEGARD: We have used it in War Bond copy time and time again. I like it this way, as a matter of fact.

H.M.JR: I would like to take out the word "effective."

MR. ODEGARD: Yes. That implies that other things are not effective.

H.M.JR: How about saying "from the great battleship down to the humble jeep" and cut out the other, the flying fortress and the fighting plane?

MR. GASTON: Yes.

H.M.JR: It is clumsy this way.

MR. GASTON: You can't name everything.

H.M.JR: Do you like "mightily"? It is hard to say.

MR. ODEGARD: I would use "mighty" instead of "mightily."

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MR. GASTON: "Mightily" is the correct word.

MR. ODEGARD: I know, but "mighty" is a colloquialism. I think it is a good thing every now and then.

MR. GASTON: How about "very"?

MR. ODEGARD: I like "mighty" because it isn't dramatical.

MR. MURPHY: Just "the humble jeep" would sound better.

MR. GASTON: It is put in because otherwise it seems to sneer at the communities that can't buy anything but a jeep.

MR. ODEGARD: I think that is right, but I am sure the Secretary is going to say "mighty" anyway.

MR. GASTON: He can say "humble but useful jeep" and then put in any appropriate word that occurs to him at the moment.

MR. ODEGARD: I don't think "mighty" is really ungrammatical now because it is part of our language.

H.M.JR: You could change the word and say "the ever useful jeep."

MR. ODEGARD: If you want a really good word you could say "ubiquitous." (Laughter)

H.M.JR: "Mightily" is a very difficult radio word. You would have to say "mighty."

MR. GASTON: I have another suggestion: "down to the humble but mighty jeep."

MR. ODEGARD: That is all right.

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MR. ODEGARD: I like "mighty useful" and am going to hold out for it. I think it is warm.

H.M.JR: Let's leave it.

MRS. KLOTZ: You can have it written "mightily" but you will say "mighty."

MR. GASTON: Write it "mightily" and say "mighty."

H.M.JR: "So, too, are dollars the tools of freedom." I don't like that.

MR. ODEGARD: You could say "weapons."

H.M.JR: That is all right.

"The dollars you save and turn over to the use of your government today are fighting dollars. This is true of tax dollars as well as of bond dollars. Out of every hundred dollars of taxes paid on March 15, ninety-five dollars will go directly to pay the costs of this war, to supply our men at the front, to smash the Axis."

I don't like and would like to leave out "to supply our men at the front."

MR. ODEGARD: The way the sentence stands it sort of brings it to a conclusion - "to pay the costs of this war, to supply our men at the front, to smash the Axis."

H.M.JR: All right.

"Next Monday night is the zero hour when billions of these dollars are due to go over the top to battle. There have been baseless rumors that somehow this zero hour will never come off; that somehow the taxes due on March 15 are to be forgiven or forgotten. It would be tragic for our war effort if this rumor should be widely believed. It is utterly false. We have ruthless enemies to fight and your dollars are needed in the battle."

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You can't say "needed desperately"?

MR. GASTON: Yes, you can, "and your tax dollars are desperately needed in the battle."

MR. ODEGARD: Do you want to say "tax"?

MR. GASTON: Yes, because we are talking about taxes.

H.M.JR: That is too strong.

MR. GASTON: No. It puts some feeling into it. "We have ruthless enemies to fight and your tax dollars are needed desperately in the battle."

MR. MURPHY: Before we leave that I am disturbed about the singulars and the plurals, the "rumors" and the "rumor."

H.M.JR: Fix it up.

"Any American who neglects to pay his taxes on time or to invest every cent he can in War Bonds is surely giving aid and comfort to the enemy."

That is a powerful statement.

MR. ODEGARD: I believe it ought to be hit just that hard.

H.M.JR: That is hard. Does anybody think that is too hard?

MR. GASTON: "Aid and comfort" are strong words. It is a constitutional definition of treason. Maybe it is a little too strong.

MR. ODEGARD: No, it isn't too strong.

MR. GASTON: "Who shall in time of war"--

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MR. ODEGARD: Yes, "bear arms against the United States, give aid and comfort to the enemy, and where there shall be two witnesses to an overt act", so I don't think it is too strong.

MR. GASTON: We have to get two witnesses to the overt act of refusing to buy a bond.

MR. ODEGARD: Yes, to make it treason. I would suggest adding there "Any American who willfully neglects to pay his taxes on time."

H.M.JR: I think that is better. That is fine.

MR. ODEGARD: You could say "is in effect giving aid."

MR. MURPHY: It weakens it.

H.M.JR: I like the word "willfully." Don't you?

MR. MURPHY: Yes, but the other weakens it.

H.M.JR: Yes.

"As we meet here tonight your war bond dollars are fighting the enemy. But they are also fighting an important battle here on the home front." That is an awful let-down.

MR. ODEGARD: I think it would help, Mr. Secretary, a bit if the word "even" were used to begin that next sentence. Say "Even as we meet here tonight your war bond dollars are fighting the enemy."

H.M.JR: Why not leave out "war bond" and just say "your dollars"?

MR. GASTON: Yes, it sort of combines the two towards the end.

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H.M.JR: That makes it all right: "Even as we meet here tonight your dollars are fighting the enemy. But they are also fighting an important battle here on the home front." Does that flow all right?

MR. GASTON: You don't need the "But."

H.M.JR: No. Leave it off.

"Every dollar you put into war bonds helps to keep prices down. Every dollar put into war bonds also creates future purchasing power that will mean jobs for our fighting men when they return. Your bond dollars and your tax dollars are double duty dollars."

MR. MURPHY: I would add "or taxes" after "Every dollar you put into war bonds".

H.M.JR: That is better. Is it "or taxes" or "and taxes"?

MR. ODEGARD: "Or." You can't put the same dollar into both.

H.M.JR: This makes it much better.

"We have a job to do and we are all enlisted for the duration. The dollars that are not urgently needed to supply our pressing wants are called to service, too."

MR. GASTON: There were several lines cut out there about Selective Service, and it will make the thought clearer if you say, "Here we have a job to do and we are all selected for service", if you like that.

MRS. KLOTZ: I like that.

MR. GASTON: It means there is a job for all of us to do and we are all individually selected for service.

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H.M.JR: I don't quite get that.

MR. MAGER: The reason for it, Mr. Secretary, is because of the omission. There was an important sentence left out here, and this makes the transition between the first sentence and the second sentence.

H.M.JR: You might put back a sentence.

MR. GASTON: No, I think this is clear enough. We are all called to do something. We are all called to do a job, all selected for a job in this war, and our dollars have been called to service, too.

H.M.JR: Yes, but I don't like the way you say it - "we are all selected, we all have a job to do." Does he mean we are going to have universal service?

MR. GASTON: Why not use the phrase we used down below, "We have a job to do and are called to service. The dollars that are not urgently needed to supply our pressing wants are called to service, too" - we as individuals and our dollars.

H.M.JR: It still doesn't ring a bell with me.

MR. ODEGARD: I would suggest cutting that whole paragraph.

MR. GASTON: The thought is pretty important, that every man personally and every man's dollar are both called to service in the war. Everybody has a job to do.

H.M.JR: Why not say, "Everybody has a job to do, whether it is serving in the Armed Forces or enlisting his dollars"?

MR. ODEGARD: I like the phrase used by Mr. Woodrow Wilson in the last war when he said, "Shall we be more tender with our dollars than with the lives of our sons." I think that was the thought embodied here.

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H.M.JR: They love Woodrow Wilson in Georgia. If you have something like that, let's get a direct quote. I love it.

MR. ODEGARD: I think that is accurate. We can check it.

H.M.JR: It should be checked. Miss Diamond could check it very quickly.

Has that been used recently in any copy?

MR. ODEGARD: No.

H.M.JR: Say it again.

MR. ODEGARD: "Shall we be more tender with our dollars than with the lives of our sons." It may be "sparing" instead of "tender."

H.M.JR: "Only a great outpouring of the people's money can provide a sufficient answer to our war needs. It is by such democratic initiative and community spirit as you have shown here that a great democracy will meet the challenge of the enemy and keep faith with our men who fight on land and sea."

MR. MURPHY: I would change "the people's money" to "these dollars." If that paragraph is being stricken out it would tie up more directly.

MR. ODEGARD: Yes, the Wilson quote refers to dollars, if you use it.

