

DIARY

Book 493

February 6 - 8, 1942

	Book	Page
Africa, French North		
See Gold		
Airplanes		
Aircraft despatched - British Air Commission report - 2/6/42.....	493	149
Shipments to British Forces - Kamarcck report - 2/6/42.....		151
Aktiebolaget Bofors		
See Foreign Funds Control		
Algeria		
See Gold		
Appointments and Resignations		
Coe, Virgilius Frank: Resigns - 2/7/42.....		227
Jones, Montfort (Professor of Finance, University of Pittsburgh): HMJr considers him for appointment in Treasury on finance - 2/6/42.....		94
a) White memorandum - 2/9/42: See Book 494, page 53		
Appropriations, Treasury		
Disney film and Graves' staff eliminated in Committee; discussion by HMJr, Graves, Thompson, Foley, Bernard, Buffington, Bell, and Schoeneman - 2/7/42.....		199
a) Cannon-HMJr conversation - 2/7/42.....		205
b) Rosenman hopes Donald Duck's appropriation will be restored.....		210
c) Tables taken to Hill by HMJr - 2/9/42: Book 494, page 23		
1) Vote on Disney film and tax personnel: Book 494, page 26		
d) Sullivan and Buffington to work toward getting appropriation restored - 2/10/42: Book 495, page 4		
e) Foley-Cairns-HMJr conversation: Book 495, page 9		
f) Conference; present: HMJr, Charles Bell, Schoeneman, Bernard, Sullivan, Thompson, Foley, Cairns, and Buffington - 2/10/42: Book 495, page 20		
1) Suggestion that bill be paid from Internal Revenue funds		
2) Glass-HMJr conversation: Book 495, pages 50 and 189		
3) Taber letter: Book 495, page 52		
g) HMJr to appear before Committee - McKellar-HMJr conversation: Book 495, page 188 - 2/11/42; Book 495, page 133 - 2/13/42		
h) Cost of \$46,500 discussed by Buffington and HMJr - 2/11/42: Book 495, page 193		
1) Checks mailed - 2/12/42: Book 495, page 23		
i) Conference of Treasury group - 2/11/42: Book 495, page 328		
j) Comment--newspaper, etc.--prepared for Committee but not sent - 2/11/42: Book 495, page 349		
k) Taber-Wiglesworth record of votes: Book 495, pages 349 and 400		

	Book	Page
Appropriations, Treasury (Continued)		
Disney film (Continued)		
1) Testimony before Subcommittee on Deficiencies, Senate Appropriations Committee - reading copy - 2/12/42: See Book <u>496</u> , page 3		
1) Sullivan memorandum on meeting: Book <u>496</u> , page 21		
m) Woollcott correspondence - 2/12/42: Book <u>496</u> , page 83		
n) Downey-Barkley support in Senate: Book <u>497</u> , page 284		
1) Foley told HWJr wishes to thank all supporters - as Downey and Barkley - 2/19/42: Book <u>498</u> , page 185		
2) HWJr's letters of appreciation - 2/20/42: Book <u>499</u> , pages 213 and 214		
o) Williams (Aubrey) likes Donald Duck picture - 2/20/42: Book <u>499</u> , page 211		
p) New York Times magazine section "Donald Duck" - 2/23/42: Book <u>500</u> , page 99		
q) Bank of America offer to finance part of film refused - 2/23/42: Book <u>500</u> , page 102		
r) Bookings for week of February 22, 1942: Book <u>501</u> , page 137		
Arnhold and S. Bleichroder, Incorporated		
See Foreign Funds Control		

Barth, Alan		
Editorial Opinion on the War: The Best Defense - 2/6/42.....	493	143
Brassert, H. A., and Company		
See Foreign Funds Control		

Coe, Virgilius Frank		
See Appointments and Resignations		
Correspondence		
Mrs. Forbush's resume' - 2/6/42.....		180
Cuba		
See Lend-Lease		

Defense Savings Bonds		
See Financing, Government		
Donald Duck Movie: "The New Spirit"		
See Appropriations, Treasury: Disney film		

	Book	Page
Exchange Market		
Resumes - 2/6-7/42.....	495	196,279
Exports		
See Shipping		

Financing, Government

See also <u>Appropriations, Treasury</u> for Disney film discussion		
Conference; present: HMJr, Bell, Madley, Raas, and Murphy - 2/6/42.....		3
a) HMJr advocates Friday the 13th; wants to raise \$1.6 billion.....		27
b) Eccles-HMJr conversation.....		27
c) Raas memorandum on February financing.		31
d) Calendar of direct and guaranteed bonds and notes.....		46
First deficiency appropriation bill, fiscal year 1942 - house of Representatives report - 2/6/42.....		96
Defense Savings Bonds:		
Labor's excellent cooperation to be explained to Secretary Perkins - 2/6/42.....		89
a) Houghteling memorandum: Book 498, page 119 - 2/16/42; Book 498, page 257 - 2/17/42		
Field Organization News Letter, No. 38 - 2/7/42....		230
Progress report - 2/7/42.....		232
Comparative statement of sales during first five business days, December, January, and February...		242
Unfilled orders, January 20 to date - 2/7/42.....		244
Flexner, Simon		
See Foreign Funds Control: Peterson, Dr. and Mrs. Frederick		
Foreign Funds Control		
Refugee Accounts: Foley recommendation - 2/5/42.....		155
Aktiebolaget Bofors: Hopkins correspondence concerning - 2/6/42.....		164
Arnhold and S. Bleichroder, Incorporated: Foley memorandum - 2/6/42.....		160
Brassert, H. A., and Company: Foley memorandum - 2/6/42.....		157
Peterson, Dr. and Mrs. Frederick: Simon Flexner asks that application for money for daughter in Italy be reviewed favorably - 2/5/42.....		172
France		
See Gold		
French North Africa		
See Gold		
		- G -
General Ceramics Company (New Jersey and New York)		
See Foreign Funds Control: Arnhold and S. Bleichroder, Incorporated.		

- G - (Continued)

	Book	Page
Gold		
French North Africa: Continued shipments to Germany reported to FDR by HMJr - 2/6/42.....	493	176
a) Welles memorandum to FDR - 2/11/42: See Book 495, page 498		
b) Interception of Algiers-Marseille 'plans as possible way of forcing discontinuance of shipments discussed in White memorandum - 2/23/42: Book 500, page 144		

Great Britain

See also Lend-Lease

Shall dollars be paid for the expenditures of American armed forces abroad? - conference of Treasury, Agriculture, Navy, Army, State, Cox, Douglas, and Nelson's assistant - 2/7/42.....		53
a) Agenda.....		57

- H -

Helvering, Guy T.

HMJr urges that he recover completely before returning to work - 2/7/42.....		224
--	--	-----

- J -

Jones, Montfort (Professor of Finance, University of Pittsburgh)

See Appointments and Resignations

- L -

Labor

See Financing, Government: Defense Savings Bonds

Latin America

Cuba:

Molasses-sugar purchases - Financing of: Jones-HMJr correspondence - 2/7/42.....		253
--	--	-----

Lend-Lease

Is Army, Navy, or Lend-Lease Administration to relieve British of \$500- to \$700 million of pre-Lend-Lease contracts? - conference of Treasury, Agriculture, Navy, Army, State, Cox, Douglas, and Nelson's assistant - 2/7/42.....		53
s) agenda.....		57
Report for week ending February 7, 1942.....		256
Coordination of forwarding of water-borne exports - United States Maritime Commission--Lend-Lease--Treasury correspondence - 2/7/42.....		258
"Financial Pooling": British editorial comment on negotiations - 2/7/42.....		265

- K -

	Book	Page
Marseille		
See Gold		
Military Reports		
Reports from London transmitted by Halifax - 2/6-7/42..	493	197,286
War Department bulletin: Japanese warfare - notes on - 2/7/42.....		283

- N -

New York Post		
Duplication of Government releases: Article in Post and Treasury answer - 2/6/42.....		101

- O -

Office of Civilian Defense		
Sirens for Washington, D. C.: HMJr's correspondence with Navy - 2/7/42.....		249
Oil		
See Spain		

- P -

Peterson, Dr. and Mrs. Frederick		
See Foreign Funds Control		
Post, New York		
See New York Post		

- R -

Revenue Revision		
See also Appropriations, Treasury: Disney film		
Editorial Comment on Taxes: Fear of the Dark - Melia report - 2/6/42.....		138

- S -

Shipping		
Coordination of forwarding of water-borne exports: United States Maritime--Lend-Lease--Treasury correspondence - 2/7/42.....		258
Executive Order establishing War Shipping Administration within Office for Emergency Management - 2/7/42.....		272
Sirens		
See Office of Civilian Defense		
Smith, Walter B. - Brigadier General		
HMJr congratulates on promotion - 2/6/42.....		147-A
Spain		
Shipments of oil, etc., to Germany described by deserting Spanish seaman - 2/6/42.....		186

- S - (Continued)

	Book	Page
Stabilization Fund		
Earnings for December 1941 and January 1942.....	493	246
Statements by HMJR		
See Appropriations, Treasury: Disney film		

- T -

Taber, John (Congressman, New York)		
See Appropriations, Treasury: Disney film		
Treasury Appropriations		
See Appropriations, Treasury: Disney film		

- W -

War Shipping Administration .		
See Shipping		
Wenner-Gren, Axel		
See Foreign Funds Control: Aktiebolaget Bofors; Brassert, H. A., and Company		
Wigglesworth, Richard B. (Congressman, Massachusetts)		
See Appropriations, Treasury: Disney film		
Woolcott, Alexander		
See Appropriations, Treasury: Disney film		

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Friday, February 6, 1942.

The Secretary of the Treasury, by this public notice, invites tenders for \$150,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated February 11, 1942, and will mature May 13, 1942, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, February 9, 1942. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on February 11, 1942.

-2-

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

-oOo-

February 6, 1942
10:05 a.m.

FINANCING

Present: Mr. Haas
 Mr. Murphy
 Mr. Hadley
 Mr. Bell

H.M.JR: Now, Mr. Bell.

MR. BELL: Well, we came into February with about two billion one hundred fifty million dollars, which is about a hundred and seventy million more than we estimated in our last cash position estimate. That was due principally to more Savings Bonds coming in than we estimated. We estimated nine hundred million in January and we got a billion and sixty. In February we estimate that we will get seven hundred million in Savings Bonds and three hundred million in tax notes. We have also estimated that we ought to have a billion and a half dollars in new cash. That contemplates retirement of a hundred million dollars of Treasury bills. That is the two hundred million dollars that mature in February.

H.M.JR: Retiring in total?

MR. BELL: Fifty million dollars of each, see, and then there will be another fifty million dollar retirement in March, of that two hundred million dollar issue.

H.M.JR: There were three of those out.

MR. BELL: Yes, so we are going to reduce them to

a hundred and fifty million. That lets us go into March with a pretty good balance of two billion six hundred million dollars. As I told you yesterday, this billion and a half isn't needed particularly at this time but certainly will be needed a good deal more in April and May. I am afraid we are going to have to borrow another billion and a half in April and possibly as much as two billion dollars in May or June, so I think it is better to pick it up now than to wait and have to increase one of those big issues along there.

H.M.JR: You have sold me on that.

MR. BELL: Now, in March we have six hundred million dollars of bills maturing in the tax payment period, which is between the fifteenth and the twentieth. I have contemplated here that we will retire only four fifty and that we will roll over the one on the eighteenth, see.

H.M.JR: You don't have to decide that now.

MR. BELL: No, and I don't want to, but it is in this picture that way, and when we come to along about the tenth, that we can see better what our picture will be.

H.M.JR: And if our Defense Bonds go better than what you think, you might let that hundred and fifty - and also the money market.

MR. BELL: Might let it run off, yes. But going on from there, I contemplated picking up a hundred and fifty million of new bills on the first of March, a hundred and fifty on April 1, and a hundred and fifty on April 8, which represents the money we lost in the period of the sixteenth to the nineteenth in tax payments.

H.M.JR: How much?

MR. BELL: Four hundred fifty million. A hundred and fifty million in three days. If you lose the eighteenth, we will have to figure some way of picking

What up somewhere along the line.

H.M.JR: That would mean we would have three hundred million dollars, wouldn't it?

MR. BELL: No, it wouldn't. You see, this maturity on the sixteenth of a hundred and fifty million dollars would normally fall on the twenty-fifth.

H.M.JR: Then you would begin to pick that up.

MR. BELL: We would begin to pick that money up on the twenty-fifth that we lost on the sixteenth.

H.M.JR: Again, I don't have to commit myself.

MR. BELL: That is right. I am just explaining my estimates. So on that basis, we would go out of March with over two billion, which is still a healthy balance, but April is a heavy month in defense expenditures and interest, so if we didn't have any borrowings in that month, our balance would be down to less than five hundred million, and that contemplates both in March and April four hundred million dollars in Savings Bonds.

H.M.JR: What?

MR. BELL: Four hundred million dollars. We drop from seven hundred million to four hundred million, and we keep the four hundred million straight through our estimates.

H.M.JR: Only four hundred million?

MR. BELL: That is right. I would also like to see what is going to be done in March about redemptions. I am a little afraid that maybe some people--

H.M.JR: Do you think I am only going to sell four hundred million?

MR. BELL: Well, I hope you will sell more, but I thought we had better keep our estimates on the basis of

- 4 -

four hundred million.

H.M.JR: What a pessimist.

MR. BELL: For the time being.

H.M.JR: What a pessimist.

MR. BELL: Well, I hope I am wrong. I have also got three hundred million dollars of tax notes in each of those months. We didn't meet that last month. I think one reason we didn't meet it was because some of the corporations are piling up cash to be used in March instead of the tax notes, and they may keep the tax notes over until a later period.

H.M.JR: Well, this is good enough anyway to go through until the--

MR. BELL: This goes through until June 30.

H.M.JR: That is all right.

MR. BELL: That contemplates a borrowing of a billion and a half in April, and we go out of April with a little less than a billion on that basis, and we borrow two billion in May and nothing in June, which we want to avoid if we can, and you go out of May with two billion one and only a billion in June, so that you have to borrow again in July.

H.M.JR: That is all right. But you are only figuring four hundred on my Savings Bonds?

MR. BELL: Beginning March 1. I have seven hundred million in February.

H.M.JR: Well, all right.

MR. BELL: I hope I am low.

H.M.JR: But if we don't do a billion a month,

there is something the matter. But that is all right. There is plenty of room for readjustment there.

MR. BELL: That is right, and I don't know whether we are going to get all of this machinery going, but - with the payroll allotments and things of that kind.

H.M.JR: What the hell, Dan, you saw the first three days of this month.

MR. BELL: Yes, they are going very good.

H.M.JR: Number of firms with payroll--

MR. HAAS: Those are the big ones, you see.

H.M.JR: Yes. They go from thirty-one hundred to four thousand, four thousand three hundred eighty-four. Total - gee! I am glad you changed that. You had me blind last time trying to make that out. Seven thousand three hundred forty-seven. We have gone from forty-four to fifty-five to sixty percent of five hundred employees or over.

MR. BELL: Sixty percent of what?

H.M.JR: Sixty percent of the total firms of five hundred or more employees.

MR. HAAS: We have a system on that, Dan.

H.M.JR: And on the one hundred to five hundred is thirteen percent, twenty-two percent, and twenty-six percent.

MR. HAAS: What bothers me on that is that those are the participation. The percentage of payroll deduction is so small.

H.M.JR: Only one percent.

MR. HAAS: Yes.

H.M.JR: Well, that is the way you have got to work.

MR. BELL: If we could--

H.M.JR: Excuse me. You have first got to sign them up.

MR. HAAS: That is right.

MR. BELL: If we could get some more Savings Bonds in here and cut down that contemplated two billion dollar financing in May, that certainly would be--

H.M.JR: Yes.

MR. BELL: ... very helpful.

H.M.JR: Do you mind my interrupting one minute while I get Harold Graves on the phone.

(Secretary held a telephone conversation with Mr. Graves.)

H.M.JR: Now, I would say - I think I will call up Eccles and tell him I want to borrow a billion and a half Monday - Wednesday, and I think we ought to have a meeting the very first thing Monday morning. What?

MR. BELL: I think so too.

H.M.JR: Don't you think so? We ought to have several meetings on this.

MR. BELL: Do you want to see some people from New York?

H.M.JR: Yes.

MR. BELL: Monday afternoon?

H.M.JR: Monday afternoon.

MR. HADLEY: Won't that give you time enough, Thursday being a holiday?

MR. MURPHY: It will only be open one day.

MR. HADLEY: We won't leave it open longer for the smaller ones?

MR. BELL: We could leave it open Friday for the five thousand if you wanted to.

H.M.JR: I don't want to do it on Friday.

MR. HAAS: Some people may go away for that whole weekend.

H.M.JR: Not if they have got a bond coming up. We will ask Sproul.

MR. BELL: You will have to send it out Thursday over a holiday, yes, or send it out Wednesday. Make your decision Wednesday, and give them the holiday to distribute it.

H.M.JR: That is crowding it a little bit.

MR. BELL: To do it Wednesday?

H.M.JR: Yes.

MR. HAAS: Isn't there one of the weeks in February that doesn't have a holiday?

MR. BELL: No.

MR. HADLEY: The last week.

MR. BELL: You have got the twenty-second as a holiday.

H.M.JR: Two days would kind of rush me. We could decide Wednesday night and do it Friday.

(Secretary held a telephone conversation with Mr. Sproul as follows:)

February 6, 1942
10:12 a.m.

HMJr: Hello.