H.M.JR: That is all right. Then how would it be?

MR. ODEGARD: You might say something like this: "We have a job to do and we are all called to service for the duration. As Woodrow Wilson--

H.M.JR: Hold it a minute. Say, "We are all called

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to the service of our country." I have been groping for something like that. "We have a job to do and we are all called to the service of our country."

MR. ODEGARD: Then I would say, "Our dollars are called to service, too."

H.M.JR: You would leave out the Woodrow Wilson thing?

MR. ODEGARD: No.

MR. GASTON: Say, "It was the immortal Woodrow Wilson who said"--

H.M.JR: I don't like the word "immortal."

MR. MAGER: "Former war president and Georgian." He was born in Georgia, wasn't he? Wilson was born in Georgia, I think.

H.M.JR: If he was born in Georgia, then I would say so.

MR. ODEGARD: "It was that great Georgian, Woodrow Wilson"--

H.M.JR: "It was Georgia's great war president"-- I certainly would bring in the fact that he was born in Georgia.

MR. ODEGARD: "...who in another crisis asked, shall we be more"--

MR. GASTON: He was a citizen of New Jersey when he became president.

MR. MURPHY: He might be better referred to like Caesar, simply as "Caesar." They know who he is. It doesn't build him up any to use adjectives.

H.M.JR: O.K., Brutus. (Laughter)

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MR. GASTON: That is Cassius. (Laughter)

H.M.JR: This makes a pretty good team. How is it now?

MR. MURPHY: "As Woodrow Wilson asked in a similar crisis"--

H.M.JR: Not "asked" - "said."

MR. GASTON: No, he asked a question.

MR. GASTON: Can we get that quotation accurately?

MR. ODEGARD: I ran across it in the Liberty Loan stuff down in the Archives.

H.M.JR: Recently or did you just remember it?

MR. ODEGARD: Two years ago.

H.M.JR: You never used it?

MR. ODEGARD: I tried to get people to use it, but I can't get anybody to.

H.M.JR: I would love to use it.

How is it now?

MR. ODEGARD: "As Woodrow Wilson asked in a similar crisis, 'Shall we be more sparing of our dollars than with the lives of our sons?'"

H.M.JR: That is marvelous. You might make a note, that it wouldn't be bad to have a poster with that right under it. Have a picture of Woodrow Wilson and the quote right under it.

MR. ODEGARD: I think there may have been such a poster in the Liberty Loan campaign.

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MR. MURPHY: That is no reason for not reviving it. That would not be an argument against reviving it. In fact, I think it might be better if there had been such a poster in the Liberty Bond campaign.

MR. ODEGARD: I had a poster I had to kill which was like that. It was in production.

H.M.JR: Using Woodrow Wilson?

MR. ODEGARD: Using a phrase from Lincoln, which was substantially the same.

H.M.JR: I will talk to you about it some time.

MRS. KLOTZ: You can't have the Woodrow Wilson thing on the end - to end it?

H.M.JR: It would be nice.

MR. ODEGARD: I think you could very simply. You would go from "Your bond dollars and your tax dollars are double duty dollars" to "Only a great outpouring--".

H.M.JR: Do that once more, please.

MR. ODEGARD: "We have a job to do and we are all called for service to our country. Our dollars are called to service, too. As Woodrow Wilson asked in a similar crisis, 'Shall we be more tender with our dollars than with the lives of our sons?'"

MR. MURPHY: What comes before that?

MR. GASTON: Use the last paragraph before that.

H.M.JR: What you had better do, just to have it a hundred percent, is go into Mr. Gaston's room for a minute, please, to be sure this thing is right.

Now, where are we on this other business?

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MR. GASTON: This United Press thing?

H.M.JR: Yes.

MR. GASTON: Mr. Mager wrote a story which I thought was quite good, and you had him discuss it with Viner. Viner had a couple of suggestions. He has not yet been able to rewrite it because of other things in order to put in Viner's suggestions.

I was going to suggest to you that if superficially it looked all right to you that we would leave it that Viner's suggestions could be put in and we would clear it with the Research people here and give it to them. Would you want to do that?

H.M.JR: No. I would like, if you between now and one o'clock would put this thing to bed - somebody type it for me - and then after lunch I would like the four of you to meet and go over it. Whatever the four of you agree on I will be satisfied with.

MR. GASTON: O.K.

Here is Knox's speech. Would you like to run through it.

H.M.JR: I won't now. Do you need it?

MR. GASTON: I don't need it at all, only we agreed to return it to OWI when we finished with it.

H.M.JR: I will give it to you before I leave.

Governor Arnall, Secretary Knox, Ladies and

Gentlemen:

It is always an inspiration for me to visit Georgia, the State which is the other home of our great and beloved President. I especially welcomed the opportunity to appear here tonight with the Secretary of the Navy so that I might congratulate the people of Atlanta and the people of Georgia ~~on the direct and effective~~ means they have chosen to put their dollars to work for victory in this war.

I have watched with admiration on other occasions the contributions made by the people of Georgia to meeting the wartime needs of their country.

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And now the people of Atlanta and their neighbors have responded with the unconquerable Georgia fighting spirit to a new challenge. They have made it certain that our flag shall be proudly flown again on a new ~~cruiser~~ Atlanta which is to take the honored place of that other Atlanta which went down in glorious combat off the coast of Guadalcanal.

The people of other communities can -- and I hope they will -- follow your example. Not all will be able to pay for cruisers or battleships, but all can buy ~~effective~~ implements of war according to their abilities, from the great battleship, ~~the flying fortress or~~ ~~fighting plane~~ down to the humble but mightily useful jeep. All these are tools of freedom.

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So, too, are dollars the tools of freedom. The dollars you save and turn over to the use of your government today are fighting dollars. This is true of tax dollars as well as of bond dollars. Out of every hundred dollars of taxes paid on March 15, ninety-five dollars will go directly to pay the costs of this war, to supply our men at the front, to smash the Axis. -

Next Monday night is the zero hour when billions of these dollars are due to go over the top to battle. There have been baseless rumors that somehow this zero hour will never come off; that somehow the taxes due on March 15 are to be forgiven or forgotten. It would be tragic for our war effort if this rumor should be widely believed. It is utterly false. We have ruthless enemies to fight and your dollars are needed in the battle.

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Any American who neglects to pay his taxes on time or to invest every cent he can in War Bonds is surely giving aid and comfort to the enemy.

As we meet here tonight your ~~war-bond~~ dollars are fighting the enemy. ~~But~~ they are also fighting an important battle here on the home front. Every dollar you put into war bonds ^{or taxes} helps to keep prices down. Every dollar put into war bonds also creates future purchasing power that will mean jobs for our fighting men when they return. Your bond dollars and your tax dollars are double duty dollars.

We have a job to do and we are all enlisted for the duration. The dollars that are not urgently needed to supply our pressing wants are called to service, too.

- 5 -

Only a great outpouring of the people's money can provide a sufficient answer to our war needs. It is by such democratic initiative and community spirit as you have shown here that a great democracy will meet the challenge of the enemy and keep faith with our men who fight on land and sea.

3-11-43

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Governor Arnall, Secretary Knox, Ladies and

Gentlemen:

It is always an inspiration for me to visit Georgia,
the State which is the other home of our great and
beloved President. I especially welcomed the opportunity
to appear here tonight with the Secretary of the Navy

~~that I might~~ ^{to} congratulate the people of Atlanta and the

people of Georgia on ~~the direct and effective means they~~ ^{putting their dollars to work}

~~have chosen to put their dollars to work for victory in~~

~~this war.~~

I have watched with admiration on other occasions
the contributions made by the people of Georgia to meeting
the wartime needs of their country.

Draft D.

- 2 -

And now the people of Atlanta and their neighbors have responded with the unconquerable Georgia fighting spirit to a new challenge. They have made it certain that our flag ~~shall be~~ ^{will} proudly ~~flown~~ ^{fly} again on a new ~~cruiser~~ Atlanta ~~which~~ to take the honored place of that other Atlanta which went down in glorious combat off the coast of Guadalcanal.

~~The will to victory, the self-reliance, the community initiative which you have shown in this cruiser Atlanta drive is a pattern of our democratic American way of getting results in whatever we undertake to do.~~

You will view with pride the fine new Atlanta when she goes to sea. You will, I know, follow her exploits with breathless interest because of the part you have ~~had in her building.~~

- 3 -

The people of
~~Many~~ other communities can -- and I hope they will -- follow your example. Not all will be able to pay for cruisers or battleships, but all can buy ~~offensive~~ implements of war according to their abilities, from the great battleship, ~~the flying fortress or fighting plane~~ down to the humble but ^{mightily useful} ~~mightily useful~~ jeep. All these are tools of freedom.

So, too, are dollars the tools of freedom. The dollars you save and turn over to the use of your government today are fighting dollars. This is true of tax dollars as well as of bond dollars. Out of every hundred dollars of taxes paid on March 15, ninety-five dollars will go directly to pay the costs of this war, to supply our men at the front, to smash the Axis.

- 4 -

Next Monday night is the zero hour when billions of these dollars are due to go over the top to battle.

There have been baseless rumors that somehow this zero hour will never come off; that somehow the taxes due on March 15 are to be forgiven or forgotten. It would be

tragic for our war effort if ~~this~~ ^{these} rumors should be widely believed. ^{They are} ~~It is~~ utterly false. We have ruthless

enemies to fight and your ^{tax} dollars are ^{desperately} needed in the battle.

Any American who ^{willfully} neglects to pay his taxes on time or to invest every cent he can in War Bonds is surely giving aid and comfort to the enemy.

^{Even} As we meet here tonight your ~~war bond~~ dollars are fighting the enemy. ~~They~~ They are also fighting an important battle here on the home front.

- 5 -

Every dollar you put into war bonds ^{or taxes} helps to keep prices down, ~~to reduce the cost of the war and to make more effective what we spend to carry the fight to the enemy this year.~~ Every dollar put into war bonds also creates future purchasing power that will mean jobs for our fighting men when they return. Your bond dollars and your tax dollars are double duty dollars.

Direct hit for
 We have a job to do and we are all enlisted ^{all called for service to our} for the country. Our dollars are called to service too. ~~As Woodrow Wilson asked in a public address, "If I have to more office, we are all selected for service in this war according to our capacities and the work that is before us to be done. The dollars that are not urgently needed to supply our pressing wants are called to service, too."~~

As a distinguished son of Georgia, Secretary
 Let us each one ask ourselves, ~~"Shall we be more tender with our dollars than with the lives of our sons?"~~ "Shall we be more tender with our dollars than with the lives of our sons?"

- 6 -

~~They are asked to report at the cash window of the collector of internal revenue on March 15 and they are to be called for duty in the great war financing drive that is to begin in April.~~

Only a great outpouring of the people's money can provide a sufficient answer to our war needs. It is by such democratic initiative and community spirit as you have shown here that a great democracy will meet the challenge of the enemy and keep faith with our men who fight on land and sea *and in the air.*

Governor Arnall, Secretary Knox, Ladies and
Gentlemen:

It is always an inspiration for me to visit
Georgia, the State which is the other home of our
great and beloved President. I especially welcomed
the opportunity to appear here tonight with the
Secretary of the Navy to congratulate the people
of Atlanta and the people of Georgia on putting
their dollars to work for victory.

I have watched with admiration on other
occasions the contributions made by the people
of Georgia to meeting the wartime needs of their
country.

-2-

And now the people of Atlanta and their neighbors have responded with the unconquerable Georgia fighting spirit to a new challenge. They have made it certain that our flag will proudly fly again on a new Atlanta to take the honored place of that other Atlanta which went down in glorious combat off the coast of Guadalcanal. The people of other communities can -- and I hope they will -- follow your example. Not all will be able to pay for cruisers or battleships, but all can buy implements of war according to their abilities, from the great battleship down to the humble but mightily useful jeep. All these are tools of freedom.

-3-

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Next Monday night is the zero hour when billions of these dollars are due to go over the top to battle. There have been baseless rumors that somehow this zero hour will never come off; that somehow the taxes due on March 15 are to be forgiven or forgotten.

-4-

It would be tragic for our war effort if these rumors should be widely believed. They are utterly false. We have ruthless enemies to fight and your tax dollars are desperately needed in the battle. Any American who wilfully neglects to pay his taxes on time or to invest every cent he can in War Bonds is surely giving aid and comfort to the enemy.

Even as we meet here tonight your dollars are fighting the enemy. They are also fighting an important battle here on the home front. Every dollar you put into war bonds or taxes helps to keep prices down.

-5-

Every dollar put into war bonds also creates future purchasing power that will mean jobs for our fighting men when they return. Your bond dollars and your tax dollars are double duty dollars.

Only a great outpouring of the people's money can provide a sufficient answer to our war needs. It is by such democratic initiative and community spirit as you have shown here that a great democracy will meet the challenge of the enemy and keep faith with our men who fight on land and sea *and in the air*.

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We have a job to do and we are all called for service to our country. Our dollars are called to service too.

Let us each one ask ourselves, "Shall we be more tender with our dollars than with the lives of our sons?".

Miss Diamond

March 11, 1943

The Secretary

Please look up the various things that Woodrow Wilson did during the last war to help sell war bonds, and give to me Monday. Also see what McAdoo and Carter Glass did.

Please see what Churchill and MacKenzie King have done about appealing to the people to buy bonds.

*3/15- Followed up with Mrs. Klutz
She said Secretary had talked
to Miss Diamond - Finished*

HMJR:mcd

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HENRIETTA KLOTZ

ASST TO THE SECTY US TREASURY (WASHINGTON DC)

PLANS NOW ARE FOR SECRETARIES TO STAY AT BILTOMORE. PROPER
ARRANGEMENTS HAVE BEEN MADE.

TED R GAMBLE.

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Western Union Telegram

March 11, 1943

Hon. H. Morgenthau, Jr.
Secretary of Treasury
Occupying drawing room A, car 525
Train 152 - Advance Section

"Information just received that Secretary Knox leaving tonight by train 6.25 P.M. because flying weather to Atlanta tomorrow looks dubious. Navy will send their plane to Atlanta tomorrow afternoon if at all possible. Working on train reservation New York to Atlanta leaving New York 10.15 P.M. tonight, arriving Atlanta 7.30 P.M. tomorrow night. No other train will get you to Atlanta in time. Also securing standby commercial air line space from Washington. "

Stevens

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, March 11, 1943.

Press Service
No. 35-69

Secretary Morgenthau announced today the appointment of Stuart Peabody, director of advertising for the Borden Company of New York City, as Advertising Specialist in charge of promotion incident to the Second War Loan campaign which begins on April 12.

In his new capacity, Mr. Peabody will assist William M. Robbins, named recently by Mr. Morgenthau to head the new United States Treasury War Finance Committee.

Mr. Peabody will serve for the duration of the drive. He has been affiliated with the Borden Company for the last nineteen years, all of which have been spent in the advertising field, and has been granted a leave of absence to aid the Treasury.

He is a former president of the Association of National Advertisers, a director of the Audit Bureau of Circulation, and a member of the Advertising Council, the official advertising body which cooperates with Government agencies.

March 11, 1943
3:00 p.m.

FINANCING

Present: Mr. Bell
Mr. Robbins
Mrs. Klotz

(Organization chart handed to the Secretary by Mr. Robbins, copy retained by Mr. Robbins.)

MR. BELL: It looks like a big organization, doesn't it?

MR. ROBBINS: It is simple. There are three basic functions.

There is the Advertising and Publicity. We don't do a creative job there. Primarily we look for our creative work to the Advertising Council. I have divided here the various types of advertising facilities which we must harness for our use. This (indicating) is the outfit that would harness that advertising - movies, radio, and so on.

There is Peabody, and that is his spot in the picture (indicating). As I see it, he would tie in the OWI, the Advertising Council, and the whole field of advertising and publicity.

Over here (indicating) we have the complimentary phase of it. Here we bring together groups of people - people or groups - who will deal with segments of the market. They are sales management planners. They look after the women's market, the pay-roll market, the farm market, banks and financial markets.

In normal business you would find that these would be superimposed one on the other. Here for our purposes I don't anticipate we would want to superimpose.

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Here is your third, your operating department - your field contact - with three key men, each looking after and being the two-way channel of communication between the headquarters and the operations.

Now, you can see that those two are the key people (indicating). They are really, I think, quite vital to the picture as it is beginning to develop. Otherwise, I am going to be spread so thin that I am not going to be effective.

For the immediate present I would like to ask Mr. Graves to take that (indicating), thus dividing what has heretofore been the principal staff of the War Savings group.