Operator: Mr. Sproul.

HMJr: Allan.

Allan
Sproul: Hello, Mr. Secretary.

HMJr: How are you?

S: Fine, how are you?

HMJr: Well, I'm all right this morning.

S: Good.

HMJr: Allan, we're going to have to raise a little
money next week.

S: So I understand.

HMJr: Now we think here we ought to raise a billion
and a half.

S: Yeah.

HMJr: And - so as not to have to raise too much in
April and May.

S: Yeah.

HMJr: Now, we could do it either on Wednesday or Friday,
and I'm asking your advice.

S: Yeah.

HMJr: If we did it Wednesday, we'd make up our mind
Wednesday night, let it go out, it would be in -
we could announce it Thursday; but I mean - as
though it was a holiday, you see - and then do
business on Friday.

S: And otherwise you'd announce it on Friday and.....

HMJr: Well, we could - the choice here is should the

books be opened on Wednesday or should the books be opened on Friday.

S: Now my impression would be to open them on Friday.

HMJr: Friday.

S: Yeah.

HMJr: Well, I lean a little bit that way, because I need about three days to make up my mind.

S: And you'd be risking yourself, and I don't see any percentage to having the books open over the holiday which is a Swiss holiday, with part of the markets open and part of the markets closed, which I think is a rather bad situation.

HMJr: I see. You a little bit prefer Friday?

S: Yeah.

HMJr: Bell said it's the thirteenth, but that's my lucky day.

S: (Laughs)

HMJr: That's my lucky day.

S: Yeah, I think that's all right.

HMJr: What?

S: I think Friday the thirteenth is all right.

HMJr: It's all right with me.

S: (Laughs) Yeah.

HMJr: What?

S: I think so.

HMJr: I think so. Well, let's say I'll talk with Eccles. If it's agreeable to him, we'll get out a little announcement in a few minutes and let the people know, huh?

S: That's a good idea. I think that's desirable because everything's standing still until they do know.

HMJr: Yeah. And I think we'll have a little meeting Monday morning, get started bright and early.

S: Yeah.

HMJr: I'll ask Eccles to call his people together early Monday morning.

S: Yeah.

HMJr: Is that all right with you?

S: That's all right with me.

HMJr: Well, you can begin to think about it, anyway.

S: We have been thinking about it; we'll think some more.

HMJr: Please.

S: Yeah. All right.

HMJr: Thank you.

S: Good-bye.

H.M.JR: I think that is a little bit better. We will see how Eccles feels. That is the purpose of a conference.

MR. BELL: It gives you more time.

H.M.JR: You need a little more time these days. Henry Murphy can't make up his mind in two days. (Laughter) Chairman Eccles, I know, can't make up his mind in two days. The trouble is, he makes it up in two minutes.

MR. BELL: And never changes it.

H.M.JR: And never changes. He got a panning on this stuff. He didn't have to go out and crack the banks over the knuckles on this thing. He said something about the people who were opposing this legislation.

MR. HAAS: Big banks.

MR. BELL: I think he did a terrible job on the Hill.

H.M.JR: Yes. I don't do that. I don't invite them to have lunch with me and then crack them over the knuckles. That is what Eccles did.

MR. BELL: Really?

H.M.JR: Winthrop Aldrich was in here with that plan. Then he said, "I am going to go over and have lunch with the Federal Reserve Board."

MR. BELL: It seems to me he could have defended that on a little better grounds on the Hill than he did. He got everybody stirred up.

H.M.JR: How did I get out of being called on that?

MR. BELL: I don't know.

H.M.JR: I don't know either. I wrote a letter on it.

MR. BELL: Did you write a letter?

H.M.JR: Yes, the Committee wanted a letter from me, just a little letter.

MR. BELL: I suppose the reason you weren't called was because it was before the Judiciary Committee instead of the Banking and Currency. If it had been Banking and Currency, you probably would have been called. They were rushing it through. It isn't a war powers bill.

H.M.JR: I think we had better wait on our announcement until we talk to Eccles. He is out of the building right now. Do you want to take a minute and tell me where you are on this great council which has been going on?

MR. BELL: There is one other thing on the financing I would like to say, and I would like to announce ahead of time. I don't know if we need to do it this week now. That is the basis for subscription. You remember the last time we put out the press release of four general classes and it went very well, and I have asked all of the banks to give us their comments and suggestions for changes, and practically all of them came in and said that they think they would try this again, same basis as before.

H.M.JR: What is that?

MR. BELL: That is to tell which - each group - the basis of which each group can subscribe for securities, banks, one half of capital and surplus and insurance companies--

H.M.JR: Oh, yes.

MR. BELL: On a certain basis and so forth.

H.M.JR: I know what you mean.

MR. BELL: We indicated in that announcement that we would give the basis each time we had a financing.

H.M.JR: I see.

MR. BELL: So that we ought to announce that ahead of time. You remember last time we announced it the same time we did our financing. There was quite a bit of confusion.

H.M.JR: You are quite right. I wasn't following you.

MR. BELL: We will have a press release on it today.

H.M.JR: Let it go.

MR. BELL: Probably we ought to announce it, I should say, Monday, the basis for the subscriptions.

H.M.JR: Good. Monday?

MR. BELL: Yes.

H.M.JR: Fine. Now, anything else?

MR. BELL: That is all.

H.M.JR: Now, what about this big meeting you had yesterday?

MR. BELL: George, you might tell him.

MR. HAAS: I should think it might be better for you to tell him, Dan. Mine would be in too much economist's language. I will go ahead if you want me to.

H.M.JR: Excuse me. Why isn't Dave Morris in on this?

MR. BELL: Oh, I meant to tell you. He came in and asked if you were going to have a nine thirty meeting. That was before you made this meeting. Stephens said he didn't think so, because you had a ten forty-five meeting scheduled. He said, well, he had a personal matter he just had to take care of, and he was going to ask to be excused, and then when you called this meeting he came in and told me that he

was a little embarrassed, but he had this arrangement made and had to do it. I told him to go ahead, and I would bring him up to date.

H.M.JR: All right. I don't know what it is, but this is pretty important.

MR. BELL: Well, it was preliminary, and I told him --

H.M.JR: I don't know what - anyway, he isn't here.

MR. BELL: I told him I would bring him up to date.

MR. HAAS: On this meeting, Mr. Secretary, we had in Dan's office, representatives of these agencies which you invited to serve as - on a research committee on this whole question of --

H.M.JR: Who is on this?

MR. HAAS: of source of the funds. On that committee is Henderson's organization, the War Production Board, the Department of Labor, Department of Commerce, SEC.

MR. BELL: Agriculture.

MR. HAAS: Agriculture, and Hansen of the National Resources. He wasn't there. He had to go out of town.

MR. BELL: Federal Reserve.

MR. HAAS: And Currie, who is not on this committee, but he was asked to come. Currie couldn't come when he got tied up, but he sent Salant over. Lubin was there, too. We had worked up some figures to show for the fiscal year 1943, total goods produced, and of that how much the Government would take, and how much would be available for private use. On the opposite side of the table we had the flow of income resulting from the production of these goods.

Before this meeting we had talked with each of these agencies ourselves, maybe an hour or two ourselves, you see.

Then they came in to Dan's office for an open forum on it. Some of the agencies, even in the present state, preliminary - these figures we have got are very preliminary, but some of the agencies think they are all right.

The Budget thinks their figures are about the same, and Agriculture is about the same. Henderson's man said his figure would be somewhat different, but any conclusions you draw from his table or our table would be exactly the same. I think the biggest development that came out of the meeting was that there seems to be a rather abrupt change of heart on the OPA crowd. Wouldn't you say that, Dan?

MR. BELL: Yes.

MR. HAAS: Gilbert last time was - well, we knew he would change heart when we started talking about our figures. We knew he would change. But earlier - when was that, in January or December?

MR. BELL: December.

MR. HAAS: December, he was opposed to increasing taxes sharply. Now his position is that the nine billion in the budget is not big enough. We have got to put more taxes on.

H.M.JR: Where the hell was the Bureau of the Budget in this meeting?

MR. BELL: They were there.

MR. HAAS: They were there.

MR. BELL: They were pretty much in agreement with --

MR. HAAS: They were in agreement.

H.M.JR: Oh, they were there too?

MR. HAAS: Yes, they were in agreement with our figure, more or less, but it was practically unanimous, wasn't it,

- 12 -

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MR. HAAS: They were in agreement.

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Dan, that they felt that the OPA were doing everything they could, and the Treasury, even asking for more taxes than the nine billion, that action on all those fronts would have to be taken if you wanted to avoid this continuous inflation.

Everybody felt that it was --

MR. BELL: And taken immediately.

MR. HAAS: Taken immediately. They felt that we are in a rather violent inflationary condition right at the moment, and that it - Goldenweiser expressed himself that way too. It was all around the room.

MR. BELL: Yes.

MR. HAAS: And we had this table - Mr. Secretary, I can give you these - it is easier to - I am sorry I don't have it here. It would be easier for you to see the picture if I had the table. We have taken this table after working out this first table, which I indicated was production of goods, and then the income made available in the production of these goods. Then we have taken - we have had to estimate personal savings, idle balances, and so on. Then we have made a table showing the funds available.

H.M.JR: Get the table, Henry.

MR. HAAS: It is on my desk.

MR. BELL: There is one in my office on the right hand side of my desk. You can get it quicker.

MR. MURPHY: Thank you.

MR. HAAS: And the secondary table shows the funds available, and then what types of securities will tap these funds, you see, and it takes personal savings and breaks it down. For instance, a man may save and it may not - may not be available for the purchase of Defense Bonds because he saves and pays off a mortgage on his house,

but that is available to the Treasury, because we tap the money from the bank or whatever organization the money was paid in to.

MR. BELL: Insurance companies. The point of it was, Mr. Secretary, that we would continue this and make a report to you at least once a month, follow the current developments on it.

MR. HAAS: Keep this committee working, too.

H.M.JR: Is Hansen on that?

MR. HAAS: Hansen is on that committee.

MR. BELL: But he wasn't there yesterday.

MR. HAAS: He wasn't there, but we have talked to him.

H.M.JR: Who does he work for?

MR. HAAS: You wrote to the National Resources Board and you asked me specifically to get him on.

H.M.JR: What has happened to Carl Shoup?

MR. HAAS: The man Friedman, that worked with Carl Shoup, was in there.

MR. BELL: He is our man now. He is working for Roy Blough, and Roy and Friedman were both in this conference.

MR. HAAS: And Harry White's man was there, too.

H.M.JR: Who is that?

MR. MURPHY: Oscar Gass.

H.M.JR: How do you spell it?

MR. MURPHY: G-a-double-s. He is a good man.

H.M.JR: Where is Carl Shoup?

MR. HAAS: Carl Shoup was there, insofar as Friedman represents his ideas, that is all.

MR. BELL: We didn't have anybody outside of the Government service there.

MR. HAAS: Now here, (handing chart to Secretary) is the funds made available by the production process during the fiscal year of '43. Personal savings, fifteen. And this would be the net increase in the reserve account of the old age trust fund. This is business savings. This is corporate tax accruals under the existing law. These are the depreciation and maintenance, and so on, which they can't make expenditure outlets because materials are not available, which will give us four and a half.

Then there is a figure we will have to put in, we don't know what it will be, on the reserve amounts state and local governments will have. Here is the total. Now, we take this personal savings and say, "Where are we going to get it?" Seven billion dollars of it goes in savings bonds, and here is your - this new security to absorb this - that will take so much, tax notes, so much. These are open market issues. Sold to individuals, a billion. Corporations other than banks and insurance companies, a half billion. Insurance companies, two billion. Sold to banks, four billion.

H.M. JR: That has been, or could?

MR. HAAS: That we figure could be done.

MR. BELL: This is '43.

MR. HAAS: Forty-three.

H.M. JR: Calendar or fiscal?

MR. HAAS: Fiscal. You see, this four billion is part of this fifteen, so this is not inflationary, due to savings in that, and the same thing for each one of these. So you look down here and you see savings bonds out of this

current production process, you get seven billion two, but some idle funds would be invested in savings bonds, and you get a total down here for savings bonds of nine, two.

MR. BELL: That last is inflationary.

MR. HAAS: Yes, this is inflationary. It is idle balances. It is inflationary.

MR. BELL: Even though it goes in savings bonds, it is inflationary.

MR. HAAS: You can look over here, and you can say sold to banks. There would be sixteen billion sold to banks. Six, eight is non-inflationary. The nine, eight is inflationary, and there are several deductions you can make from this table. The first one is that you can get some idea about your savings bonds. You have probably already made up your mind higher than that.

Then this new security ought to be issued to absorb these.

Secondly, if the banks have to buy that much, they probably will have to at least buy that much, they need to be oiled up to give us some new reserves.

H.M.JR: How do you mean, new reserves?

MR. BELL: Lower.

MR. HAAS: Or I think a better way to do it is open market. Have them buy Treasury bills.

MR. BELL: One thing I would like to see them do --

MR. HAAS: That is a problem, anyway, Mr. Secretary, how to do it.

MR. BELL: is change the central reserve cities to reserve cities, and oil up the two places that need it first.

MR. HAAS: I think that is a sort of a subterfuge.

H.M.JR: Is the Federal Reserve at all - would they be willing to do anything like that?

MR. BELL: Well, probably not right now, but I think they are thinking about it, and what form it ought to take.

H.M.JR: Well now, George, of course this thing is quite startling and sort of frightening.

MR. HAAS: That is very preliminary, the figures on that.

H.M.JR: Yes, but getting back to this thing about bringing in some outsiders, dare we show this to many people?

MR. BELL: We have shown it to a lot of people in the Government service, and we have told them that this certainly is confidential, because if this gets out, I think we have got a lot of explaining to do.

H.M.JR: How do you mean, a lot of explaining?

MR. BELL: Well, I think the market would take that inflationary thing there as just a - I don't know what they would do.

MR. HAAS: Of course, Mr. Secretary, we have got - we have to do better than that in '43.

H.M.JR: Than what?

MR. HAAS: Than that picture indicates.

H.M.JR: I don't understand what you mean.

MR. HAAS: In other words, the situation - we have to --

MR. BELL: Twenty-six and a half has to be increased.

MR. HAAS: That has to be increased. In other words, if it stands as it looks now, the - you are going to have a very substantial inflation.

H.M.JR: Why do you call the selling of Defense Savings Bonds inflationary?

MR. HAAS: Well, if it is sold to - if it just absorbs an idle balance --

H.M.JR: How about --

MR. HAAS: The balance was idle and now you activate the balance.

H.M.JR: But how about if you take people's savings?

MR. BELL: You mean current savings?

MR. HAAS: Current savings, that is all right. There it is right there, seven, two. That is not --

H.M.JR: Oh. You are figuring on seven and nine, sixteen billion?

MR. BELL: No, that is the total, nine. There is only two --

MR. HAAS: Just two.

H.M.JR: Well, this is cock-eyed. We will do nearer twelve on that.

MR. HAAS: Well, that is swell. That is what I say, it has got to be better than that. That helps the picture.

MR. BELL: That is swell, if it is all above the line. If it is down below the line, it is on --

MR. HAAS: We have worked up some tables to indicate, Mr. Secretary, what per cent of people's incomes at different levels you have to get, to get, say, ten billion dollars of savings bonds.

- 19 -

H.M.JR: No, I didn't see that.

MR. HAAS: I will bring that in.

H.M.JR: Nobody has shown me anything. I mean, this is the first time anybody has talked to me.

MR. HAAS: I have also got a table which shows - it shows what their taxes are, and they are very sharp figures. They are very big figures. The percentage figures are quite startling, I mean, the size of the figures in order to reach sums of that magnitude, but I think it should be done, and it has got to be done.

H.M.JR: Well, no one - you have got to begin feeding this stuff to me.

MR. HAAS: Well, I thought Harold did.

H.M.JR: Harold who?

MR. HAAS: Harold Graves.

H.M.JR: Let me see that too, will you, George? I haven't seen it yet.

MR. HAAS: That is the thing we were talking about in your office.

MR. BELL: Yes, I knew you talked about it, but we hadn't seen it.

February 6, 1942
10:12 a.m.

Harold
Graves: Hello.

HMJr: Good morning, Harold.

G: Good morning, sir.

HMJr: Harold, I don't know whether you've seen the figures that George gave me, but it seems as though those firms which have payroll deductions average only one per cent.

G: Yes.

HMJr: Now what I'd like to have from you Monday without fail, please.....

G: Yes, sir.

HMJr:a plan which you can tell me - once a firm is signed up, what do we do.....

G: Yes.

HMJr:to encourage the employee to go ahead then.

G: Yes.

HMJr: See?

G: Yes.

HMJr: Will you give me a memo on it?

G: Yes, sir.

HMJr: What we're doing in the - I mean in the various states.

G: Yes.

HMJr: Have we any state plan and have we any national plan to follow up the state organizations.

G: Yes.

HMJr: These two things - one, what are we doing from Washington.....

G: Yes.

HMJr:and two, what are we doing with our state organizations.

G: Yes, I'll be glad to do that.

HMJr: And I would like to have a memo by Monday.

G: I'll see that you get it.

HMJr: Thank you.

G: You're welcome. Good-bye.

February 6, 1942
10:20 a.m.

HMJr: Hello.

Operator: Chairman Eccles is out of the building. They expect him back in ten or fifteen minutes.

HMJr: Well, just as soon as he comes in, will you have him call me?

Operator: Yes, I will.

HMJr: Tell him it's urgent.

Operator: Right.

February 6, 1942
10:37 a.m.

HMJr: Hello.