For the immediate present I would like Buffington to slip into that scheme (indicating). Therefore, I would block this out - that is, the bank and financial part. I wouldn't expect Graves to - I would chop it off there (indicating) for the purposes, and that is not going to be hard. It won't be a very important problem. Maybe we would have to make a little tentative compromise, the only reason being that Graves is so distinctly identified with one group that there would be a misunderstanding if that seemed to be forced into a mold at this time. So I would drop that over.

I would ask George to take this and Harold to take that (indicating). We will have to work these out.

H.M.JR: Wait a minute, how is sales management going to contact the field?

MR. ROBBINS: That is a very direct and easy thing to work out. It is worked every day in the normal concept of business organizations. It works this way: All of these people have complete and direct green light to exchange information, advice, counsel, and suggestions, but never to issue orders with our field offices.

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H.M.JR: How do they do that?

MR. ROBBINS: They can correspond back and forth or they can telephone, but they cannot issue orders.

H.M.JR: Supposing Harold Graves wants to do something on pay-roll savings, how does he get in touch with the fellow in charge of pay-roll in Massachusetts?

MR. ROBBINS: If he wants to do something on pay-roll he does it by this route (indicating). If he wants to plan something, he does it by this route (indicating).

MR. BELL: If he wants to just discuss--

MR. ROBBINS: Of course most of these people are right here now. Of course Miss Elliott would take that job (indicating), Ted Gamble that, and I don't know who would take this. There is a farm man, and Meyers would take that job. Maybe Hobbs would take that job (indicating). It would be non-existent under my present thinking.

MR. BELL: It ought to be over under Buffington for the time being.

MR. ROBBINS: It should be.

H.M.JR: This (indicating) is Houghteling. You haven't seen him, but I told you about him.

MR. ROBBINS: Yes. He is labor, is he not?

H.M.JR: He is labor, and he has Negro, and he has foreign.

MR. ROBBINS: You see, pay-roll is the one that hits the labor market, and there should be a very close association.

MR. BELL: Wouldn't he be under Gamble like he is now, or under Graves, or would you set him up as a separate block?

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H.M.JR: I will tell you, and I want to be terribly honest, when I was trying to set this thing up - the man is as straightforward a fellow as you would meet anywhere, other than his deformity, which I explained. After you get to know him you will like him. And the fellow has his heart in the right place, and even in my own organization, with as much - what should I say - social attitude as I have, I always had trouble to see that he wasn't suppressed.

MR. ROBBINS: I will tell you, frankly, sir, I haven't met him.

H.M.JR: You should.

MR. ROBBINS: Of course I should.

H.M.JR: What I am getting over is this. Even in this organization which I have built I have trouble to make sure that organized labor and the Negro - particularly organized labor - get a hearing.

So the way you have it set up - I might as well be frank with you - and I haven't been able to do it recently because I haven't had the time - that is why I brought you in - the way it is set up there is good, I think.

MR. ROBBINS: I hadn't thought of an individual in that case, you see. I was thinking of an organization concept.

H.M.JR: For instance, yesterday, just to give you an idea, I wanted to get a poll of thirty thousand people, CIO, AFL, and the Railroad Brotherhood, for Monday afternoon. I just said to him, "I want to know Monday afternoon how many of these thirty thousand people, ten thousand of each, have paid their income tax; and I want a telegram to go out so I get it Tuesday morning."

He never batted an eye. He says, "Let me repeat what you want, Mr. Morgenthau." He did, and then said, "All right, it will be done." When a fellow can deliver

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something like that - and I can forget about it and he will have no alibis. I don't think there is another fellow in a Government agency in Washington that could do that. *

And don't forget, he is one of the editors of the Chicago Daily News and was in a very fine banking firm. So you take a look at him. His personality is against him, but his head and heart are O.K.

MR. ROBBINS: That is right, we will work with those things.

H.M.JR: And he has the confidence of these people.

I want to be very frank. We are going to have three hours on the plane. This is an awfully important thing, and I can't give you snap judgment. If between now and Saturday afternoon nothing happens, would we hold up any sales? In what direction would you want to move between now and tomorrow night?

MR. ROBBINS: I have got to break into Mr. Graves' department to set up Mr. Peabody, so that two or three people are not working on the same thing right now, and we are under awful pressure.

H.M.JR: Well, look, I can O.K. this much (indicating first part of chart).

MR. ROBBINS: All right.

H.M.JR: This thing here I can O.K. You have twenty-six hours before you leave. This part here (indicating) I would like to talk about a little more. Does that slow you up any?

MR. ROBBINS: No. Graves has just come in, the first time since this has been born.

H.M.JR: Is he in this afternoon?

MR. ROBBINS: Yes.

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H.M.JR: That is all right, isn't it?

MR. BELL: Yes.

H.M.JR: This thing here, the Peabody section, is O.K. Can you do any more than that between now and tomorrow night?

MR. ROBBINS: No, I can't. I want to talk to you about my movements between now and tomorrow night.

H.M.JR: Will that make you moderately happy?

MR. ROBBINS: I will have it with me in Atlanta, and if we get a chance coming back we will talk about it.

It is not too early, sir, to begin working towards a certainty that we will have the President on the air for a kick-off.

H.M.JR: Should I tell him?

MRS. KLOTZ: I think you had better.

H.M.JR: Well, I went to town on it this morning and got turned down flat.

MR. BELL: Really?

H.M.JR: I wasn't going to tell you that. Now, he said he would leave the door open, but he was in one of those moods. Henry was with me. Bell knows, he was his Director of the Budget for four years.

He said, "I am going to have a terrible day."

I said, "What is the matter?"

He said, "I don't know - the day I am going to have." I know those moods.

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I said, "Let's understand each other. The door is open?"

He said, "Yes, the door is open."

So sometime next week we will have to go back.

He said, "Henry, I will buy a bond." We can get him in the moving pictures. Then I told him about England and Canada. He says, "I don't care what they are doing in England and Canada."

MR. ROBBINS: We have got to get him.

H.M.JR: You can't.

MR. ROBBINS: We have three weeks to work.

H.M.JR: I am going to go after him again. I went after Steve Early immediately afterwards - his press man. I went after him pretty hard, but I would have hated to ask him something else.

I will tell you something. It is just after he has paid his income tax that he will feel better.

MR. BELL: Will he? Did you say it was after?

H.M.JR: No, he hasn't done it. I met Harry Hopkins in the hall, and he had a book on how to make out an income-tax return.

I will go after him after the 16th. (Laughter)

MRS. KLOTZ: That is too close. (Laughter)

H.M.JR: But I went across there this morning, and I wasn't going to tell you because I didn't want to discourage you.

MR. ROBBINS: Well, I am not going to stay discouraged because we are going to get him. I am sure of it.

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H.M.JR: No, we had better - no, he kept repeating, "Not on the air." He said, "I won't make a radio speech. I will buy a bond, but I will not come on the air."

MR. ROBBINS: Well, I am not going to give up hope.

H.M.JR: All right, I will go back over there again, but--

MR. ROBBINS: Wait until you see what thirty thousand people did on March 16, and maybe you will have a story that you think he might want to know. It may have a different twist to it.

H.M.JR: He has his ideas about what he wants to go to the people for on the air, and this doesn't seem to be one of them.

(To stenotypist) Ask Miss Diamond to look up for me and have it for me Monday, what the President - what Woodrow Wilson did during the war to help sell war bonds. I want to know that. I want to know the various things Woodrow Wilson did.

While she is doing that, she might also look up what McAdoo and Carter Glass did. But do the Wilson thing first, and have it Monday.

MR. ROBBINS: What is Winston Churchill doing?

H.M.JR: He takes no interest. I have never heard him say a word. They are both the same.

Tell Miss Diamond, also, to see what Mr. Churchill has done about appealing to the country to buy bonds - and also MacKenzie King.

Woodrow Wilson walked down Fifth Avenue. They had a war bond parade. I know he did that. I have seen pictures of him carrying a flag. He walked the whole length of Fifth Avenue carrying a flag. I know he did.

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MR. ROBBINS: Are you ready for the next subject, sir?

H.M.JR: Yes, sir.

MR. ROBBINS: The relationship between Mr. Odegard and my organization I would like you to help me with a little.

I would like Mr. Odegard to take two - really one broad segment of the responsibility. If he does it, however, it would mean that he would have to coordinate under Peabody for this certain type of assignment.

What I would like him to do is to do a job for us in the speakers' bureau - speakers' planning segment. If he is not available for that, then I would--

H.M.JR: That is the wrong spot for him.

MR. ROBBINS: That is the reason I wanted to bring it up.

H.M.JR: That is no good. I wanted to tell you that. They muffed that terribly - the speakers' bureau. You had better get a brand new man on that.

MR. BELL: Who is in charge of that?

H.M.JR: For a while they had this man Odegard roomed with, Poland. They muffed it terribly.

MR. ROBBINS: It is all right. I know he would do a good job. At least I feel he would. But whoever is going to do the job should be coordinated right into this first part. I didn't want to take him in his present status and move him around.

H.M.JR: I don't think he would do a good job for you.

MR. BELL: You don't think so?

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H.M.JR: No, it wouldn't interest him. I told you that Houghteling is a top-notch. On the other hand, I tell you that Poland was terrible.

I wouldn't use Odegard.

MR. ROBBINS: Then I will go after somebody.

H.M.JR: You ought to get somebody quite new.

MR. ROBBINS: The next topic, I am almost certain I am going to have to go to New York tonight. This meeting on publicity planning is too hot and I can't miss it, I am afraid. Is there any chance in the world - how am I going to get coordinated with the plane at this end to get to Atlanta?

H.M.JR: It is very simple. They can do it two ways. Either they can send you commercial from New York to Washington, or they can send you right straight through to Atlanta commercial, if you want.

MR. BELL: What time would you leave New York?

MR. ROBBINS: I could leave New York, I think, by three.

MR. BELL: The plane wouldn't have to leave here--

H.M.JR: It ought to leave here about five.

MR. ROBBINS: I will come back by commercial airlines and pick the plane up here tomorrow evening between five and six and go on to Atlanta.

H.M.JR: That is all right.

MR. ROBBINS: For my own information, what, if anything, will be expected of me in Atlanta?

H.M.JR: Nothing other than when we meet with the Federal Reserve Bank I expect you to - I just expect to

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be window-dressing, and I expect you to do the work.
(Laughter)

MR. ROBBINS: But there is no luncheon of workers, or anything of that kind, is there?

MR. BELL: They are meeting at ten o'clock.

MR. ROBBINS: At ten o'clock there is an organization meeting, as I understand it. I don't know how many people will be there. You see, these other parties - there have been from seventy-five to a hundred and fifty people.

H.M.JR: McLarin says there will be a luncheon, with fifteen or twenty representatives of War Savings, Victory Fund, and others. So you would be there.

MR. ROBBINS: All right, fine. I will be there.

H.M.JR: How do they move over at WPB - as fast as we move here?

MR. ROBBINS: They weren't in such a hurry.
(Laughter)

H.M.JR: I suppose getting the tanks and ships, and so forth, there is no pressure.

MR. ROBBINS: I am not very popular over in WPB now. I have to defend the boys. (Laughter)

I think I am going to try to line Hannagan up as a part of the organization to specialize on our kick-off plans and special events.

H.M.JR: I think it would be good.

MR. ROBBINS: I think I can do that if I am in New York tomorrow.

H.M.JR: Did you check up?

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MR. ROBBINS: LaRoche, Peabody, and I think it is fine. Steve is a stem-winder in his own field, but it is a very specialized field.

H.M.JR: Incidentally, when you talk to Hannagan tell him that up to now nobody has used this man that put on this bathing show at the World's Fair.

MR. ROBBINS: Billy Rose.

H.M.JR: I know you didn't want it, but Bob Sherwood, whom I regard very, very highly, said to me that up to now the War Department had flirted with him several times. But he said that when it comes to straight showmanship there is nobody like him. He brought him to my attention.

He said, "There is only one thing. When you take Billy Rose it will be Billy Rose's show."

MR. ROBBINS: I think that is probably true.

H.M.JR: He said, "It will be Billy Rose, and War Bonds at the bottom."

I am just throwing that at you.

MR. ROBBINS: Let's play around with Hannagan a little while and see what he comes up with.

H.M.JR: I know. I meant Rose to work with Hannagan, but Hannagan has the organization and Billy Rose hasn't.

MR. ROBBINS: This is Hannagan's field of activity. Rose is an entertainer; Hannagan is a promoter.

H.M.JR: I meant Hannagan might want to use Billy Rose.

MR. ROBBINS: Wanders of the New York Herald Tribune worked here very effectively at the time of your last

- 13 -

campaign. There has been a thought in our minds that he was expecting to be asked again.

H.M.JR: That is right.

MR. ROBBINS: I am not ready to ask him unless you feel it is imperative we do so promptly. I would rather make my mind up next week.

H.M.JR: He will come any time we ask him. He is a very decent fellow.

MR. ROBBINS: All right.

MR. BELL: Here is a letter from Thomas Hewes in Hartford, Connecticut. (Letter from Thomas Hewes dated March 2; 1943, handed to the Secretary.)

He wants a speaker for some time between March 20 and March 31. He will have an audience of about thirty-three hundred people. I wondered if you would like to do that. Thirty-three hundred people is quite an audience.

MR. ROBBINS: It is the insurance center of the world; it is a critical labor area; it is a vital war center.

H.M.JR: When?

MR. BELL: It is between the 20th and the 31st. He is leaving it to you as to the specific date.

H.M.JR: No. I will do some speaking when the drive is on, but I am not going to do that.

MR. BELL: They want a speaker for that occasion. This was addressed to R. W. Coyne.

H.M.JR: I am not running the speakers' bureau.

MR. ROBBINS: You can revert to the speakers' bureau right now. (Laughter)

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H.M.JR: No, I am going to think about it.

MR. BELL: I am going to leave it up to you.
You (Robbins) are the speakers' bureau. (Laughter)

MR. ROBBINS: First you get a bureau and then get
a speaker, is that it? (Laughter)

H.M.JR: Do you know how many of those I get a day?

MR. ROBBINS: This is an exceptional one.

MR. BELL: I suggested to Mr. Robbins that Leffingwell
might do some speaking in this campaign.

H.M.JR: Yes. I don't know that that is the right
spot for him.

MR. BELL: I don't think that it is, but I think he
might be effective in some places.

MR. ROBBINS: I should think, also, that if they
moved their meeting until Monday the 12th it would be a
better meeting. The drive is on then.

H.M.JR: What else?

MR. ROBBINS: I think that is all for the moment.

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MAR 11 1943

My dear Mr. Chairman:

This will acknowledge receipt of the proposed report of the Joint Committee on Reduction of Nonessential Federal Expenditures in connection with Senate Concurrent Resolution No. 6, 78th Congress, which was introduced by Senator Kenneth Wherry on February 1, 1943, and was referred to the Committee by the President of the Senate. The resolution and report are concerned with the recent revival of the lending activities of the Regional Agricultural Credit Corporations.

There can be no question that the food production program is essential to the successful prosecution of the war; and there is no doubt that in many cases credit of a type which involves risks, which private lending agencies should not be expected to assume, will be necessary to secure maximum production. In such cases it is probable that the Government will have to assume the risk. In this respect I feel that agriculture should be accorded the same benefits and privileges as are given to industry in the interests of maximum production; but I also believe that the banks should play a prominent part in financing the production of food. I asked Secretary Wickard to meet with the bankers associations and it is understood that, as a result of these meetings, some arrangements have been made whereby banking institutions may now participate in this program.

Undoubtedly it would have been better if facilities for providing credit for these special types of cases could have been provided by legislation; but I understand that time was lacking to solve the problem in this manner and that the revival of the lending activities of the Regional Agricultural Credit Corporations was decided by the Secretary of Agriculture to be the best alternative immediately available.

I cannot understand why Senator Wherry's proposed resolution should be made a part of the Committee's report inasmuch as it has not been acted upon by either the Senate or the House.

- 2 -

I note that the report recommends the liquidation of the Regional Agricultural Credit Corporations before and independently of the establishment by appropriate legislation of other agricultural credit facilities to fill a recognized need. I should not think that the Committee would want to place itself in the position of impeding the food production program through a failure to provide adequate credit. It seems to me that the Committee's recommendation with respect to the Regional Agricultural Credit Corporations should be predicated upon the Congress providing, through legislation, other facilities to assure adequate credit for maximum food production. I agree with the proposed recommendation that consolidation of agricultural lending agencies and the policies under which those agencies will operate should be actively considered.