Marriner
Eccles: Hello.

HMJr: Good morning, Marriner.

E: Good morning, Henry.

HMJr: Marriner, what we'd like to do if you think well of it is have a financing on Friday the thirteenth.

E: (Laughs) You're not superstitious, are you?

HMJr: Not a bit. We'd like to raise a billion and a half.

E: That's a week from today.

HMJr: Yeah.

E: Isn't it?

HMJr: Yeah.

E: Well, I don't know why that isn't as good a day as any other.

HMJr: I asked New York. You see, unfortunately, Thursday's a holiday in some of the states.

E: Let's see, that's Lincoln's birthday, isn't it?

HMJr: Yes. So it was a question of doing it either Wednesday or Friday.

E: Yeah.

HMJr: And New York thought Wednesday rushed us a little bit.

E: Uh huh. Well, that looks all right to me. Do you want to have a meeting before?

HMJr: I'd like to have a meeting Monday morning at nine-fifteen.

E: Monday.

HMJr: Yes, sir.

E: Well, we'd better have Sproul, I guess, come down, hadn't we?

HMJr: Yeah. I thought we might as well have it early; and then if you fellows wanted to meet afterwards, you could meet and then maybe come back again in the afternoon, if you wanted to.

E: Yeah. Well - well, all right. I'll - I think Rouse had better come, too.

HMJr: Yes. Supposing I - I tell you what I think I'll do is this. I'll put you down for nine-fifteen if that's agreeable.

E: On Monday.

HMJr: On Monday.

E: Yeah.

HMJr: And then I'm going to hold three o'clock open in case you men want to go over to your shop and

come back and consult again, you see?

E: Yeah.

HMJr: What?

E: That's all right. But do you think - that won't give us a chance to meet at all before. I don't know that we can have much to contribute, I mean, except individual views. We might save you some time if we met in the morning and met you in the afternoon, we'd have a chance to, I think - you know....

HMJr: All right. Then I tell you, supposing we say we meet at three in the afternoon.

E: I think that would save you some time.

HMJr: You'd like to have it then?

E: I think that's a little better, because, you know, there's always a lot of discussion that's - and I think we can sort of maybe crystallize some views.

HMJr: Well, then we'll have it at three o'clock; and then I think I'll send for my man now and announce it so that the market will be ready, see.

E: But you'll announce it for Friday.

HMJr: For Friday.

E: Are you going to announce the amount?

HMJr: Yes.

E: Do you think you need to do that?

HMJr: Well, we might just as well.

E: Why don't you just say a billion to a billion and a half? I mean that would give you some leeway there if you want it.

HMJr: Okay.

E: I think that.....

HMJr: That's all right. I'll do it that way.

E: Yeah.

HMJr: Thank you.

E: Well, then until three o'clock on Monday.

HMJr: Three o'clock on Monday.

E: Okay.

HMJr: Just a minute - thank you.

E: Good-bye.

TREASURY DEPARTMENT

31

INTER OFFICE COMMUNICATION

DATE February 6,
1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: February Financing

The decisions which must be made in connection with the current financing are of the same sort which have become familiar since the defense program got under way. They are principally (1) should it be in one or two issues, and (2) what should be the description of the issue or issues.

It seems worth while, however, on the occasion of this first new-money open-market financing since the entrance of the United States into the war, to review the demand situation for Government securities with more than usual thoroughness before coming to a decision upon particular issues. This is done in section II, "Who Will Buy the Increase in the Open-market Debt During the Fiscal Year Ending June 30, 1942?" and section III, "Probable Demand for the Securities to be Offered at the Present Time", and the analysis contained in these sections forms the basis, in large part, for the conclusions reached in section I.

I. Conclusion

There would appear, at first sight, to be four issues suitable for consideration for offering at the present time either as the sole financing medium or as one of a combination of two. These are: (1) a 2-1/2 percent bond, (2) a 2-1/4 percent bond, (3) a 2 percent bond, and (4) a long-term note. A consideration of the relative eligibility of these financing media in the light of available data on the demand situation, leads to the following conclusions:

Secretary Morgenthau - 2

- (1) There does not appear to be a sufficient volume of long-term non-banking funds available to insure the success of a 2-1/2 percent bond if offered as a single issue. There are enough of such funds, however, to insure the success of such an issue if it were offered as part of a combination.
- (2) The inclusion of a long-term note, either as a sole issue or as part of a combination, would seem to be inadvisable. Notes have their principal appeal to New York City banks and it would seem best that their further issuance should be deferred until the reserve position of these banks has been eased.
- (3) The financing could probably be successfully offered in a single issue of either 2's or 2-1/4's. A 2 percent bond would obviously be streamlined for the banks, however, and would probably make a bad impression. Such an issue would constitute an abandonment or suspension of the effort to secure as large a proportion of new money as possible from non-banking investors. Also, the 2 percent sector of the market has been tapped very heavily of late.
- (4) A 2-1/4 percent issue would fall too close to both a 2 percent and a 2-1/2 percent issue to be used in combination with either.
- (5) The above considerations would seem to confine the choice to either a single issue of 2-1/4's or a combination of 2's and 2-1/2's. We prefer the combination principally for the following two reasons:
 - (a) A 2-1/4 percent is essentially a compromise issue. It is streamlined neither for banks nor for non-banking investors; and, while it would probably go over rather well with out-of-town banks, it

might have rough-going in attracting non-banking funds. These funds seem worth going for.

- (b) The use of two issues would permit banks under existing regulations to subscribe for twice as many securities as would be the case if only a single issue were offered. Such additional bank subscriptions would be very useful in contributing to the success of the issue and to a low percentage of allotments.

An indication of what might be obtained at the present time in terms of interest rates and maturities for issues of the type just discussed is given in the table below. The pricing of these issues is, of course, preliminary.

		Estimated Yield Basis *	Probable Price
		(Percent)	
2	percent bond due June 15, 1948-50 (6 years, 4 months - 8 years, 4 months)	1.82	101-2/32
2	percent bond due December 15, 1947-52 (5 years, 10 months - 10 years, 10 months)	1.81	101-2/32
2-1/4	percent bond due September 15, 1952-57 (10 years, 7 months - 15 years, 7 months)	2.12	101-8/32
2-1/2	percent bond due December 15, 1957-62 (15 years, 10 months - 20 years, 10 months)	2.39	101-14/32

* Based on closing prices, February 5, 1942.

Secretary Morgenthau - 4

Finally, it appears from an analysis of the demand data that considerable reliance will have to be placed upon the banks to absorb Government securities, at least in the immediate future. For this reason it seems that as soon as practicable after the conclusion of the present financing, steps should be taken to ease the reserve position of member banks and particularly of those in New York City. This would still be advisable even if drastic steps are to be taken in the immediate future to reduce the aggregate amount of financing which will have to be done through the banks, as any such steps would be relatively slow in "taking hold", leaving a substantial interval during which reliance on the banks would still be necessary.

Such action is also desirable because it would give a more optimistic tone to the market. It would do this because the banks -- and particularly the New York City banks -- are the investment advisers to the public generally; and the investing public, therefore, tends to see the market through their eyes. This makes it important that these eyes should not be jaundiced by a tight reserve position.

II. Who Will Buy the Increase in the Open-market
Debt During the Fiscal Year Ending June 30, 1942?

A. Experience of the First Half Year

The public debt, including guaranteed issues, increased by \$9.0 billions during the first half of the fiscal year. Of this increase \$5.4 billions was absorbed by other than market issues of securities as follows:

Non-Market Absorption of the Public Debt
June 30 - December 31, 1941

(Billions of dollars)

Government Trust Funds	1.0
Depository Bonds	.1
Tax Notes	2.5
Savings Bonds	<u>1.8</u>
Total	5.4

Secretary Morgenthau - 5

The non-market absorption itemized above left only \$3.6 billions or 40 percent of the total debt increase for the period to be absorbed by market securities. This \$3.6 billions was absorbed on net balance as follows:

Net Absorption of Market Securities
by Classes of Investors

June 30 - December 31, 1941

	Billions of dollars	Percent
Commercial Banks in New York City	0	0
Other Commercial Banks	1.7	47
Mutual Savings Banks	.3	8
Insurance Companies	1.0	28
All Other Investors	<u>.6</u>	<u>17</u>
Total	3.6	100

B. Probable Results During the Second Half Year

The estimated net increase in the debt (allowing for the retirement of guaranteed securities) during the second half of the fiscal year is \$11.9 billions, of which about \$1.0 billion will probably be absorbed by Government trust funds. The remaining \$10.9 billions will have to be absorbed by private purchasers. If the outstanding amount of tax notes increases by \$1.0 billion, the outstanding amount of savings bonds by \$4.0 billions, and the outstanding amount of depository bonds by \$0.1 billion during this period, there will remain \$5.8 billions to be raised in the open market. The computations used in arriving at this admittedly rough estimate are shown in detail on the attached table. They assume that the cash balance at the close of the fiscal year will be the same as at the beginning (working balance \$1.9 billions).

If \$5.8 billions is to be raised by the issuance of market securities during the second half of this fiscal year,

Secretary Morgenthau - 6

much greater reliance must be placed upon the banks than was the case during the first half. This is because the absorptive capacity of other classes of purchasers of market securities is relatively inflexible.

Insurance companies enjoy an annual increment of about \$1.9 billions in the total amount of their assets and can purchase Government securities at a higher rate only by drawing down cash or liquidating other investments. Mutual savings banks are currently enjoying no increment whatever in their total assets and can purchase United States securities on net balance only by drawing down cash or liquidating other investments. It would seem, therefore, that these two classes of investors cannot be expected to increase their net holdings of Government securities by more than, say, \$1.5 billions during the second half of the fiscal year. This would leave \$4.3 billions of market securities to be absorbed during the 6-month period by "other investors" and by commercial banks.

"Other investors", who accounted for \$0.6 billion of market securities during the first half of the fiscal year, include individuals and non-financial corporations and are a relatively flexible category. Personal savings may be increased, and non-financial corporations may also, for the reasons set forth in the President's Budget Message, accumulate some surplus funds available for investment in United States securities during the period. The estimated increase of over 120 percent in savings bond sales (\$4.0 billions in the second half of the fiscal year vs. \$1.8 billions in the first half), already allowed for in the estimate of the necessary amount of market borrowing, will draw heavily upon personal savings however; while a net increase of \$1.0 billion in outstanding tax notes in the face of substantial tax collections during the period, in payment for which the outstanding notes are acceptable, will require a considerable contribution by non-financial corporations prior to the purchase of any market obligations. A rather high estimate of the amount of absorption of market debt by "other investors" during the second half of the fiscal year would appear to be, therefore, say, \$1.2 billions (or twice the amount such investors absorbed during the first half of the year).

Secretary Morgenthau - 7

If the above estimates should prove correct, there would remain \$3.1 billions of market securities to be absorbed by commercial banks during the second half of the fiscal year. If no action is taken with respect to member bank reserves, it is likely that almost the whole of this amount will have to be absorbed by commercial banks outside of New York City. This would require the purchase by these banks of nearly twice as many securities as during the first half of the fiscal year.

III. Probable Demand for the Securities to be Offered at the Present Time

The considerations bearing on the probable demand for the securities to be issued at the present time differ from those bearing on the absorption of the increase in the market debt during the second half of the fiscal year as a whole in two respects: (1) They cover a much shorter period, and (2) They deal with the absorption of the forthcoming securities as such, even though such absorption in the case of some investors may be accomplished by the sale of other market securities.

With these differences in mind, the absorptive capacity of particular classes of holders for new securities at the present time may be briefly reviewed. A good starting point for such an analysis is the reception accorded the last new-money financing. This is shown in the table below:

Estimated Absorption During December of Issues
Offered in Last New-Money Financing

(In Millions of Dollars)

	2's of 1951-55 1/	2-1/2's of 1967-72 2/	Total
Commercial Banks in New York City	58	56	114
Other Commercial Banks	246	232	478
Mutual Savings Banks	64	151	215
Insurance Companies	48	270	318
All Other Private Investors	80	254	334
Federal Reserve Banks ^{3/}	13	59	72
Government Agencies and Trust Funds	24	48	72
Total	533	1,070	1,603

(In Percent of Total Amount)

Commercial Banks in New York City	11	5	7
Other Commercial Banks	46	22	30
Mutual Savings Banks	12	14	14
Insurance Companies	9	25	20
All Other Private Investors	15	24	21
Federal Reserve Banks ^{3/}	2	6	4
Government Agencies and Trust Funds	5	4	4
Total	100	100	100

^{1/} Total amount outstanding on December 31 (none outstanding November 30).

^{2/} Increase during December.

^{3/} Purchases to support the market.

The above table tells only part of the story, however. Some classes of investors financed part of their net absorption of the new issues by the sale of other market securities, while other classes purchased market securities in addition to their absorption of the new issues. This is shown in the following table:

Changes During December in the Net Holdings
of Marketable United States Securities by Various
Classes of Investors

(In Millions of Dollars)

	: Absorption : of Two New : Issues	: Absorption : of Other : Market : Securities	: Net : Absorption : of Market : Issues
Commercial Banks in			
New York City	114	- 20	94
Other Commercial Banks	478	+136	614
Mutual Savings Banks	215	-129	86
Insurance Companies	318	+ 80	398
All Other Private Investors	334	+246	580
Federal Reserve Banks	72	- 1	71
Government Agencies and Trust Funds	72	- 29	43
Total	1,603	+283	1,886

Starting from the above figures, it will be convenient to consider first the absorptive capacity of those classes of investors whose resources are relatively inflexible, proceeding to those with greater potentialities for expansion.

(1) Mutual savings banks. The total resources of mutual savings banks are probably declining slightly. Chart I shows the movements of deposits and of Government bond holdings of

mutual savings banks in New York State, the only large group of such banks for which monthly deposit figures are available. These banks hold a little over half of the deposits and the Government bonds of all mutual savings banks. The figures show a decline in deposits and an increase in holdings of United States securities, a process which can be continued only by a liquidation of other assets and a drawing down of cash.

As previously noted, mutual savings banks expanded their net holdings of United States securities by only about \$300 millions during the first six months of the fiscal year. On the basis of past experience, however, they may be expected to take a large block of a new long issue, paying for it largely by the sale of other market securities.

(2) Insurance companies. Insurance companies differ sharply from mutual savings banks in that their total available assets are expanding and that they are consequently able to absorb substantial amounts of market securities on net balance. As previously noted, such absorption amounted to \$1.0 billion during the first half of the fiscal year.

Insurance companies closed the first half of the fiscal year in a relatively weak position to continue the pace at which they had been absorbing market securities. This is indicated by Chart II, which shows that the cash balances of 36 large life insurance companies amounted on December 31, 1941, to \$670 millions, the lowest since December 1938. These balances are probably somewhat higher at the present time, however, as it is reported that the companies have been doing very little buying of Governments during the past month, while total assets of the 36 companies will increase by about \$130 millions (about \$160 millions for all companies) during January. It is interesting to note that cash balances of the reporting companies have increased in every January shown on the chart. Despite their somewhat weaker position than last fall, it would appear, therefore, that insurance companies are still in a position to take a substantial amount of securities on the current offering. Unlike mutual savings banks, this absorption would probably be all net.

(3) "All other private investors". This class of investors absorbed \$0.6 billions of market securities during the first half of the fiscal year. Practically all of this absorption occurred in the month of December, when these investors absorbed \$334 millions of the two new issues and \$246 millions

Secretary Morgenthau - 11

of other market issues. Further analysis shows, however, that \$240 millions or all but \$6 millions, of the other securities were Treasury bills. Nevertheless, this is the best showing made by this class of investors in a long time. It is, of course, too early to say whether this reception is an unusual occurrence or the beginning of a new trend.

(4) Commercial banks. The absorptive capacity for Government securities by commercial banks is limited only by their reserve position. The reserve position of New York City banks was poor during the first half of the fiscal year and, as a consequence, they absorbed no United States securities, on balance, during this period. The reserve position of commercial banks outside of New York City was relatively good and they absorbed \$1.7 billions of marketable Government securities during the period (Chart III). The reserve position of New York City banks relative to other banks has improved slightly during recent months, but prospects are still that banks outside of New York City will be much the best customers for the securities to be issued at the present time.

Attachments.

Estimate of Necessary Market Borrowing
Second Half of Fiscal Year 1942

(Billions of dollars)

I. Increase in debt

1. Budget deficit, fiscal 1942	18.6
2. Add: net outlays of Government corporations	<u>2.2</u>
3. Estimated total increase in debt, fiscal 1942	20.9
4. Deduct: increase in debt, first half	<u>9.0</u>
5. Estimated increase in debt, second half	11.9

II. Absorption by Government trust funds

1. Estimated total absorption, fiscal 1942	2.0
2. Deduct: actual absorption, first half	<u>1.0</u>
3. Estimated absorption, second half	<u>1.0</u>

III. Private absorption

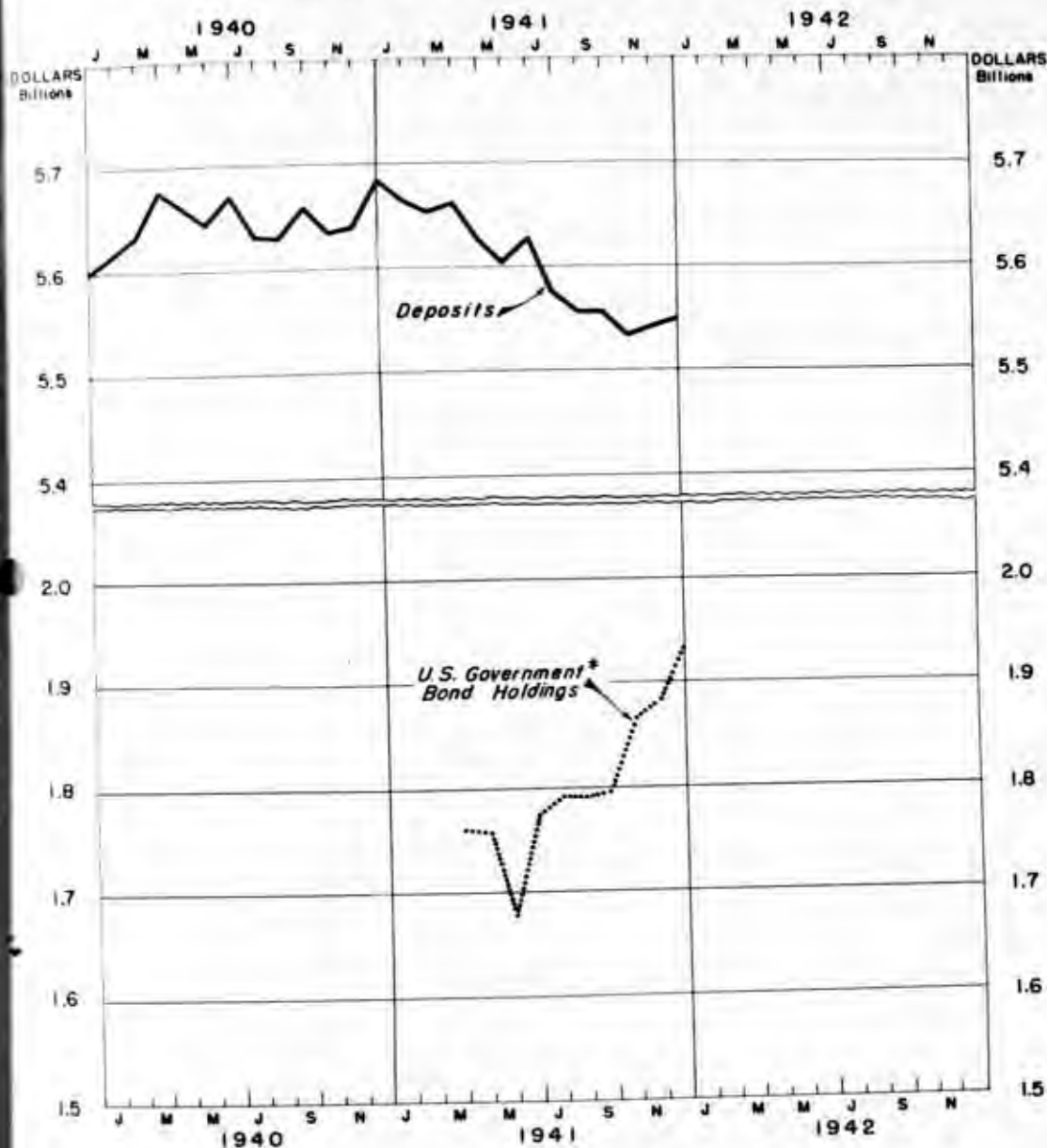
1. Necessary private absorption, second half	10.9
2. Estimated net sales of Tax Notes, second half	1.0
3. Estimated net sales of Savings Bonds, second half	4.0
4. Estimated net sales of Depository Bonds, second half	<u>.1</u>
5. Estimated total absorption in non-marketable securities, second half	<u>5.1</u>
6. Estimated necessary market borrowing, second half	5.8

Note: Figures do not necessarily add due to rounding. The table assumes that the cash balance will be the same at the close of the fiscal year as at the beginning. The working balance on June 30, 1941 was \$1.9 billions.

Chart I

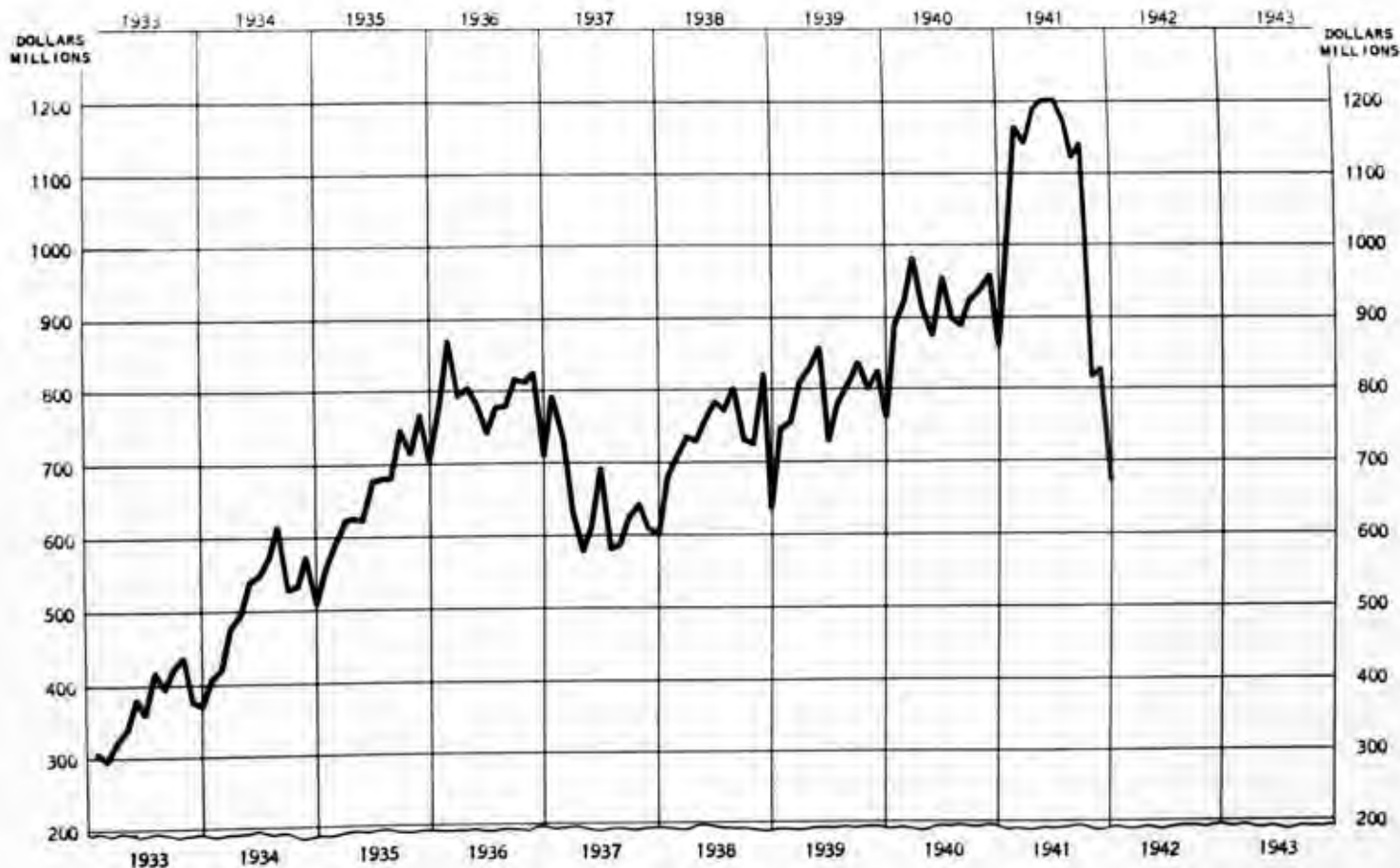
DEPOSITS AND GOVERNMENT BOND HOLDINGS OF
MUTUAL SAVINGS BANKS IN NEW YORK STATE

43



* Data prior to March 31, 1941 not available

LIFE INSURANCE COMPANY CASH HOLDINGS *

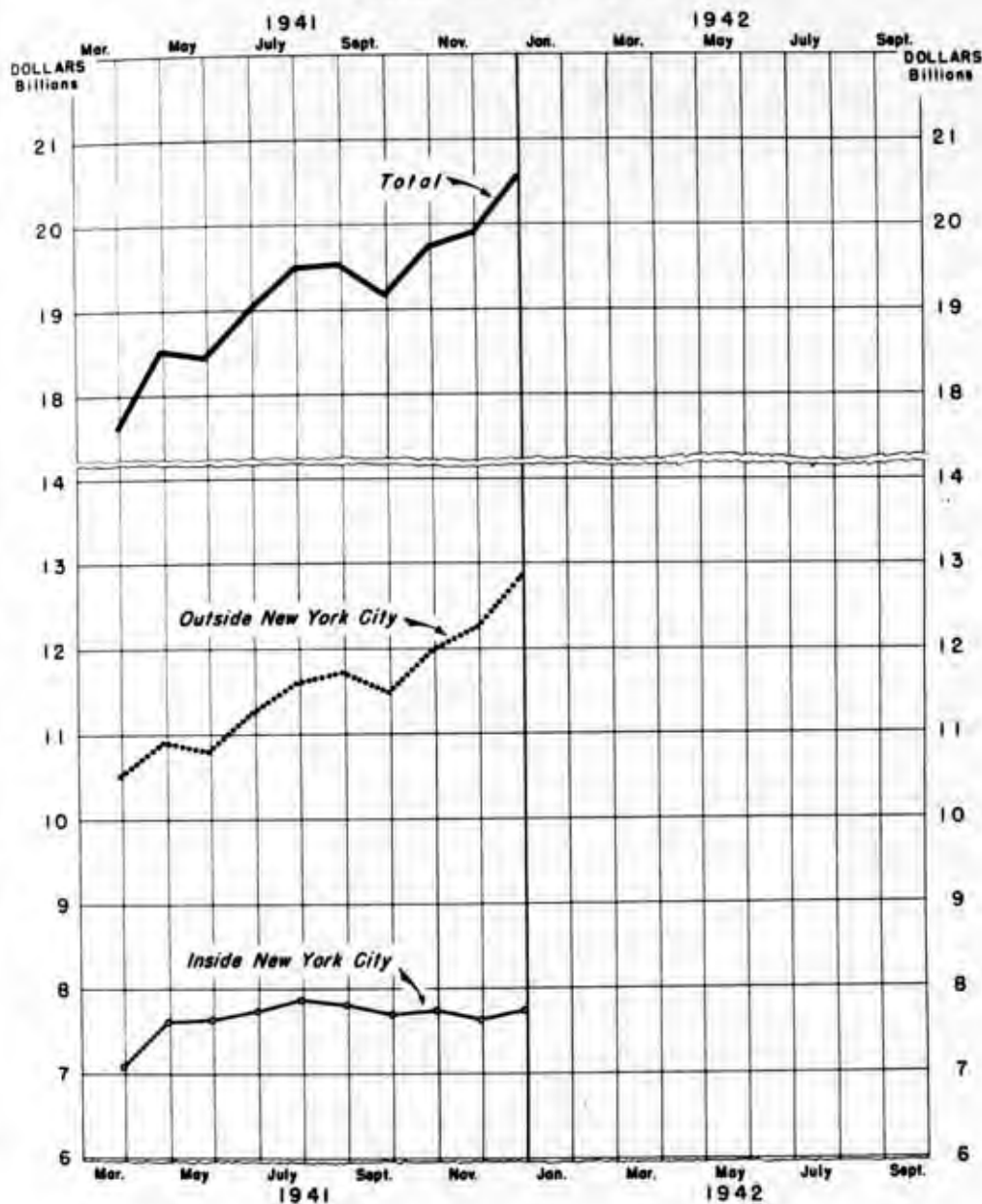


*36 LEGAL RESERVE COMPANIES HAVING 82 PERCENT OF TOTAL ADMITTED ASSETS OF ALL UNITED STATES LEGAL RESERVE LIFE INSURANCE COMPANIES.

41

Chart III

HOLDINGS OF MARKETABLE U.S. SECURITIES BY COMMERCIAL BANKS 45



Calendar of Direct and Guaranteed Bonds and Notes 1/

February 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues 2/			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1942-Jan. Feb. Mar. Apr. May June July 1 July 1 Aug. Sept. 15 Oct. 15 Nov. Dec. 15	RFO 1% HOLC 2-1/4% (1942-44) Note 2% RFO 7/8% Note 1-3/4%		276		875		
Total		574	596		875		
1943-Jan. Feb. Mar. 15 Apr. May 1 June 15 June 15 July 15 Aug. Sept. 15 Oct. 15 Nov. Dec. 15	Note 3/4% COG 3/4% Note 1-1/8% Bond 3-3/8% (1943-47) RFO 1-1/8% Note 1% Bond 3-1/4% (1943-45) Note 1-1/8%	66(T) 629	289 324(T)	454		1,401	
Total		1,335	613	1,855			
1944-Jan. Feb. 1 Mar. 15 Mar. 15 Apr. 15 Apr. 15 May 1 May 15 June 15 July 1 Aug. Sept. 15 Sept. 15 Oct. Nov. Dec. 15	UBHA 1-3/8% Note 1% PFMC 3-1/4% (1944-64) Bond 3-1/4% (1944-46) RFO 1% HOLC 7% (1944-52) PFMC 3% (1944-49) Note 3/4% HOLC 2-1/4% (1942-44) Note 1% Note 3/4% Bond 4% (1944-54)	515	114 571(T)	95 1,519 835			875
Total		1,249	685	2,556	1,709		875
1945-Jan. Feb. 15 Mar. 15 Apr. May June 1 July Aug. Sept. 15 Oct. 15 Nov. Dec. 15 Dec. 15	COG 1-1/8% Note 3/4% HOLC 1-1/2% (1945-47) Bond 2-3/4% (1945-47) Bond 3-1/4% (1943-45) Bond 2-1/2% Note 3/4%	718	412(T)	755		1,214	1,401
Total		1,790	412	1,814	755	1,401	

- 1/ Excludes special issues, issues redeemable at option of holder, Postal Savings Bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the holders.
- 2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds and Notes 1/

February 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues 2/			
		Direct	Guaranteed	First callable		Final maturities	
				Direct	Guaranteed	Direct	Guaranteed
1946-Jan. 1	Conversion 3% -----	16					
Feb.							
Mar. 15	Note 1% -----	503(T)		489			
Mar. 15	Bond 3-3/4% (1946-56) -----					1,519	
Apr. 15	Bond 3-1/4% (1944-46) -----						
May							
June 15	Bond 3% (1946-48) -----			1,036			
June 15	Bond 3-1/8% (1946-49) -----			819			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec.							
	Total	519		2,344		1,519	
1947-Jan. 1	Conversion 3% -----	13					
Feb.							
Mar.							
Apr.							
May							
June 1	HOLD 1-1/2% (1945-47) -----						755
June 15	Bond 3-3/8% (1943-47) -----					454	
July							
Aug.							
Sept. 15	Bond 2-3/4% (1945-47) -----					1,214	
Oct. 15	Bond 4-1/4% (1947-52) -----			759			
Nov.							
Dec. 15	Bond 2% -----	701					
	Total	714		759		1,668	755
1948-Jan.							
Feb.							
Mar. 15	Bond 2% (1948-50) -----			1,115(T)			
Mar. 15	Bond 2-3/4% (1948-51) -----			1,223			
Apr.							
May							
June 15	Bond 3% (1946-48) -----					1,036	
July							
Aug.							
Sept. 15	Bond 2-1/2% -----	451					
Oct.							
Nov.							
Dec. 15	Bond 2% (1948-50) -----			571			
	Total	451		2,909		1,036	
1949-Jan.							
Feb.							
Mar.							
Apr.							
May 15	FFMC 3% (1944-49) -----						835
June 15	Bond 3-1/8% (1946-49) -----					819	
June 15	Bond 2% (1949-51) -----			1,014(T)			
July							
Aug.							
Sept.							
Oct.							
Nov.							
Dec. 15	Bond 3-1/8% (1949-52) -----			491			
Dec. 15	Bond 2-1/2% (1949-53) -----			1,786			
	Total			3,291		819	835

- 1/ Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.
- 2/ Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds and Notes ^{1/}

February 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues ^{2/}			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1950-Jan. Feb. Mar.15 Apr. May June July Aug. Sept.15 Oct. Nov. Dec.15	Bond 2% (1948-50)					1,115(T)	
	Bond 2-1/2% (1950-52)			1,186			
	Bond 2% (1948-50)					571	
	Total			1,186		1,686	
1951-Jan. Feb. Mar.15 Apr. May June15 June15 July Aug. Sept.15 Oct. Nov. Dec.15 Dec.15	Bond 2-3/4% (1948-51)					1,223	
	Bond 2% (1949-51)					1,014(T)	
	Bond 2-3/4% (1951-54)			1,627			
	Bond 3% (1951-55)			755			
	Bond 2-1/4% (1951-53)			1,118			
	Bond 2% (1951-55)			533(T)			
	Total			4,033		2,237	
1952-Jan. Feb. Mar.15 Apr. May 1 June July Aug. Sept.15 Oct.15 Nov. Dec.15	Bond 2-1/2% (1952-54)			1,024(T)			
	HOLD 3% (1944-52)						779
	Bond 2-1/2% (1950-52)					1,186	
	Bond 4-1/4% (1947-52)					759	
	Bond 3-1/8% (1949-52)					491	
	Total			1,024		2,436	779
1953-Jan. Feb. Mar. Apr. May June15 July Aug. Sept. Oct. Nov. Dec.15 Dec.15	Bond 2% (1953-55)			725			
	Bond 2-1/2% (1949-53)					1,786	
	Bond 2-1/4% (1951-53)					1,118	
	Total			725		2,904	