Very truly yours,

/s/ H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Harry F. Byrd, Chairman,
Joint Committee on Reduction of
Nonessential Federal Expenditures,
United States Senate,
Washington, D. C.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

March 11, 1943

FROM Randolph Paul

Yesterday morning, Mr. Doughton called me into his office before the session of the Ways and Means Committee to ask me my attitude toward the plan finally adopted. He was very anxious that I say that it was better than the Ruml plan. I said that I would state that I did think it was better but that I could not conscientiously say it was as good as his first plan, the Cooper plan and the Robertson plan if I were asked these questions. Furthermore, I told Mr. Doughton that I had to protect my record in the Senate because otherwise the Ways and Means Committee might feel that I had failed to call to its attention policy decisions which we intended to present to the Senate.

Mr. Doughton seemed satisfied with this arrangement and, indeed, he went further and said that he would be glad to bless whatever plan was put through in the Senate providing it was not the Ruml plan.

Mr. Cooper came in at the start of this conference and heard all that was said. He concurred in the arrangement.

Later in the day, Mr. Robertson told me that the Chairman had told him that he would not oppose the Robertson plan in conference if it was put in the bill before that time.



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TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

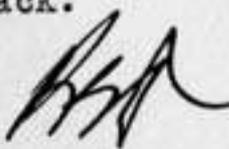
March 11, 1943

FROM Randolph Paul

I had lunch today with Senator Guffey who expects to back our stand on the Rum1 plan in the Senate Finance Committee. Senator Guffey thinks there is considerable political appeal in our stand if we can get it across to the voters.

Following my lunch with Senator Guffey, I had a talk with John McCormack with a view to getting his judgment on the legislative outlook for the Rum1 plan. McCormack was quite concerned that a better plan had not been adopted by the Committee and feels that you are put somewhat in the hole by the Committee's action. I explained the other proposals which the Committee had voted down and promised to send McCormack a short statement on the proposals with a copy for Speaker Rayburn.

This morning, I had a long telephone conversation with Robertson who is continuing to fight hard for his proposal. He has recently received the support of the A.F. of L. and was inserting in the Congressional Record today a statement prepared by us for the Executive Session records which he thinks is in favor of his plan. Of course, you realize that we are for his plan if Doughton's first plan cannot be adopted. This last plan I also told to Mr. McCormack.



Mr. Paul's conversation with President Roosevelt
March 11, 1943

P: Hello

R: Hello, Randolph. I was awfully sorry to hear about your mother. Henry told me about it this morning.

P: Well, it was more or less in the cards. You will understand; you have just gone through the same experience, and can understand.

R: Yes, I have. I am awfully sorry. Look, Randolph, I wanted to talk to you about a memorandum that Henry sent to me in regard to salaries of \$67,000 and over. It is a memorandum for the President dated March 4.

P: I know the memorandum.

R: And it shows the effect of the Ruml plan on various people, and on the ten largest taxpayers and how it would reduce them. I think that is good political material.

P: I think it is swell political material if one can handle it, and you can.

R: I wondered if you can't get Bob, although he may be too old, or who is the second man?

P: Jere Cooper.

R: Well, Jere Cooper, to handle it. Issue a warning on the floor, that it means rebates for the ten largest people in the country saving them whatever the figure is.

P: I doubt if I could get Mr. Doughton to do that. He approaches the matter more from the angle of forgiveness of liability. Jere Cooper would do it. Here is the problem we face now. There were two or three better plans before the Committee. Now they have agreed on one that really isn't pay-as-you-go at all. I have talked with Senator George, John McCormack and several others today and they feel they are in a bad hole because you can't fight the Ruml plan with something that isn't any good.

- 2 -

P: They have turned down several plans better than the one they have adopted, including the Robertson plan. I think the situation is very serious. These arguments which you suggest I have made to the Committee. There will be these rebates to these very wealthy people. Now, I don't know what to do about it. We need a white rabbit. The best I hope for is a recommitment to the Committee.

R: Have you ever thought of this? I know you have, but let me state it. It is awfully simple; you can get it down in two paragraphs. Leave your tax bill, your income tax, just the way it is. Now that is well below the British rates.

P: It certainly is; and the Canadian.

R: And then so as to get to this pay-as-you-go, pick up the year that we are behind, put on your 20 percent salary withholding as an extra tax for five years, over the present income tax rates.

P: We have received several suggestions which are to some extent the same. They have said put in the 20 percent and defer 1942 for five years. The reaction of the Committee to that is there is a certain amount of doubling up in that and they are against any doubling up and any forgiveness. That is an impossible combination.

R: You can't have it both ways. If they didn't call it a doubling up -- merely call it a war tax. An additional war tax which at the end of five years would bring you automatically to a current pay-as-you-go plan.

P: I would like to analyze that a little bit. The main value of it is you get away from this magic term, "doubling up". I would be glad to suggest that to the Chairman.

R: You better give the copy of those figures to Jere and tell him that it is the one clinching argument; that it means the Ruml plan, and a lot of them are Republicans, 65 of them; it means that they have got to take the

- 3 -

R: responsibility under the Ruml plan of giving rebates to all of these, the 2000 richest people, especially the ten richest people in the country. Tell him I sent it to him with my compliments. If we can get it recommitted, I think we can take up that other suggestion of mine. It is extremely simple, if it works out.

P: I will get in touch with Jere tonight. He lives at the Washington Hotel. I will report to you whatever happens.

R: All right, thanks, Randolph.

Secretary Morgenthau

March 11, 1943

Randolph Paul

I thought you would be interested in Sam Klaus' report on the America First Committee investigation.

(Initialed) R.E.P.

COPY

March 8, 1948

To Messrs. Paul, Wenchel, and Mooney

From Mr. Klaus

Mr. Charles Mammel has returned from Palo Alto, California, as directed by Mr. Mooney through me, to report on the America First Committee investigation preparatory to his taking over a new assignment in Chicago. I have talked with Mr. Mammel and believe that the salient facts with regard to the investigation are the following:

Although we were informed by General Wood in Chicago that all the files, with the exception of duplicates and the like that may have been destroyed, of the national organization and the chapters were stored in the Hoover Library of War, Revolution, and Peace at Stanford University, the investigation discloses a different picture. In the first place, there appear still to be important files in Chicago belonging to the national headquarters -- we have definite information that minutes of an executive committee existed, and we have every reason to believe that the minutes are in somebody's possession, although Mr. Mammel was told that there never were such minutes. The Palo Alto records contain correspondence showing that while the chapters were directed by the national headquarters to send in all their files in anticipation of a Government investigation, a number of chapters flatly refused to send their files in (for example, the chapters in Northern California, St. Louis, and Milwaukee); others failed to send their records in (for example, Philadelphia); in other cases only some records were sent and others apparently never were sent or were never sent to California (for example, the financial records in New York, where it was reported eleven "huge" packing cases were sent to Chicago, Palo Alto shows only four small cases). In some cases the files show that several chapters deliberately destroyed their records to prevent study and examination. In many cases financial records appear not have been kept at all.

Nevertheless, the investigation shows that many contributors wished to have their identity concealed; much of the financing -- I would say the largest part -- was indirect

- 2 -

rather than by way of direct contributions or dues. Mr. Mammel estimates that for the year 1941 (including several months towards the end of 1940) the reported contributions would be in the neighborhood of one million dollars for the entire organization and that perhaps the indirect cash contributions might be several times this much. An apparently significant part of the America First Committee plan was to obtain volunteer workers, of whom they had many thousands all over the country.

Mr. Mammel also discovered apparent discrepancies between recorded receipts and actual contributions. For example, records of the Detroit chapter claimed a total contribution of about three thousand dollars, and yet there is evidence of a receipt of one check of one thousand dollars and two checks for one hundred dollars each that were not recorded among the three thousand dollars contributions.

It is significant that the records in Palo Alto show a wide disparity between reported contributors and claims of membership made by officials of the America First Committee. There is also a wide disparity between alleged chapters and reporting chapters. For instance, the America First Committee for the State of Illinois claimed 900,000 members, but the records available in Palo Alto do not show more than 8,000 contributors for the state and national headquarters combined in Illinois. The America First Committee at times claimed 1,000 chapters or units, but the records do not show more than 350.