- ^{1/} Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.
- ^{2/} Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds and Notes ^{1/}

February 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues ^{2/}			
		Direct	Guaranteed	First callable		Final maturities	
				Direct	Guaranteed	Direct	Guaranteed
1954-Jan. Feb. Mar. 15 Apr. May June 15 June 15 July Aug. Sept. Oct. Nov. Dec. 15	Bond 2-1/2% (1952-54)					1,024(T)	
	Bond 2-3/4% (1951-54)					1,627	
	Bond 2-1/4% (1954-56)			681			
	Bond 4% (1944-54)					1,037	
	Total			681		3,688	
1955-Jan. Feb. Mar. 15 Apr. May June 15 July Aug. Sept. 15 Oct. Nov. Dec. 15	Bond 2-7/8% (1955-60)			2,611			
	Bond 2% (1953-55)					725	
	Bond 3% (1951-55)					755	
	Bond 2% (1951-55)					533(T)	
	Total			2,611		2,013	
1956-Jan. Feb. Mar. 15 Mar. 15 Apr. May June 15 July Aug. Sept. 15 Oct. Nov. Dec.	Bond 3-3/4% (1946-56)					489	
	Bond 2-1/2% (1956-58)			1,449(T)			
	Bond 2-1/4% (1954-56)					681	
	Bond 2-3/4% (1956-59)			982			
	Total			2,431		1,170	
1957-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.							
	Total						

^{1/} Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

^{2/} Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds and Notes ^{1/}

February 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues ^{2/}			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1958-Jan. Feb. Mar. 15 Apr. May June 15 July Aug. Sept. Oct. Nov. Dec.	Bond 2-1/2% (1956-58) -----					1,449(T)	
	Bond 2-3/4% (1958-63) -----			919			
	Total			919		1,449	
1959-Jan. Feb. Mar. Apr. May June July Aug. Sept. 15 Oct. Nov. Dec.	Bond 2-3/4% (1956-59) -----					982	
	Total					982	
1960-Jan. Feb. Mar. 15 Apr. May June July Aug. Sept. Oct. Nov. Dec. 15	Bond 2-7/8% (1955-60) -----					2,611	
	Bond 2-3/4% (1960-65) -----			1,485			
	Total			1,485		2,611	
1961-Jan. Feb. Mar. Apr. May June 1 July Aug. Sept. Oct. Nov. Dec.	Panama 3% -----	50					
	Total	50					

- ^{1/} Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.
- ^{2/} Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds and Notes ^{1/}

February 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues ^{2/}			
				First callable		Final maturities	
		Direct	Guaran- teed	Direct	Guaran- teed	Direct	Guaran- teed
1962-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.							
	Total						
1963-Jan. Feb. Mar. Apr. May June 15 July Aug. Sept. Oct. Nov. Dec.	Bond 2-3/4% (1958-63)					919	
	Total					919	
1964-Jan. Feb. Mar. 15 Apr. May June July Aug. Sept. Oct. Nov. Dec.	FFMG 3-1/4% (1944-64)						95
	Total						95
1965-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec. 15	Bond 2-3/4% (1960-65)					1,485	
	Total					1,485	

- ^{1/} Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.
- ^{2/} Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

Calendar of Direct and Guaranteed Bonds and Notes ^{1/}

February 1, 1942

(In millions of dollars)

Date	Description	Fixed maturities		Callable issues ^{2/}			
		Direct	Guaran- teed	First callable		Final maturities	
				Direct	Guaran- teed	Direct	Guaran- teed
1966-Jan. Feb. Mar. Apr. May June July Aug. Sept. Oct. Nov. Dec.							
	Total						
1967-Jan. Feb. Mar. Apr. May June July Aug. Sept. 15 Oct. Nov. Dec.	Bond 2-1/2% (1967-72)			2,669(T)			
	Total			2,669			
.
1972-Sept. 15	Bond 2-1/2% (1967-72)					2,669(T)	

^{1/} Excludes special issues, issues redeemable at option of holder, Postal Savings bonds, FHA debentures, and issues for which an exchange offer has been made and accepted by the bulk of the holders.

^{2/} Callable issues with respect to which a definite notice of call has been made are listed as fixed maturities.

February 7, 1942

MEMORANDUM FOR THE SECRETARY'S FILES

Meeting in the Secretary's Office
 Friday, February 6, 1942
 11:30 A. M.

Present: Secretary Morgenthau
 Secretary Wickard
 Under Secretary Forrestal
 Assistant Secretary McCloy
 Assistant Secretary Acheson
 Mr. Hendrickson (Assistant to Secretary Wickard)
 Captain Hendron (with Mr. Forrestal)
 Mr. Oscar Cox
 Mr. Roston
 Mr. Lewis Douglas
 Mr. E. A. Locke, Jr. (Mr. Nelson's assistant)
 Mr. D. W. Ball
 Mr. Viner
 Mr. White
 Mr. Kades
 Mr. Hicks

The meeting was called by Secretary Morgenthau to discuss two problems:

- (1) Shall the British be paid dollars for the expenditures of American armed forces abroad?
- (2) Was the Army and Navy or the Lend-Lease Administration going to relieve the British of from \$600 to \$700 millions of their pre-Lend-Lease contracts?

(1) Mr. McCloy said that the Army estimated that slightly more than \$500 million would be required to meet the expenses of American armed forces abroad during the year 1942. He said he did not have, but would get, an estimate of the portion of that \$500 million that would represent pay for troops. Mr. McCloy said that funds for more than \$500 million of purchases abroad had been set up in the War Department.

Mr. McCloy explained that a Purchasing Agent, usually a civilian, was sent with every American Army group abroad. This agent surveys the local situation to see what supplies can be purchased locally. To date no cash has been paid by the Army. The Purchasing Agent agrees with local suppliers upon the value of materials purchased,

- 2 -

but no funds are transferred. The expenditure of these funds is being delayed until such time as the policy question at issue is settled. Mr. McCloy said that the practice of stating the value for the goods obtained had been criticized on the grounds that it constituted a type of commitment to pay, but he said that he did not see how this practice could be avoided.

Mr. Forrestal stated that the Navy is making its purchases abroad in cash. To date, these purchases had not been large, he said, but they would probably increase.

Secretary Morgenthau asked whether the members of the meeting agreed with the principle of Lend-Lease in reverse. Mr. McCloy, Mr. Forrestal, Mr. Acheson, Mr. Cox and Mr. Wickard all agreed that the principle of Lend-Lease in reverse was right and that it should be extended to as many items as possible. The Secretary then asked whether he ought not to send for Sir Frederick Phillips, show him the estimates of what the United States will need for its troops in the Sterling Area, and for all its other purchases in the Sterling Area, and put the question up to him. He asked whether the State Department would go along with this procedure, and Mr. Acheson said that the State Department would.

Mr. White pointed out that if the Treasury were to suggest that wool and other Sterling Area products were to be sent to the United States under a Lend-Lease in reverse transaction the British would insist that their dollar position depends upon receipts from those exports. They would also mention the fact that these expenditures would constitute a strain on the budgets of the countries concerned.

Mr. Viner said that if all transactions between the United States and the Sterling Area were to be placed upon a Lend-Lease basis the question of Britain's dollar needs would disappear, and that, accordingly, the British would be ~~highly~~ in favor of the arrangement.

Mr. Acheson reminded the meeting that the Dutch had also raised the question of the means of payment for American troops in Dutch territories. The Dutch have been meeting their commitments in the United States, and they have accordingly proposed that everyone pay his own way. Mr. Acheson said the Dutch question should be settled at the same time as the British question.

- 3 -

The Secretary then asked that the War, Navy, and Agriculture Departments prepare full estimates of their needs for purchases in the Sterling Area, and canvass the shipping situation to see whether ships returning from Sterling Area ports are returning with full loads. He asked that this information be provided for the next meeting. In the meantime Mr. McCloy assured the Secretary that the Army would continue to delay cash payments in meeting its obligations abroad.

(2) In introducing the question of take-outs, the Secretary said that this question had been proposed to the United States Government in communications from the Chancellor of the Exchequer delivered in person by Ambassador Halifax.

Mr. Cox said that he understood the Army had the funds to take over these contracts, but Mr. McCloy insisted that the Army did not have the funds. The Army, he said, had the authority to purchase the contracts, but would have to go to Congress to obtain the funds. Going to Congress would entail the necessity of telling Congress the purpose for which the funds were being asked.

Mr. Cox reminded the meeting of the British concern that the question be settled before the new Lend-Lease bill is introduced in Congress next week. They feel that if the Army does not have the funds, or is unwilling to use its funds in this manner, authority for the Lend-Lease Administration to use its funds should be contained in the new appropriation.

Mr. McCloy said that all buying of munitions for transfer to foreign governments was not to be the responsibility of the Army and Navy, and he was, therefore, not certain whether the Lend-Lease Administration could request funds for the purchase of these supply contracts.

The Secretary said that in addition to that it would look better on the Hill if the Army rather than the Lend-Lease Administration did it.

The question was then raised as to whether or not taking over the supply contracts would give the United States Government a free hand in the disposition of the materials coming from the contracts. Mr. McCloy said that while the United States Government could use the materials for its own armed forces, English war plans were based upon the receipt of these materials and that, there was, therefore, a moral obligation on our part to turn the materials over to the British under Lend-Lease. If the Lend-Lease Administration were to use its funds for the purpose, critics would point out that the Lend-Lease Administration had bought war materials from the British

- 4 -

for dollars and then given the same war materials to the British under Lend-Lease.

Mr. Bell offered a formula for a means of handling the problem without going to Congress. He suggested that we delay the establishment of a Lend-Lease in reverse procedure and let the British use the dollars so obtained to meet their commitments under the contracts in question.

Mr. Cox objected that this would also lead to criticism. For instance, American troops abroad would buy cheese for dollars which had previously been Lend-Leased to the Sterling Area. Much of the food in these areas is Lend-Leased food and in many of the Areas any additional food would have to be Lend-Lease food. It is distributed through the regular distribution systems and is therefore indistinguishable from domestic foods. We cannot relieve Britain's dollar position by paying for this food in dollars without running the risk of severe criticism.

Mr. Acheson offered the following proposal: (1) that the United States take over the contracts; (2) that a Lend-Lease in reverse procedure be established; (3) that certain categories, such as pay of troops, be omitted from the Lend-Lease in reverse procedure; and (4) that currency accounts be set up from which we could draw pounds without charge and the British could draw dollars without charge in making their respective payments.

Mr. White said that in his opinion it would be well to consider the question of how much of a dollar balance the British should be enabled to attain and hold, and that he thought the decision on both of the other questions would be easier if we had a definite idea in mind of what dollar balance we want the British to reach.

The Secretary suggested that the group meet again at 11:00 A.M. next Thursday morning.

E.H.
HPW

TABLE OF CONTENTS

Agenda for the Conference.....	A
Summary Statement of British Dollar Situation.....	B
U.K. gold and dollar position on January 1, 1942 and forecast for the six months January 1 to July 1, 1942.....	C
British Government gold and dollar assets at the beginning of the war, and monthly through 1941.....	1
Comparison of present estimate of British gold and dollar receipts with earlier estimates made by the British. Also explanation of changes made in the present estimate.....	2
Summary of British Purchasing Mission Contracts placed, payments made, and balance due. Also British Purchasing Mission monthly payments in 1941 and estimated monthly payments in 1942.....	3
Summary of dollar relief to the British Treasury, showing relief already provided, relief expected to be provided, and the disposition of other projects for relief.....	4
Summary of the disposition of British dollar securities from the beginning of the war to the present.....	5
List of other British dollar assets, said by the British to be unavailable to them.....	6

A

Agenda for Conference on British Dollar
Position and Lend-Lease (Secretary's
Office, February 6, 1942 - 11:30 P.M.)

The following three problems are up for consideration:

1. What shall be the level of British Government gold and dollar balances that we should enable the British Treasury to attain and hold?

The first indication we had of what the British regarded as a minimum appropriate working balance was in the communication from Winant to Secretary Morgenthau dated March 18, 1941, based on a letter from Under Secretary Waley to Mr. Ben Cohen, which stated "The British believe in order to function properly in meeting the war emergency they feel they should have not less than \$150 million for a working balance." Since that date, the sum of \$600 million as an appropriate working balance has frequently been referred to. No other figure, to my knowledge, has been used.

The official gold ~~and dollar~~ balances of the British Government remained around \$700 million for more than ten years prior to 1932. This was estimated, however, at the old gold content of 20.67 cents per fine ounce, but the liabilities were also closely related to old gold terms.

The determination to the answer to question 1 will go a long way toward helping to decide the answers to questions 2 and 3 below.

2. Shall the British receive dollars for all, for part, or for none of the expenditures of the American armed forces abroad. If these expenditures are not to be paid for with dollars, a "reverse" Lend-Lease operation will have to be arranged for such expenditures.

3. Shall it be recommended that the Army and Navy or the Lend-Lease Administration relieve the British to the extent of the full cost of "munitions" as they are delivered which were contracted for prior to the Lend-Lease Act.

If the relief is to include only payments due on pre-Lend-Lease contracts, the amount would be about \$500 million. If, however, it is to include, as the communication

- 2 -

from the Chancellor of the Exchequer to the Secretary of the Treasury seems to request, the full cost of munitions as they are delivered, the sum would include the down payments made on such deliveries and would then total a little over \$1 billion.

When Sir Frederick called on Secretary Morgenthau on January 22, he stated they would like us to take over some \$600 to \$700 million worth of cash contracts they had placed in this country March 15. How Sir Frederick arrived at the figure \$600 to \$700 million is not clear, as it fits neither amounts due nor total value of contracts not yet delivered.

B

TREASURY DEPARTMENT

62

INTER OFFICE COMMUNICATION

DATE February 5, 1942

to Secretary Morgenthau

from Mr. White

Subject: Britain's Dollar Position and Lend Lease.

(in millions)

- | | | |
|----|---|------------|
| 1. | On January 1, 1942, the United Kingdom had available gold and dollar balances amounting to about \$450 million. | \$ 450 |
| 2. | During the six months from January 1 to July 1, we estimate, very liberally, that the Sterling Area's dollar deficit on current accounts will be about \$300 million. | <u>300</u> |

This estimate takes full account of Britain's loss of dollars from the export of Malayan rubber and tin, but takes no account of the dollars that Britain may receive in payment for the expenditures of American armed forces abroad.

- | | | |
|-----|---|-----|
| 3. | Therefore, if the Sterling Area obtains gold and dollar receipts from no other source, the available gold and dollar balances of the United Kingdom on July 1 will be at least \$150 million. | 150 |
| 4. | There are, however, a number of capital receipts that the United Kingdom will probably receive in the next six months. These are as follows: | |
| (a) | There is a balance of \$75 million due to the United Kingdom on its \$425 million R.F.C. loan. This will certainly be received in the next six months. | 75 |
| (b) | Cash relief on the transfer of British plant and supply contracts during the next six months will probably amount to about \$48 million. | 48 |

(in millions)

- (c) On sales to Russia or to the United States for transfer to Russia of British armaments produced from their American contracts, the British estimate that they will obtain \$140 million \$ 140
- (d) Finally, the British now hold \$37 million of "scattered" gold in various parts of the world, and \$10 million of gold held against immediate liabilities. They have stated that they expect to reduce the total of these items to \$10 million in the next six months, thus increasing available gold by \$37 million. 37
- Total 300
5. These receipts of \$300 million will offset the loss of \$300 million on current account leaving the gold and dollar balances of the United Kingdom on July 1 at about \$450 million. 450
6. In addition to the receipts mentioned above, the British may receive the following sums:
- (a) The dollar securities of the United Kingdom available for sale and held in sufficiently large blocks to be easily mobilized amounted on January 1 to about \$50 million. 50
- (b) Dollars paid to the Sterling Area for the expenditures of the American armed forces abroad may amount to a very large sum. A fund of \$12 million has already been transferred to take care of these expenditures. We have no adequate information upon which to base an estimate of this item, but Mr. Bell thinks that these expenditures may amount to \$250 million a year, and he is trying to get an estimate from the War Department. If Mr. Bell's estimate should be correct and if we should pay the British dollars for these expenditures, the receipts will be \$125 million during the next six months. 125

(in millions)

- (c) Finally, the British are now asking for the transfer to the Army, the Navy, or the Lend Lease Administration of some \$500 to \$600 million of their pre-Lend Lease contracts. If the United States were to take over the unpaid balance upon these contracts it would amount to \$540 million. If in addition, however, the United States were to repay to the British their outstanding advances \$450 million would be added to this amount, making a total of almost \$1 billion. For the purposes of this estimate, we will assume that they get the minimum of \$500 million.

\$ 500

Total

675

7. If the British sell the \$50 million of available securities, if the United States pays them \$125 million for the expenditures of the American armed forces abroad, and if the United States takes over \$500 million of their pre-Lend Lease contracts, the gold and dollar balance of the United Kingdom by next July will amount to \$1,125 million.

1,125

Further details on all of the above figures will be found in the attached memorandum.

Questions Raised by These Figures

1. What level of British gold and dollar balances do we feel they should be assisted to hold? On the answer to this question depends, in part, the answers to the succeeding questions.
2. Shall the British receive dollars for all, for part, or for none of the expenditures of American armed forces abroad? If these expenditures are not to be paid in dollars, a reverse Lend Lease operation will have to be arranged to count as part of the quid pro quo for the Lend Lease assistance we are providing to Britain.