Obviously, much work remains to be done in checking individual tax returns of important contributors to see what deductions were made, which should have been disallowed, to the America First Committee or any of its chapters.

It is possible from the tax angle, it seems to me, to start with the premise that individuals who received money in the America First Committee should account for legitimate expenditures of the receipts or be charged with income on a personal basis.

While, concededly, checking every chapter would be a tremendous undertaking that might not be justified by the results even on a non-revenue premise, I concur heartedly in

- 3 -

Mr. Mammel's urging that field investigations, based on the foundation made by him in Palo Alto, should be undertaken in the more important centers. Mr. Mammel has already prepared several hundred pages of work papers from which other agents may be able to obtain leads, such as to bank accounts and other sources of information, or learn what records were not obtained in Palo Alto and remain to be obtained. Mr. Mammel suggests that the main cities in which additional investigation would be worthwhile are the following: Chicago (national headquarters and local chapters), New York (including the Boroughs of Brooklyn, Bronx, Queens, as well as Manhattan), Philadelphia, Washington, D. C. (especially since this was the headquarters for lobbying and propaganda), Pittsburgh, Pennsylvania, St. Louis, Missouri, Milwaukee, Minnesota, Boston, Denver, Detroit, Cleveland, Cincinnati, San Francisco, Los Angeles, and San Diego.

I would propose that at least spot investigations should be begun in New York, Philadelphia, and Washington and that the national headquarters be handled by an agent in Chicago who could report to Mr. Mammel, if that would not unduly burden Mr. Mammel in his new assignment.

The New York area is especially important because it constituted the largest single money-raising group with the possible exception of Chicago. In Queens four sub-chapters refused to turn their records over or file any financial statement.

The progress report on the activities other than financial of the America First Committee must await the return of Miss Saegal and Miss Shuman, who are due back in the next few weeks.

(Signed) Samuel Klaus

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

302

DATE

TO Secretary Morgenthau

March 11, 1948

FROM Randolph Paul

I concur with the opinion of Messrs. White and Pehle that the Treasury should provide the Holy See with the Swiss francs requested as indicated in Mr. Sullivan's memorandum of March 8, 1948.

RS

*O.K.
J. Well*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 8, 1943

TO Secretary Morgenthau

FROM Mr. Sullivan

JHS

Subject: Treasury's Provision of Swiss Francs for the Holy See

M. de Maillardoz, Secretary of the Special Administration of the Holy See, has spoken to some Treasury people on the provision of Swiss francs for the use of the Holy See and may mention this when he sees you on Wednesday.

In 1943, the Holy See will need about \$1,300,000 of Swiss francs for its expenses in enemy occupied territory. None of the 1943 needs has as yet been met. In 1942, the Holy See spent \$1,186,000 in Swiss francs in enemy occupied territory. So far, the Treasury has provided the Holy See with \$908,000 of Swiss francs to meet the 1942 expenses of the Holy See in enemy occupied territory. Another \$278,000 worth of Swiss francs will meet all of the obligations of the Holy See for the year 1942.

Mr. White and Mr. Pehle are of the opinion that the Treasury should sell these Swiss francs to enable the Holy See to complete payment of its Swiss franc obligations for 1942.

If you approve of this, you may wish to tell M. de Maillardoz that the Treasury has decided to make available the balance of the sum he requests (\$278,000) out of the Treasury's holdings of Swiss francs.

MA

March 11, 1943.

MEMORANDUM

TO: SECRETARY MORGENTHAU
FROM: MR. GASTON

The following communication was received today from Director Hoover of the F.B.I., addressed to the Secretary of the Treasury for the attention of Mr. Klaus:

Report of F.B.I. Special Agent regarding Paul Ottmar Hegeman. Of interest to Foreign Funds Control. F.B.I. states copies have also been sent to Assistant Secretary Berle and G-2.

MA



OFFICE OF
CHIEF COORDINATOR

TREASURY DEPARTMENT
TREASURY ENFORCEMENT AGENCIES
WASHINGTON

March 11, 1943.

TO: Secretary Morgenthau
FROM: Elmer Ireby

As you directed, investigation has been made to determine the cause of trouble on your telephone in two instances today, and the report of Mr. B. W. Fletcher, the Acting Chief Technician who made personal investigation of the matter, is attached.

From what I have been able to learn of the technical angles of this matter, it seems almost certain that the trouble this morning was due to moisture and improperly strung drop lines. As Mr. Fletcher states, immediate steps were taken with the Telephone Company to adjust these drop lines, and they were working on them in the course of the afternoon when the second situation developed. From what I have been able to learn from the telephone operators, the conversation might well have been that of the telephone linemen who were engaged in this work and who would have been testing out the line in the course of their work. From inquiries which Mr. Fletcher made of the telephone men, this undoubtedly is what happened in the afternoon incident.

The workmen have not yet completed the adjustment of these drop lines, but they are still working on it this afternoon and we hope that when this is completed the troubles will be minimized.

Enc.



OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

TREASURY DEPARTMENT
WASHINGTON

March 11, 1943

Memorandum for Mr. Ireys:

Reference is made to the report received this morning that Treasury telephone No. 304 had been causing trouble; that about 7:55 a.m. on this date Secretary Morgenthau called the Treasury operator, Mrs. Dorothy Frinotti, on Extension 304, and asked if she had just rang that phone, but that she stated she had not; also that both Mr. Morgenthau and the operator could hear conversation in a man's voice on the line at that time.

This circuit was thoroughly checked about 11:00 a.m. on March 10, and found to be clear.

A thorough investigation of this circuit was made immediately upon receipt of the above complaint, and everything was found to be normal, except for the moisture in the drop lines feeding the telephones at Mr. Morgenthau's home. These drop lines are unusually long and very poorly strung. In several places they come in contact with other drop lines and tree branches. This condition could have caused what is known as "cross talk", which quite often occurs in parallel telephone lines during wet weather. Mrs. Ruth Spanger has reported poor and noisy reception on this circuit on numerous occasions during wet weather.

At the time the trouble in question occurred, Mr. Abner, an employee of the telephone company, stationed at the Treasury telephone exchange room, immediately put the telephone line on the test board, and it showed clear of shorts or grounds. There are only two conditions which could have caused the telephone to ring: First, a short circuit in the line, which might have been caused by dampness in the drop lines. It is believed that this was not the cause, as the circuit, when tested by Mr. Abner, showed no short circuit. The second, and only other explanation, is that the Treasury operator might have inadvertently plugged into the line, causing the phone to ring.



- 2 -

It is not believed that the phone was being tampered with, just because conversation was overheard, because if anyone had been tampering with the line there would have been no conversation or other noise on the line to arouse suspicion.

Mr. Davidson, of the telephone company's Dupont exchange, was interviewed regarding the re-arranging of the drop lines serving Mr. Morgenthau's home, and agreed to attend to the matter immediately. It is believed that when the drop lines are properly installed that there will be no further trouble.

A second, and similar report, of trouble on Extension No. 304 was received at 4:10 p.m., and investigation disclosed that the disturbance was caused by telephone linemen who had already started work on the lines at Mr. Morgenthau's home, as a result of the request to Mr. Davidson earlier today.

It is respectfully suggested, however, that anyone suspecting that his telephone is being tampered with refrain from using the line to enter a complaint with the telephone company, as anyone listening on the line would immediately become aware that wire tapping was suspected.

The undersigned may be reached at District 5050, Extension 2555, during the day, and at Warfield 4935 any other time. Any time it is suspected that someone is tampering with a telephone circuit it would be appreciated if he were notified prior to notifying the telephone company, thus allowing an investigation before anyone else could be apprised of the fact that the circuit is suspected of being tampered with.