3. Shall the Treasury recommend that the Army, the Navy, or the Lend Lease Administration take over \$500 million or more of their pre-Lend Lease contracts?

C

TREASURY DEPARTMENT

67

INTER OFFICE COMMUNICATION

DATE February 5, 1942

TO Mr. White
FROM Mr. Hicks

Subject: Forecast of the Gold and Dollar Position of the United Kingdom for the Six Months, January 1 to July 1, 1942.

1. On January 1, 1942, the United Kingdom had available gold and dollar balances amounting to \$451 million.
(See Schedule I for a table of the United Kingdom's gold and dollar balances at the beginning of the war, and for each month in 1941.)
2. During the six months from January 1 to July 1, 1942, it is liberally estimated that the Sterling Area will have a dollar deficit on current account of about \$300 million.

This deficit is estimated as follows:

TENTATIVE ESTIMATE OF BALANCE
OF PAYMENTS OF STERLING AREA
January 1, 1942 to July 1, 1942

	(in millions)
Payments on BPM contracts	\$ 375
Payments for shipping, interest, and film remittances	90
Payments for other goods and services, urgent or ineligible for Lend Lease	140
Payments to the United States by rest of Sterling Area, including goods and services	280
Payments to areas outside United States requiring gold or dollars	<u>60</u>
Total gold and dollar requirements	945

Division of Monetary
Research

- 2 -

	(in millions)
Receipts from the United States by the United Kingdom for goods and services	\$ 120
Receipts from the United States by rest of Sterling Area for goods and services	215
Receipts from sale of gold	290
Unidentifiable receipts	<u>20</u>
Total gold and dollar receipts	\$ 645
Total gold and dollar deficit	\$ 300

This estimate does not include any dollars that the British may receive in payment for the expenditures of American armed forces abroad. These expenditures, which may be met by dollar payment from the United States, may run as high as \$250 million per year.

(See schedule II for a comparison of the estimate of the Sterling Area's receipts and expenditures with estimates made by the British for earlier periods, and for an explanation of the differences between those estimates and the present estimate. See also schedule III for a summary of BPM contracts placed, payments made, and balances due, and for a summary of monthly payments made during 1941 and estimated monthly payments for 1942.)

3. With a \$300 million deficit on current accounts the United Kingdom would have a gold and dollar balance by next July of \$151 million if the British obtained gold and dollar receipts from no other source.
4. However, the United Kingdom will probably obtain the following capital receipts during the next six months:

CAPITAL RECEIPTS THAT THE UNITED KINGDOM
WILL PROBABLY RECEIVE
January 1, 1942 to July 1, 1942

(in millions)

There is a balance of \$75 million due to the United Kingdom on its \$425 million R.F.C. loan and which will certainly be received in the next six months	\$ 75
---	-------

Division of Monetary
Research

- 3 -

(in millions)

Cash relief on the transfer of British plant and supply contracts during the next six months will probably amount to at least (See Schedule IV for a breakdown of this figure, an explanation of the items, and an overall statement of the cash and commitment relief that has been and still may be provided to the United Kingdom.)	\$ 48
On sales to Russia or to the United States for transfer to Russia of British armaments produced from their American contracts, the British estimate that they will obtain	140
Finally, the British now hold \$37 million of "scattered" gold in various parts of the world, and \$10 million of gold held against immediate liabilities. They have stated that they expect to reduce the total of these items to \$10 million in the next six months, thus increasing the available gold by	<u>37</u>
Total	\$ 300

5. Consequently, the \$300 million deficit on current accounts will probably be offset by \$300 million of capital receipts, leaving the United Kingdom's gold and dollar balance \$451 million on July 1.
6. In addition to this \$451 million, the British will hold by July 1, 1942, the following other dollar assets:

(in millions)

- | | |
|--|--------|
| (a) \$105 million of gold borrowed from Belgium and \$10 million of scattered gold and gold held against immediate liabilities | \$ 115 |
| (b) Dollar securities readily marketable and held in sufficiently large blocks to be readily mobilized
On September 1 the British reported dollar security holdings of \$167 million, of which only \$75 million was readily marketable and held in sufficiently large blocks to be mobilized. Since then, sales and declines in market value have reduced the total to about \$50 million. | 50 |

Division of Monetary
Research

- 4 -

(in millions)

(See Schedule V for a summary of the disposition of British-owned dollar securities since the beginning of the war.)

- (c) And the United Kingdom and its citizens will also hold a considerable volume of other dollars, American securities, and American direct investments.

(See Schedule VI for a list of these assets and for a statement of why each is considered by the British to be unavailable.)

\$ 165

1

Schedule I

 BRITISH GOLD AND DOLLAR ASSETS
 (in millions of dollars)

	<u>Available Gold and Dollars</u>			<u>Other Official Gold</u>		
	<u>Gold</u>	<u>Official Dollar Balances</u>	<u>Total</u>	<u>Belgian Gold</u>	<u>Scattered Gold</u>	<u>Gold held against immediate liabilities</u>
September 1, 1939	2,038	50	2,088			
<u>1941</u>						
January 1	256	54	310	-	30	21
February 1	119	116	235	-	29	6
March 1	102	82	184	-	21	-
April 1	92	69	161	105	18	10
May 1	-7	159	152	105	9	10
June 1	23	115	138	105	11	10
June 30	54	107	161	105	-	-
July 31	97	49	146	105	13	10
August 30	141	54	195	105	10	10
October 3	142	96	238	105	20	10
October 31	220	139	359	105	33	10
November 30	296	90	386	105	46	10
December 31	363	88	451	105	37	10

2

SCHEDULE II

	British estimate for September 1941 to March 1942 <u>(in millions)</u>	British estimate for November 1941 to June 1942 <u>(in millions)</u>	Tentative Estimate for January, 1942 to July 1942 <u>(in millions)</u>
Payments on BPM contracts. . .	\$ 500	\$ 435	\$ 375
Payments for shipping, interest and film remittances	85	90	90
Payments for other goods and services, urgent or ineligible for Lend-Lease including goods and services.	110	140	140
Payments to the United States by rest of sterling area . .	280	280	280
Payments to areas outside U.S. requiring gold or dollars. .	<u>60</u>	<u>60</u>	<u>60</u>
Total gold and dollar requirements.	\$1,035	\$1,005	\$945
Receipts from the U.S. by the U.K. for goods and services.	120	120	120
Receipts from the U.S. by rest of sterling area for goods and services	325	365	215
Receipts from sale of gold . .	290	350	290
Unidentifiable receipts . . .	<u>150</u>	<u> </u>	<u>20</u>
Total gold and \$ receipts	\$885	\$835	\$645
Total gold and dollar deficit.	\$150	\$170	\$300

SCHEDULE II — continued
EXPLANATION OF CHANGES IN ESTIMATES

Payments on BPM contracts	BPM contracts are steadily running out, and therefore the estimates referring to different periods of time show steadily smaller sums payable. The figures are all British estimates.
Payments for shipping, interest and film remittances	These are British figures. The increase occurring in November is attributable to the terms of the new agreement for the repatriation of the earnings of American film companies in England.
Payments for other goods and services, urgent or ineligible for Lend Lease	These are British figures. The increase occurring in November is attributable to the necessity of purchasing Cuban sugar with dollars.
Receipts from the U.S. by rest of Sterling Area	The increase in the November estimate, a British figure, represents receipts from the sale of Australian wool for an American stock pile. The new figure has been reduced \$150 million below this to take account of the loss of exports from Malaya. These exports, rubber and tin, were estimated by the British to yield \$300 million a year. This entire sum, \$150 million per 6 months, has been subtracted, despite the fact that much rubber and tin was at sea when the Pacific war broke out and was loaded since then, and despite the further fact that other parts of the Sterling Area produce appreciable quantities of rubber and tin and will probably be induced to expand their output.
Receipts from sale of gold	These are British figures. The increase in the November figure represents the anticipated receipts of gold in exchange for South African securities. All of this gold was received before the end of the year and therefore the estimate is reduced to the earlier figure. It should be noted that Sterling Area gold production is about \$50 million per year in excess of this figure.
Unidentifiable receipts	The unidentifiable receipts figure of \$150 million is a British estimate said to be based upon experience. In making the November estimate the British omitted this item on the grounds that it had not been realized, but they said that experience indicated the item was running at about \$8 million per month. Therefore the present estimate could have carried \$50 million. It has been reduced, however, to \$20 million.

3

Schedule III

SUMMARY OF BRITISH PURCHASING MISSION

CONTRACTS PLACED, PAYMENTS MADE, AND BALANCE DUE

	<u>Total Value</u>	<u>Paid to Date</u>	<u>Balance Due</u>
Orders placed to date by BPC & BAC	3,181	2,586	595
BPC Administration A/C to date	31	31	-
Ministry of War Transport Ship Purchase A/C	52	51	1
GROSS COMMITMENT TO DATE	<u>3,264</u>	<u>2,668</u>	<u>596</u>
Less Sales Contracts & Non Contractual Receipts*	39	39	-
NET COMMITMENT TO DATE	<u>3,225</u>	<u>2,629</u>	<u>596</u>
Estimated Future Commitment:			
Pending Orders	2	-	2
Administration A/C to end of 1942	32	-	32
TOTAL GROSS ESTIMATED FUTURE COMMITMENT	<u>34</u>	-	<u>34</u>
Less Estimated receipts on sales	10	-	10
TOTAL NET ESTIMATED FUTURE COMMITMENT	<u>24</u>	-	<u>24</u>
TOTAL NET COMMITMENT, ACTUAL & ESTIMATED	<u>3,249</u>	<u>2,629</u>	<u>620</u>
Less Reimbursement due to French State			80
EXPECTED NET FUTURE PAYMENTS			<u>540</u>

Of the dollars 2,629 million paid to date, dollars 450 million represents advance payments for goods not yet delivered. Therefore, the total of advanced payments plus balance due is dollars 990 millions.

27

SCHEDULE III - continued
BRITISH PURCHASING COMMISSION PAYMENTS

	<u>Actual Payments</u> <u>in 1941</u> (millions)	<u>Estimated Payments</u> <u>in 1942</u> (millions)
January	\$179.3	\$75.0
February	132.3	64.3
March	154.0	64.7
April	102.1	64.3
May	63.7	57.0
June	74.3	50.0
July	86.5	31.8
August	87.9	31.8
September	72.9	32.0
October	83.8	16.7
November	67.5	16.7
December	81.0	16.8

4

SCHEDULE IV

Dollar Relief to the British Treasury

(In millions of dollars)

A. Relief Provided before January 31, 1941

	<u>Cash Refunds</u>	<u>Relief from Commitments</u>
1. Transfer of Tennessee Powder Plant	21	
2. Transfer of four machine-gun plants (A total refund of \$24 million is expected from these plants, negotiations for which were completed sometime during the summer of 1941. The balance of \$16 million is expected to be refunded during the next six months.)	8	
3. Transfer of four machine-gun contracts (Total dollar relief on these contracts is \$28 million, of which \$7 million will be repayment of advances, and \$21 million relief from further commitments.)	7	21
Total	36	21

B. Relief Expected to be Provided from January through June 1942

1. Transfer of four machine-gun plants (This is the balance due from transfer of item A-2.)	16	
2. Transfer of Todd Shipbuilding facilities (The Maritime Commission has stated that it would be willing to take over these facilities if the Treasury recommended that step. The Treasury did make that recommendation.)	14	
3. Transfer of Vultee Plane contract (British payments of \$6 million on these contracts were refunded to them on January 10. The balance of \$6 million due on the contracts represents relief from commitments.)	6	6

- 2 -

	<u>Cash Refund</u>	<u>Relief from Commitments</u>
4. Transfer of Remington Arms contract (A letter of cancellation has been sent to the supplier. \$3 million of capital expenditures made by the British, and \$4 million of the \$5 million advance payments on supplies are expected to be recovered by the British. The balance due of \$29 million on the contracts represents relief from commitments.)	7	29
5. Transfer of Savage Arms contract (The British do not expect to transfer these capital facilities to the U.S. authorities. Expenditures made on this account have totalled nearly \$8 million. Total value of the product contract is \$26 million; \$4 million of the \$5 million already paid by the British is expected to be refunded.)	4	21
6. Transfer of machine-gun contracts (This is the balance due on contracts, payment of which the British will be relieved from making.)	—	21
Total	47	77

C. Other Contemplated Relief through Transfer

	<u>Probable</u>	<u>Doubtful or Rejected</u>
1. Transfer of other plants, certified as necessary to national defense (The total cost of these plants is \$79 million. As long ago as last August, the British reported that discussions had been held with the Defense Plant Corporation and take-over agreed in principle. Progress was reported being made on two plants of an aggregate cost of \$23 million.)	55	

- 3 -

	<u>Probable</u>	<u>Doubtful or Rejected</u>
2. Other plants which have not been discussed with the Defense Plant Corporation as of August 1941, but which the British considered proper subject for take-over by the U.S. Government. . . . (The total cost of these plants is \$22 million. Recovery to the British probably would be somewhat less. The facilities included here are:		?
Crucible Steel.	6.6	
Savage Arms	7.5	
Oerlikon (including 5 recently authorized)	6.7	
American Type Founders.6	
National Pneumatic7	
3. Contracts for ships placed prior to March 11 (The Maritime Commission has refused to take over these ships on the ground that they are coal burners, for which they say there is no place in the American Merchant Marine.)		87
4. Contracts for Airplane engines placed prior to March 11 (Conversations have been held, and although the Army is anxious or desirous of securing the engines being produced under the Packard contracts, to date the question of funds has obstructed any progress and it now seems doubtful that these contracts will be transferred.)		40
5. Contracts for tanks and tank engines made prior to March 11 (The Army has reported that no funds are available for these contracts.)		44
6. Contracts placed since March 11 for ordnance items. (The lack of Lend-Lease funds, coupled with the reluctance of the Army to take over materials already delivered which represent a sizeable part of the contract price, makes it extremely doubtful that any progress will be made on these contracts.)		30

- 4 -

	<u>Probable</u>	<u>Doubtful or Rejected</u>
7. Transfer of contracts and amendments since March 11 for aircraft items (As of the beginning of August, these items aggregated \$9 million. Administrative difficulties precluded other transfer.)		?

5

Schedule V

The Disposition of British Dollar Securities
(in millions of dollars)

	<u>Sales</u>	<u>Pledged to R.F.C.</u>	<u>Standard's index of 402 stocks</u>	<u>Remainder after taking account of sales and of changes in mar- ket value</u>
August 1939			91	950*
Sept. 1939 to Mar. 1940	155		99	849
1940				
March	31		97	827
April	33		98	803
May	18		74	592
June	7		78	617
July	4		80	628
August	6		83	646
September	7		87	670
October	5		87	658
November	22		85	626
December	29		84	616*
1941				
January	53		83	547
February	29		80	498
March	70		80	437
April	18		76	392
May	37		77	366
June	8		80	372
July	6	205	85	178
August	7		83	167*
September	2		83	166
October	3		79	154
November	4		77	144
December	2		69	127

* Total holdings reported by British Government. Of the \$167 reported held on September 1, 1941, only \$75 was said to be readily marketable and held in sufficiently large blocks to be easily sold. Since \$11 have been sold since that time, and since the market has fallen 14 points, it can be assumed that approximately \$50 remains.

Schedule V

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6

Schedule VI

Unavailable Dollar Assets

(in millions)

1. <u>Private dollar balances</u>	\$ 311
(This is taken from U. S. Treasury data. The British state these private balances are at a minimum necessary to the conduct of business and thus not available to the Government.)	
2. <u>Assets pledged against R. F. C. loan</u>	700
U. S. securities.....	\$ 205
Direct investments.....	295
The earnings of branches of British insurance companies, the American assets of which are.....	200
(\$350 million of this loan has been received, and \$75 million remains to be received)	
3. <u>Trusts in U. S. held for U. K. beneficiaries</u>	290
(These trusts are established under United States law and hence the assets may be unavailable to the British Government.)	

The direct investments pledged against the R.F.C. loan, the branches of the British insurance companies also pledged against the R.F.C. loan, the sale of Viscosa, the loan upon Brown and Williamson, and the trusts held for U. K. beneficiaries account for the estimate of \$900 of British direct investments submitted to Congress in January 1941. There are in addition some small investments in U. S. enterprises which, because of their size, the British regard as virtually unseizable.

(Preliminary tabulations from the Census of Foreign Funds undertaken by the Treasury indicate that British holdings of substantial dollar assets previously unknown to the British Government will be discovered.)

February 6, 1942
4:18 p.m.

HMJr: Harold.

Harold
Graves: Yes, sir.

HMJr: At Cabinet the President said, "From Miss Perkins I understand you're getting very poor cooperation from individual members of the labor unions, and from another source I hear you're getting good cooperation." Now, he said, "Which is correct?"

G: Yes.

HMJr: I said, "We're getting wonderful cooperation."

G: Yes.

HMJr: Dubinsky's group. Now, I told Miss Perkins I'd have somebody call on her to explain it to her. I said, "Have you ever asked anybody?" She said, "No." So if you've got some intelligent person, ask him to go over and see Miss Perkins and tell her what we are doing with labor unions.

G: Yes.

HMJr: She said, "All you're getting is the labor unions themselves but the members are not subscribing."

G: Yes.

HMJr: So will you take care of that?

G: I will.

HMJr: And whoever goes, I want them to write a report on it for me after he has seen her.

G: I will take care of it.

HMJr: And then could I have a written report from you by Monday, because they brought up the question

- 2 -

at Cabinet of the unemployed automobile salesmen.....

G: Yes.

HMJr: What we're doing to use unemployed automobile salesmen.

G: Monday will be hard. Sparks is handling that, and Sparks is leaving tonight for New York, and.....

HMJr: When will he be back?

G:he won't be back here until Monday, and he's seeing people in New York about this very thing.

HMJr: Well, if I give you until Wednesday?

G: Yes.

HMJr: Wednesday?

G: Yes, sir. I think we can do it by Wednesday.

HMJr: All right. Give me something by Wednesday.

G: I will do it, yes, sir.

HMJr: Thank you, Harold.

G: You don't want to see me today about this post office thing and the other little odds and ends?

HMJr: Well, I've got Chauncey with the mail.

G: Yes.

HMJr: If you say it's something you've got to clear before sunset, I'll see you.

G: There's nothing that I would want to clear from my point of view. You sent me, for instance, several days ago, a letter from a June Hamilton Rhodes.

- 3 -

HMJr: Oh, well, let all that junk wait.

G: Yes. I'll just let it wait until your convenience, then.

HMJr: All right.

G: Fine.

HMJr: Thank you.

G: Good-night.

2/9/40 - 92

Memo submitted by White.

93

Followed up with
White's office 1/9/42.

February 6, 1942

Harry White

Secretary Morgenthau

Professor Montfort Jones, who is Professor of Finance at the University of Pittsburgh, made a talk yesterday before the American Bankers Association at the Hotel Waldorf Astoria.

Please get a copy of his talk for me. You can do this by asking the Federal Reserve of New York to get it. Then find out all about Professor Jones, what he has written and what he stands for, and let me have it not later than Monday. He looks as though he might be an interesting man - a possibility for the Treasury.

In looking for somebody to come with the Treasury, what is the matter with getting Professor Hanson of Harvard? Think that one over.

I have got to get a couple of big men who can do original thinking on finance.

[COMMITTEE PRINT]

NOTICE.—This report is given out subject to release when consideration of the bill which it accompanies has been completed by the whole committee. Please check on such action before release in order to be advised of any changes.

77TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. —

FIRST DEFICIENCY APPROPRIATION BILL, FISCAL YEAR
1942

FEBRUARY 6, 1942.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. CANNON of Missouri, from the Committee on Appropriations, submitted the following

REPORT

[To accompany H. R. —]

The Committee on Appropriations submits the following report in explanation of the accompanying bill entitled "A bill making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1942, and prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1942, and for other purposes."

APPROPRIATIONS AND ESTIMATES

The Budget estimates on which the bill is based were submitted in House Documents Nos. 556, 557, 558, 559, 565, 568, 569, 571 to 588, inclusive, 590 to 598, inclusive, 602, and 603 of the present session, totaling \$161,883,069.43.

The amount recommended to be appropriated by the bill is \$160,-500,611.43, which sum is \$1,292,458 less than the total of the Budget estimates.

The amount recommended to be appropriated by the bill is generally classified as follows:

(1) Payment of judgments rendered against the United States by United States courts, claims allowed by the General Accounting Office and certified for appropriation, and claims adjusted under statutes and certified by Federal agencies for appropriations	\$3,000,000.00
(2) Deficiencies for Federal agencies not directly traceable to the war effort	5,444,332.55
(3) New law for replacement of lost, etc., checks	50,000.00
(4) Deficiency and supplemental amounts for the government of the District of Columbia due to municipal functions (payable from District of Columbia revenues)	398,563.00
(5) Deficiency and emergent supplemental amounts for Federal agencies, other than War and Navy Departments, directly caused by their participation in, and supplemental assistance to, the war effort (including \$100,000,000 to carry out the new law for civilian defense)	151,607,465.00
Total	160,590,041.43

The amounts comprised in category (5) above, comprising supplemental and deficiency amounts for Federal agencies directly caused by their participation in, and supplemental assistance to, the war effort, are as follows:

Government Printing Office (additional working capital, fiscal year 1942, on account of accelerated program for war agencies, not returned to the Treasury not later than Dec. 31, 1942)	\$2,000,000.00
Library of Congress (expenses of removal, security, etc., of valuable collections)	100,000.00
Civilian defense (new law—act of Jan. 27, 1942, local defense—fire-fighting equipment, organization and equipment of civilian defense workers, gas masks, etc.)	100,000,000.00
Employees' Compensation Commission (additional personnel, compensation benefits, etc., due to enlarged civilian personnel at Federal plants, military defenses, etc.)	352,500.00
Federal Communications Commission, radio monitoring stations, foreign transmitters, etc.	587,195.00
Public Health Service, additional funds for venereal disease control, malaria control, and training of nurses	4,395,000.00
Office of Education, equipment for training of workers for defense industry	10,000,000.00
Inter-American Highway, United States proportion toward construction in Central America pursuant to act of Dec. 26, 1941	7,000,000.00
Federal Bureau of Investigation, additional agents and clerical forces	2,150,000.00
Reimbursement to the President's emergency fund for advance made for civilian defense in Hawaiian Islands	15,000,000.00
Richardson Highway, Alaska, Valdez to Fairbanks, rehabilitation and straightening to serve military needs	2,200,000.00
Post Office Department, additional postal inspectors and expense of unusual conditions at post offices to meet postal needs in camps, environments, training centers, etc., for military and naval personnel	744,000.00
State Department, emergency fund to meet unusual conditions arising out of declarations of war and for additional contingent expenses of the Department due to war emergency	3,160,000.00
Treasury Department, additional expenses in connection with preparation for enlarged tax programs, guarding of piers, borders, etc., by Customs Service, additional Secret Service operatives and White House Police, and expenses of transportation of gold bullion from New York and San Francisco to interior points	1,610,770.00
Miscellaneous items	18,000.00
Total category (5)	151,607,465.00

FEDERAL EMPLOYMENT AT THE SEAT OF GOVERNMENT

Requests for additional employees for various agencies in the District of Columbia impel the committee to offer for consideration a suggestion for some mitigation of the desperate housing and office space problems. The War and Navy Departments are working on a 48-hour week and the Federal Bureau of Investigation is on a 45-hour week with an average overtime for its personnel that brings the week's work to more than 48 hours. Many departments and offices, though indirectly concerned with the war effort, are on a lower weekly schedule which does not exceed 44 hours with the usual Saturday half holiday still in effect. There is no doubt that considerable relief would be afforded if the work week in many offices is advanced to 48 hours. Such action would obviate the necessity in some instances of requesting additional personnel to carry added work loads and in other instances might permit the release of personnel for transfer to agencies badly needing them. A redistribution of personnel in this fashion, no matter how slight, would in that manner avoid the necessity of bringing other persons to Washington and further congesting the District. It would be no great injustice to request extra effort from Federal workers. Their Government is a liberal employer and in normal times has provided considerable employment on good salary schedules, liberal provision for annual and sick leave with pay, holiday and Saturday half-holiday leave with pay, periodic salary advancement, and generous retirement provisions. The burden of the war effort requires the utmost effort on the part of every Government employee and every other citizen. The committee believes that Federal workers in the District will patriotically and willingly work the extra time if that will contribute to relieve a situation that is rapidly getting worse. If more workers are brought into the District then can be accommodated by housing and office accommodations the more likelihood there is of present personnel being removed to other cities to make room for them.

The committee recommends early consideration of this phase of the Federal employment situation by administrative officials.

CIVILIAN DEFENSE

The act of January 27, 1942, authorizes an appropriation of \$100,000,000 for the purpose of providing facilities, supplies, and services for the adequate protection of persons and property from bombing attacks, sabotage, or other war hazards in such localities in the United States, its Territories and possessions as the Director of Civilian Defense may determine to be in need of such protection but unable to provide it and under such regulations as the President may approve.

The committee recommends the full amount of the authorization, \$100,000,000, which was requested by the President in House Document No. 597.

A general segregation of the amount is as follows:

Emergency fire fighting, including pumping units, hose, equipment for training and outfitting auxiliary corps and air raid wardens, research and experimentation, and expenses of procurement, inspection, accounting, and administration	\$57,217,371.00
Protective clothing, steel helmets, arm bands, including administration	7,906,544.00
Emergency medical supplies and equipment	4,590,290.00
Gas masks and creation of facilities for manufacture of gas masks	29,593,894.00
Total	100,000,000.00

The program of civilian defense is predicated upon affording this protection in such coastal areas and important strategic interior points as may be determined by military authorities. The plan, while worked out in detail upon a tentative basis, has been discussed quite fully with the Director of Civilian Defense and his military assistants. Much of this discussion and the details of equipment and operation do not appear in the printed hearings for obvious reasons. Enemy air raids upon continental United States are to be expected, but the general military opinion is that they cannot be conducted on a scale approaching in any degree the intensity or frequency of raids on England or the continent of Europe. The possibility exists, however, that such raids will come and, due to the character of warfare being waged by the Axis Powers, they will endeavor to conduct them with as great an element of surprise and in localities where they will hope to accomplish the most damage. Speculation on possible points of attack and special preparation there to the neglect of points where it might be thought that no attack would be likely should not be tolerated. Prudence requires preparation at all points which the enemy might reach with the character of attack that he would have to make considering his problem of reaching the United States and considering the damage that he would desire to inflict.

The committee's examination of the proposed detailed plans indicates that there is need for a resurvey of the tentative distribution of the equipment proposed to be procured and a deviation from any hard and fast rule of ratio implementation of communities within the coastal zone irrespective of their strategic or industrial importance. Some communities in the target area, because of their strategic location and industrial value to the war program, are certain to be potential marks for such sporadic raids as might occur. Other communities in the same zone because of their isolated location and lack of industrial importance would be less susceptible of concentrated attack though in possible danger from scattered units of an assaulting force.

The committee is advised that present plans do not require communities to make cash contributions to the program because of their financial inability and because the equipment and supplies required are solely due to the war. Communities are expected, however, to house, care for, and operate the equipment through their municipal organizations, either paid or volunteer.

Large numbers of citizens are volunteering and giving their time to local defense organization and training in all phases. That prepara-

tion should go forward rapidly at all points where it is deemed advisable. Much delay has already ensued and more will occur before the equipment can be procured and delivered in the quantities planned.

One phase of the program disturbing to the committee is that of gas masks. Thus far in this war gas attacks upon civilian populations have not been resorted to. This is no assurance, however, that such attacks might not be attempted upon our people. The appropriation recommended contains an allocation of \$29,593,894 for the creation of facilities to increase the rate of manufacture of masks for civilian use and also contains an amount for the manufacture of masks for volunteer personnel engaged in civilian defense and a limited number for general civilian use. The amount permitted for facilities and the amount for the production of masks are not adequate either to procure sufficient masks or to create adequate facilities for such production at an expeditious rate in order to protect the entire civilian population in the so-called target areas against a gas attack. The committee recommends funds in this bill to the limit authorized by the act of January 27, 1942, for civilian defense. It might be that some additional amounts could be allocated for gas masks or their production by reallocating some of the funds proposed to be assigned to other categories. Even if that should be possible, without neglecting those other phases of civilian defense, it is obvious that any sum so secured would be insufficient to increase to any adequate extent the number of masks that could be obtained. The Director of Civilian Defense advised the committee that it was his recommendation that 50,000,000 gas masks be provided for general civilian use. Without divulging the number that will be provided with these funds and the rate of manufacture that the new facilities will permit, it is evident that further administrative and legislative consideration should be promptly given to that important phase of civilian defense.

FEDERAL SECURITY AGENCY

Public Health Service.—Three items are recommended for the Public Health Service for the remainder of the fiscal year 1942: \$2,500,000 for the Division of Venereal Diseases, \$1,295,000 for emergency health and sanitation activities, and \$600,000 for the training of nurses. All three items are directly related to the health and welfare of the military forces and the civilian population.

The appropriation of \$2,500,000 for control of venereal diseases supplements the current appropriation to the Public Health Service of \$6,250,000. This latter sum is the amount regularly provided for cooperation with the States in promoting the program for eradication of these diseases. It is well known that venereal diseases become epidemic in wartime and their treatment, control, and prevention presents a serious problem for the military forces and the general public. They are a large factor in producing ineffectiveness in military personnel and industrial workers. The following excerpt from the testimony of Surgeon General Parran briefly epitomizes the need for additional money:

As you all realize, wartime aggravates the venereal-disease problems. Traditionally, venereal diseases have become epidemic in wartime.

As you know, under the Venereal Disease Control Act, passed in 1938, the Public Health Service has been cooperating with the States in developing a re-

operative program for the control of venereal diseases. The defense effort, and later the war effort, with the great migration of people and the concentration of people under new circumstances, have aggravated the problem. In addition to that, the selective-service regulations require that a serologic test be made on every boy before he is inducted into the Army. The first million examinations revealed about 47,000 cases of syphilis and 16,000 or 17,000 cases of gonorrhea. About half of those cases are not yet under treatment. Yet we have the opportunity, it seems to me, by more intensive measures, to trace down these foci of infection, and thereby accelerate the control of syphilis and gonorrhea greatly. Most of these cases of disease are in the early stages, highly infectious, and to prevent them from spreading the disease, it is very important that every one of those men should be brought under treatment.

The routine serologic tests made on employees in many war industries have brought many more new cases to light. If we expand our control measures vigorously, we have an opportunity to bring these newly discovered cases under treatment, control venereal disease more promptly, and make it less of a military health problem. Venereal diseases are still the largest cause of non-effectiveness in our military service.

Of the appropriation of \$2,500,000, the sum of \$2,250,000 is for allotment to States and \$250,000 is for use by the Public Health Service for emergency venereal-disease-control measures. The bases of allocation to States are population, prevalence of venereal disease, and financial need, and the amount determined by prevalence of disease is divided between normal needs and war needs. The committee was advised that slightly more than half of the proposed allotment to States would be based on the war needs. The Surgeon General is of the opinion that the amount now proposed is not fully adequate to meet the immediate situation but is all that can be effectively used, considering the problem of recruitment of the necessary trained professional and other personnel and provision of clinics and facilities of treatment.

The committee is advised that combatting the spread of venereal diseases, particularly with reference to the armed forces, does not always meet with the fullest cooperation of local authorities. Congress has enacted the May Act which is designed to meet the situation surrounding military and naval reservations. The program agreed upon between the Secretary of War, Secretary of the Navy, and the Federal Security Administrator is set forth on pages 302 and 303 of the hearings. No excuse for failure to cooperate should be tolerated from any local authority.

Great commendation is due Surgeon General Parron for the eminent leadership he has continuously maintained for adequate State and Federal programs in dealing with venereal diseases. Good progress has been made in reducing the incidence of the disease. Greater vigilance and accentuated effort are necessary now because of the war condition, both among the military and civilian populations, and the committee feels satisfied that intelligent direction is being given to meeting the problem as effectively as possible. With complete cooperation from all local authorities most gratifying results could be attained.

The sum of \$1,295,000 for emergency health and sanitation activities is to supplement a previous appropriation for the current fiscal year of \$3,175,000. The largest proportion of the amount recommended is for malaria control work in the vicinity of concentrations of military and naval personnel. The appropriation for the current fiscal year was predicated upon labor for this activity being furnished by Work Projects Administration workers. The inability to secure this labor

necessitates the provision of funds to the Public Health Service to hire it. Necessity also exists to extend the control to areas not contemplated prior to the outbreak of war. Additional funds are included for industrial hygiene, typhus control, plague control, and other emergency sanitation measures precipitated by the outbreak of war.

The sum of \$600,000 is recommended for the remainder of the current fiscal year to supplement the current appropriation of \$1,200,000 for training of nurses. The program is threefold: Refresher courses to bring into active nursing those who have left the profession, postgraduate courses in special fields for teachers, instructors, orthopedic nurses, etc., and courses for student nurses. The need for nurses for the military services and the civil population is becoming acute. During the first World War there were 30,000 trained nurses in the military services. Prior to the outbreak of this war the estimated need for additional nurses for the military services was 10,500 by June 30, next. There is already a shortage of nurses for civilian needs. The current appropriation provides for the training of approximately 3,000 student nurses, refresher courses for 3,000 inactive registered nurses, and postgraduate training for approximately 700. The amount recommended in the present bill will permit training for about 2,000 additional student nurses by enabling many schools to admit second classes this year, and to bring forward the admission of fall classes to May or June.

Office of Education—training of defense workers.—The sum of \$10,000,000 is allowed for payment to States to enable them to procure equipment for use in schools or other training centers for the vocational training and education of defense workers. This sum is advanced from the regular 1943 Budget to this bill in order to expedite procurement of the equipment and accelerate the training program.

Data presented to the committee indicate that 10,000,000 additional workers will be needed in the calendar year 1942 for war production over the additional number estimated to be required in the last quarter of the calendar year 1941. Many of these workers should have refresher and preemployment courses and many will need supplementary courses. The Budget estimates for training for the fiscal year 1943 contemplate the training of 1,325,000 persons in supplementary courses and 1,040,000 in preemployment and refresher courses. The number of training stations (schools, etc.) necessary to train those who are estimated to require it is 110,320 and the number at present equipped to do this character of work, including 15,000 now being equipped with funds already available, is 92,382, leaving a deficit of 18,000 of such stations to meet the estimated training program. The \$10,000,000 allowed is designed to equip these stations in order that they may be in operation as early as possible in this calendar year.

FEDERAL WORKS AGENCY

Inter-American Highway.—The act of December 26, 1941, authorizes an appropriation of \$20,000,000 to enable the Government of the United States to cooperate with the Governments of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama in the survey and construction of the Inter-American Highway within the borders of those countries. The act provides that the United States shall not provide for more than two-thirds of the expense of the construction

in any particular country and that the cooperating nation shall provide not less than one-third of the expense within its borders. On the basis outlined, the authorization of \$20,000,000 for the cooperation of the United States would require at least \$10,000,000 to be furnished by the cooperating nations, making a total of \$30,000,000 or more for highway construction and survey over a period of 4 or 5 years.