B. W. Fletcher
B. W. Fletcher
Acting Chief Technician

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

March 11, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - Abandoning all proposals to put taxes on a current basis, the House Ways and Means Committee yesterday voted a "compromise" tax plan, providing for a 20% withholding tax to be applied against the previous year's income, as under the present system. Only new taxpayers and those who elect to pay all of their taxes due for the previous year would have the 20% withholding tax applied to their current income, and would thus be on a pay-as-you-earn basis. The Committee is expected to meet today to determine whether any incentive in the form of a reduction would be given to encourage taxpayers to voluntarily pay up their old taxes. The Committee is also expected to consider the whole question of the Victory Tax soon. It is said it may be repealed outright, as Senator George urges, and the levy which it imposes consolidated into the new revenue bill. But discussion of the Victory Tax is still in the offing while criticism from all sources pours in on the Ways and Means Committee for not drafting some method of current taxation. According to Chairman Doughton, however, all taxes are current if they are paid when they are due. Nevertheless, Republican members yesterday, immediately on the Committee acceptance of the new compromise plan, reiterated their backing of the Ruml plan and their intention of fighting for its adoption on the floor of the House. According to an editorial in the New York Times this morning, Administration supporters, however, may attempt to prevent this by providing that only proposals already approved by the Ways and Means Committee could come up for consideration by the House.
2. Salary Limitation - The House meets at noon today to consider the Disney Debt Limit Bill and its controversial salary limitation rider. Administration forces are said to be seeking some method of forcing a formal vote, which would not be necessary if the House considers the measure

in its capacity as a "Committee of the Whole House." This political rider, nullifying the President's Executive order limiting salaries and fixing another Congressional standard which pegs high salaries at pre-Pearl Harbor levels or at \$25,000 after that date, has already been objected to as not germane to the non-political war measure to raise the Debt Limit. Another Administration objection to the Disney rider, namely that it provides insufficient control over salaries and thus would be inflationary, is said to be gaining support.

3. Lend-Lease - As the Senate prepared to consider its Lend-Lease Extension Bill, the House yesterday passed a companion measure with an overwhelming vote of 407 to 6. Attempts failed to attach any amendments, including one offered by Representative Vorys providing for Congressional approval of all major war-aid agreements between the United States and other powers. The ever-present "farm issue" was also discussed in its relation to Lend-Lease by Representative Lawrence H. Smith, who, accusing the Department of Agriculture of attempting to regiment the farmer, said, "Our Lend-Lease program will suffer immeasurably because Government employees are still playing personal politics."
4. Criticism of the State Department - Criticism of the Department of State flared up yesterday as an aftermath of Ambassador Stanley's remarks in Russia several days ago. Representative George H. Bender told the House yesterday that he "was thoroughly sick of the near disasters to which certain elements in the State Department have brought this nation," and, urging a Congressional investigation of the Department, said he thought Ambassadors Murphy in North Africa, Hayes in Spain, and Stanley in Russia should all be recalled. Claiming it maintained relationships with "appeasement groups and with fascist sympathizers," he added, "So far as I can tell, only the Secretary of State and Mr. Sumner Welles in the State Department have heard of the Atlantic Charter and the Four Freedoms."

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Frances McCathran

March 11, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Salary Limitation - After hours of some of the bitterest debate that has taken place in this session of Congress (consuming 24 pages of the Congressional Record), the House yesterday "came to no resolution" on the Disney Salary Limitation rider to the Debt Limit Bill. Representative Sabath's attempts to secure a formal vote on the measure failed at the very outset. Claiming that the rider would "protect war profiteers," he informed the House that he had been especially anxious to succeed in his attempts because, "many members believe that there are numerous members who would vote for the Disney amendment in the Committee of the Whole, where there is not a record vote, but would not vote that way in case there is a record vote." But Administration members are seeking other methods of defeating the political rider, preferably by completely dropping the amendment from H.R. 1780, the Debt Limit Bill, as proposed by Representative Cooper, who said he thought the President would "be justified" in vetoing the measure unless this is done. Congressman Gearhart, however, proposed eliminating the Disney amendment in favor of another which would permit the freezing of salaries at their level of any date between January 1, 1942 and September 15, 1942. The House is expected to consider both of these two alternate proposals when it meets at noon today. Generally speaking, the debate yesterday, as Representative Jenkins said, was "not a question of raising or lowering salaries" but instead centered around the problem of whether the President had exceeded the authority granted him under the October Anti-Inflation Act. Jenkins said he was personally determined to "check the mad march of our Chief Executive toward dictatorship," but other Congressmen cited passages from the October Act which, they said, definitely granted the President such authority, and reiterated the fact that before issuing his order the President had sought the Attorney General's opinion as to the legality of his action. Perhaps the

bitterest exchange in yesterday's already heated discussion took place between Representatives Gearhart and Gore. Answering Gearhart's charges that he (Gore) should have informed Congress of his knowledge that the President was going to limit salaries under the Price Control Act, Representative Gore answered, "The charge was made that I was derelict in my duty because I did not inform the House of my opinion....I submit that is a new parliamentary conception. If every member should be charged with the duty of advising the House of his opinion on every bill, we would have a long, drawn-out procedure." Expressing an opinion not already brought out by the "did's" and the "didn't's", Representative Sauthoff claimed it was not a question of whether the President had exceeded his executive authority, but whether he had acted wisely. If the latter, which was Sauthoff's opinion, then even if the President had exceeded his powers, Congress should immediately back him up rather than undo "all the good that was accomplished by his conduct."

2. Tax: Pay-As-You-Go - Republican supporters of the Ruml Plan expressed increased confidence yesterday after Republican Leader Martin and his "steering committee" joined the ranks of the skip-a-year adherents. With Democrats holding only the slim margin of 13 over the 209 Republican Representatives, predictions increased that with almost solid Republican support plus some Democratic backing, the proposal, if brought to vote, would pass the House. It is said that impetus to the drive for the Ruml Plan is being added by the failure of the House Ways and Means Committee to draft some alternate form of pay-as-you-go legislation and by the growing impatience of the taxpayer to know where he stands on tax matters. Moreover, S. F. Porter in her column entitled "Our Reporter on 'Governments'"* said yesterday that the main reason the Treasury's New Financing date was postponed until April 12 was because of "Secretary Morgenthau's wish to give Congress sufficient time to settle the major details of the tax problem before the multi-billion dollar borrowing was put on the market. As long as big investors and corporations are as in the dark as they are now about pay-as-you-go and other prime tax puzzles, there's certain to be a more-than-necessary reluctance to buy Government securities on the biggest scale possible.....surely the House and Senate are aware that success of the April operation rests heavily on tax clarification before the selling campaign gets under way."

* Commercial and Financial Chronicle - March 11, 1943

SECRETARY OFFICE
 U.S. DEPARTMENT OF TREASURY
 1945 MAR 12 AM 10 53
 TREASURY DEPARTMENT

COPY NO 13NOT TO BE RE-TRANSMITTED

BRITISH MOST SECRET
U.S. SECRET

OPTEL NO. 80

Information received up to 7 a.m. 11th March, 1943.

1. NAVAL.

Extreme U-boat activity reported against 3 convoys in following areas:

- (A) BAIA to TRINIDAD largely composed of U.S. ships.
- (b) Homeward convoy South of ICELAND (C)
- (C) Homeward convoy in Mid-Atlantic.

Of the TRINIDAD convoy 8 ships are involved, 7 of them U.S. about 7,000 tons each. In action off Dutch Coast reported yesterday 1 6,000 ton Tanker considered destroyed by our Motor Torpedo boats.

2. MILITARY.

TUNISIA. 9th. First Army. Little beyond patrol activity. Persistent shelling of our positions in the TAMERA area caused some 60 casualties. An enemy reconnaissance in force heavily mined DJEBEL MRHILA pass, 15 miles east of SBIBA.

RUSSIA. The Russians report the capture of BELY south-west of RZHEV and NOVODUGINO, 15 miles south of SICHEVKA. They have made some progress south-west of GSHATSK in the KUBAN. The Germans claim that their attacks north-west and west of KHARKOV have made further progress in spite of the thaw and fierce Russian resistance.

3. AIR OPERATIONS.

WESTERN FRONT. 9th to 10th. MUNICH. 550 tons dropped including 3 8,000, 120 4,000 pound H.E. and over 5,000 30 pound incendiaries. Weather good, no cloud, but some ground haze and numerous searchlights somewhat hampered detailed visual identification. Main attack took 35 minutes. Many fires started developing well as aircraft left. Several crews reported very large explosion which is confirmed by photographs during attack and identified as Gasworks. A/A moderate. One JU.88 and one ME.109 claimed destroyed. 10th to 11th. Following aircraft despatched - Seaming 35 (2 missing), RUHR 2, Intruders 5 (1 missing), Leaflets 5.

SICILY. 8th to 9th. 28 Wellingtons dropped 50 tons of bombs on Palermo.

BURMA. 9th. 21 escorted Blenheims attacked objectives near RATHEDAUNG and at night 7 Liberators bombed PROME.