The purpose of the authorizing act is to accelerate construction and completion of the highway from the Texas border to the Panama Canal Zone, roadways totalling approximately 3,200 miles, one-half of which is in Mexico and the remainder in the other countries. Mexico has constructed 825 miles of continuous road from the Texas border and has constructed other noncontinuous sections and has additional construction under way. The policy of assistance has been determined by Congress and is based upon the economic, national defense, and good-neighbor factors.

The committee recommends the amount of the Budget estimate of \$7,000,000. This sum is predicated upon a total of cooperating funds being available from the nations involved of at least \$3,500,000 and the period of construction to be covered by the total of \$10,500,000 or more is approximately 1½ years.

Funds are in hand at the present time by three of the nations to require all of the \$7,000,000 of expenditure by the United States but it is not intended that the entire amount will be used in those countries. There is an obligation upon the United States to advance its proportion of the funds when the cooperating nation has accepted our proffer and provided its funds. The committee is advised that there is every reasonable assurance that all six of the countries named in the authorizing act will have funds available to carry on their part of the program either by local funds or by credits from the Export-Import Bank. The following table indicates this situation:

Country	Percent provided or better of better road	Percent available or better after spending proposed \$7,000,000 appropriation	Export-Import Bank credits presently available for highway construction	Local funds available other than bank credits	Total amount currently available to match Federal participation	Amount required to match proposed \$7,000,000 appropriation under proposed legislation
Panama to Canal	84	100			\$2,000,000	\$200,000
Costa Rica	15	35	\$2,200,000	\$250,000	2,450,000	1,000,000
Nicaragua	27	66	2,000,000	1,000,000	3,000,000	1,000,000
Honduras	38	38	(7)			200,000
Salvador	60	70	400,000	1,100,000	1,500,000	250,000
Guatemala	100	100		55,000	55,000	500,000

† This is an estimated balance believed available when other road matters in Panama are adjusted.

‡ Estimated credits for materials and supplies on hand and for equipment rentals.

§ An Export-Import Bank loan is under consideration.

The committee recommends the entire \$7,000,000 in the belief that the good faith of the Government of the United States is pledged to this program and that the benefits to result from the early completion of a continuous highway from the Texas-Mexican border to the Panama Canal Zone will result in important mutual benefits to all countries concerned.

DEPARTMENT OF THE INTERIOR

Reimbursement to President's emergency fund.—Subsequent to the attack on Pearl Harbor, the President allocated to the Interior Department from his emergency fund the sum of \$15,000,000 for defense in the Hawaiian Islands for protection, care, and relief of the civilian population, to be allocated and expended through cooperative effort of the Governor of Hawaii, the War Department, the Federal Security Agency, and the Office of Civilian Defense. The committee has not passed upon the necessity or details of the program for use of the \$15,000,000. Obviously, adequate and prompt action had to be taken by the President in order that measures might be initiated in the Hawaiian Islands for such protection. The action of the committee in providing the \$15,000,000 in this bill is solely to maintain a safe balance in the President's fund. It is apparent, considering the many aspects of emergency requirements that the President must meet, that the fund should be kept at a level adequate to meet the emergencies as they arise.

Richardson Highway, Alaska.—The Richardson Highway is an existing road running from the seaport of Valdez to Fairbanks, Alaska, a distance of 380 miles. The appropriation of \$2,200,000 recommended in the bill is for reconstruction and improvement to straighten sections of the road, replace bridges to carry heavier loads, and otherwise place the road in condition to meet transportation requirements incident to military necessities. Early provision of the money will enable advantage to be taken of the most favorable working conditions in the Territory and shorten the time required for completion of the improvements.

DEPARTMENT OF JUSTICE

Federal Bureau of Investigation.—The committee recommends the Budget estimate of \$2,150,000 for additional personnel and other expenses for the remainder of the present fiscal year. This is a companion item to the sum of \$3,800,000 now pending in the committee for this augmented force for the entire fiscal year 1943. The sum allowed will raise the total appropriations for the Bureau for the current fiscal year, emergency and regular, to \$24,100,000 and will necessitate a budget of \$29,636,787 in the next fiscal year. The new amount makes provision for 2,168 additional employees, consisting of 1,250 clerks and 918 agents, who, when recruited and added to the present organization, will bring it to a total of 10,919, consisting of 6,414 clerks and 3,605 agents.

The need for enlargement of the force arises from constantly expanding duties and mounting work load arising out of the war effort and greatly accentuated since the declaration of war. The accentuated burdens are in the fingerprinting, identification, national defense, and administrative divisions, as well as in the case load of agents in the field. The total number of fingerprints on file on January 1, 1941, was 15,000,000 and a year later, January 1, 1942, it had increased to 32,000,000. At the present rate of receipt of fingerprint records the work of handling them is falling in arrears about 10,000 per day. Continued increase in receipts of fingerprints is anticipated from the following sources: Civil Service Commission; United States Army; National Guard units; Selective Service trainees, where the rate of

induction is to be increased; Coast Guard; United States Navy Marine Corps; applicants in industrial plants; Maritime Commission; civilian defense organizations; alien visa and exit control (all aliens entering or leaving the country have to be fingerprinted); and the Civil Aeronautics Board (which requires fingerprints of all civilian pilots). In addition, many civic organizations are having their personnel fingerprinted.

Great commendation is due to Director Hoover and his staff of loyal executives, agents, and employees. Their record of devotion to the job is one that may well be emulated by some other branches of the Federal service. Last December the Saturday half holiday was discontinued and employes went on a 6-day 45-hour week at the seat of government. Operations are conducted on a three-shift basis through the 24-hour period. Supervisors are averaging 4 hours overtime a day and subordinate personnel is averaging 1½ hours overtime per day at the seat of government. Field agents are averaging 5 hours overtime and field clerks 2 hours overtime.

In spite of this unusual application the great press of work increases and it continues to fall in arrears. The number of cases for investigation in December 1941 was 35,000, more than double the number on hand in the previous December. The average case load per agent is 23 against a normally effective load of 10.

The plant-protection duties, activities in connection with sabotage, subversive elements, and aliens, have been accentuated since the declaration of war and will continue to increase with the intensity of volume of the national effort.

The Bureau is performing exceedingly valuable service supplemental to the war program and is doing it with application on the part of all of its staff that is worthy of the heartiest commendation and support. Excessive overtime should be relieved wherever possible and arrears of important work brought current as rapidly as possible through the recruitment of the additional personnel. The committee approves the Budget estimate as submitted in the expectation that it will serve to meet the present and growing needs.

POST OFFICE DEPARTMENT

The amount recommended for the Department totals \$2,377,765, of which \$1,633,765 represents deficiencies for the fiscal years 1941 and 1942 caused by increased postal business and \$744,000 represents amounts directly traceable to burdens placed on the Department because of military activities.

The sum of \$114,000 is allowed for salaries and traveling expenses of 100 additional postal inspectors for an average of 3 months in the current fiscal year. This action corresponds with the provision in the Post Office appropriation bill for 1943, which has just passed the House, carrying the 100 additional inspectors for all of that fiscal year. The inauguration and maintenance of mail service in camps, cantonments, and other military and naval stations has required a large force of inspectors and the further expansion of the military and naval forces will further increase the burden.

Additional sums of \$300,000 each are provided for miscellaneous items at first- and second-class post offices and unusual conditions at post offices. Each of these deals with emergency conditions which

cannot be anticipated in connection with regular items of appropriation and are particularly uncertain in connection with Postal Service for military and naval stations and unforeseen circumstances arising in connection with shifts of population to new plants and other war-production sites.

Budget requests were submitted for additional personnel for a number of bureaus and offices of the Department. These were based upon additional work resulting from the increase in volume of postal business. The committee has denied all of these requests for the remainder of the current fiscal year, believing that such of them as are urgent are appropriately provided for the new fiscal year commencing July 1 next in the Post Office appropriation bill which has just passed the House. In this connection attention is invited to a section in this report dealing with the hours of work in Federal agencies generally at the seat of government during the war period.

DEPARTMENT OF STATE

Two items for the Department consist of \$5,000,000 for emergencies arising in the Diplomatic and Consular Service and \$150,000 for the departmental contingent fund.

The declaration of war has placed many unusual and unpredictable expenses upon the emergency fund for the maintenance in the United States of officials of countries with whom we are at war prior to their return home, the repatriation of American citizens, and the expenses incurred by the Swiss Government in representing the United States in enemy countries. The present appropriation of \$1,500,000 for emergencies is overobligated and commitments have been made which will absorb \$3,000,000 of the amount now allowed. The necessities are unpredictable and the Department must be implemented with funds to meet them as and wherever they may arise.

The Department contingent fund of \$150,000 provides equipment, supplies, and services on account of the expanded personnel required to transact the large volume of work that has arisen out of the declaration of war.

TREASURY DEPARTMENT

The total amount recommended for the Treasury Department is \$3,247,913.57. Of this sum \$50,000 is required to carry into effect the new law providing a revolving fund for the replacement of Government checks which have been forged, lost, or stolen, \$1,585,900 is required to meet deficiencies in current appropriations, principally to keep the mints operating on a 24-hour basis, 7 days a week, to meet demands for coin, and \$1,610,770 to meet emergencies growing out of the declarations of war. This latter sum is divided as follows:

60 additional operatives and 20 additional clerks for the Secret Service	\$220,000
60 additional White House Police to replace a like detail of Metropolitan Police	60,770
600 guards for the Customs Service to increase coverage of piers, docks, warehouses, vessels, border stations, etc., to provide 24-hour watch at critical points	471,000
For the removal of \$1,000,000,000 in gold from New York to Fort Knox and one-half billion in gold from San Francisco to Denver, plus reserve funds to make further transfers from these points if occasion requires	500,000

Emergency fund for the Department on account of increased operating expenses to meet new duties and preparation of data for new tax programs including \$80,000 for preparation and distribution of a motion-picture film to stimulate public interest in the payment of income taxes.

\$350,000

The item of \$80,000 for preparation and distribution of a motion-picture film to stimulate public interest in the payment of income tax has aroused some discussion as to the effectiveness and practicability of this method of advising taxpayers of their responsibilities.

The film is a Donald Duck production from the studios of Mr. Walt Disney, who has made the film at actual cost (approximately \$40,000) for the Government. The other \$40,000 is for 1,000 reproductions in order that it may be shown in from 10,000 to 12,000 motion-picture theaters in the United States prior to March 15. These arrangements have been made without cost to the United States. The showing of the film requires about 7 minutes. Some members of the subcommittee preparing this bill had an opportunity to see this film at the Treasury Department recently. It no doubt will have a stimulating effect on many persons who otherwise will not have forcibly presented to them the importance of the tax program to the war effort.

Between six and seven million new taxpayers will be required to file returns this year on account of 1941 taxes. Already 6,000,000 taxpayers are filing returns, many of whom do not realize the substantial increases they will have to pay during 1942. The Treasury Department is endeavoring to enlighten all taxpayers in three ways: By radio, by printed pamphlets, and by this motion picture. It has been found that no one method of information is sufficient to reach all sections of the population. Between 65,000,000 and 80,000,000 people attend the motion pictures once a week. It is certain that a large proportion of the 6,000,000 or 7,000,000 persons who have not heretofore had to pay income taxes will thus be apprised of their new obligation who otherwise would not have been reached by radio or printed matter and a large proportion of the other 15,000,000 who will have largely increased tax burdens under the new law will likewise be apprised of their added responsibilities.

Expenses of loans.—The Budget request provides that the amount for expenses of loans for the current fiscal year be increased from \$9,800,000 to \$27,250,000. The committee recommends that the total be limited to \$25,000,000.

This appropriation provides all expenses connected with the loan program, including not only expenses of sales promotion, but all expenses connected with printing bonds, handling, registering, and otherwise accounting for all of the program currently carried on.

The current allotment of \$9,800,000 is practically obligated as of the 1st of February and the increase of \$16,200,000 is applicable to the remaining 5 months of the current fiscal year. The Budget estimate contemplated the addition of 880 paid employees in field offices for sales promotion of defense bonds. The present paid staff in field offices totals approximately 200 and the volunteer personnel approximates 100,000. The Budget request has been reduced by \$1,250,000. The committee believes that greater emphasis should be placed in securing volunteers for direction of this patriotic work and not increasing in such large proportion the quota of paid field workers.

The Treasury Department has a tremendous task to meet the taxing and borrowing requirements of the fiscal year 1943 expenditure program estimated now at \$59,000,000,000. Taking into consideration estimated revenues from present and proposed taxation, the estimated increase in the public debt by the end of the fiscal year 1943 to meet the Budget deficit would be \$40,000,000,000. Obviously as much of Federal borrowing as can be placed among the largest number of persons in the United States will have a wholesome effect both from the standpoint of having the financing of the war effort distributed as widely as possible and of securing the investment of as much as possible of surplus earnings of the general public in savings instead of competing in the market for a curtailed supply of civilian goods thereby stimulating the tendency to inflation.

The following table shows the sales of savings bonds by months since May 1941:

United States savings bonds—Sales since May 1, 1941, by months, on basis of issue price

(In thousands of dollars)

Month	Series E			Series F	Series G	Total
	Post office	Banks	Total			
May	42,836	57,745	100,581	37,617	211,420	349,618
June	60,788	61,726	102,517	28,970	183,134	314,827
July	91,556	94,717	145,274	27,350	199,499	342,022
August	40,725	76,378	117,603	20,318	127,082	265,606
September	38,147	67,125	105,272	16,660	108,067	212,227
October	41,634	81,250	122,884	22,903	134,986	278,712
November	27,097	71,478	98,575	16,987	105,033	203,497
December	100,154	237,580	341,085	33,272	154,242	528,599
Total	393,911	746,550	1,144,660	297,682	1,184,687	2,637,229

Office of the Secretary of the Treasury, Division of Research and Statistics, Jan. 1, 1942.

Note:—Figures have been rounded to nearest thousand and will not necessarily add to totals.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

It will be noted that sales in the month of December last reached \$528,000,000 against \$350,000,000 in the highest previous month and sales for the month of January last aggregated \$1,060,000,000. It is an interesting fact that \$667,000,000 of the latter amount resulted from sales of the E bonds (those salable only to individuals with a maximum sale to any individual in any 1 calendar year of not to exceed \$5,000).

In a period of 9 months of the sales effort ending with January, bonds had been sold to 7,000,000 different purchasers. The Treasury Department estimates that 50,000,000 persons in the United States have salaries or wages or some other form of regular income. It is the desire of the Department to sell bonds to as many in that group as possible. The Department's goal is to endeavor to have at least 30,000,000 purchasers.

DISTRICT OF COLUMBIA

The total sum recommended for the municipal government is \$398,803, which is \$160,633 less than the total of the Budget estimates. On suggestion of the Commissioners, items for the Elec-

tral Department, Purchasing Division, Office of Civilian Defense and school building equipment, totaling \$88,085, have been eliminated. The estimate of \$36,000 to supplement previous appropriations for the construction and equipment of a new receiving home for children is not allowed. The committee is of the opinion that it will not be possible to secure priorities for the necessary equipment and supplies, and rental for continuance in the present quarters is provided for the remainder of the present fiscal year.

Provision is made for salaries and equipment for 95 additional members of the Metropolitan Police on the basis of an average of 4 months' employment in the current fiscal year instead of 5 months as provided by the Budget estimate. After the declaration of war it became necessary to assign 60 patrolmen to duty at the White House. While provision is made in this bill for that number of White House Police to release this detail, the committee is advised by the Superintendent of Police that the additional number now recommended is necessary to perform unusual protective duties brought about by the war. These assignments have been canvassed with Major Kelly and the committee is convinced that the additional number is necessary.

The estimates requested a total of \$127,468 for the Home for the Aged and Infirm. The committee recommends \$106,000. During the past year or so there has been universal criticism of conditions prevailing at Blue Plains where approximately 600 inmates whose average age is 65 are housed. Consideration has been given by Congress and the Board of Commissioners to abandoning the present institution and seeking a new site and erecting a new home. Due to the outbreak of war all such expectations had to be abandoned resulting in the presentation of this estimate to improve the care given these old people, to give them a better diet, and to repair and otherwise improve the old buildings so as to remove the fire hazard and make them more sanitary.

The estimates contemplated the addition of 49 additional employees for a period of 6 months and additional food, clothing, bedding, and equipment. The amount recommended includes 35 additional employees on a 4 months' basis and makes provision for additional food for the same period. The additional employees provide 3 nurses, 16 hospital attendants, 3 supervisors of dormitory and dining room attendants, 2 night watchmen, 1 mechanic, and 10 ward and dining room attendants. The committee has eliminated those positions which do not relate directly and immediately to the care and comfort of these old people; their consideration can wait until the regular annual bill. The total staff at Blue Plains with this additional force will be 100 including all classes of employees—nurses, attendants, cooks, helpers, laborers, etc.—or an average of 1 for every 6 inmates. The average age of the inmates, 65, indicates the degree of care that is necessitated. Of the total number of approximately 600, there are 135 who are hospitalized and 150 are wheel-chair cases.

The amount allowed for repairs and improvements contemplates no elaborate changes. More sanitary and additional plumbing, some new kitchen equipment, painting, repairs to floors, repairs to plastering, fire alarm system, etc., in the minimum amount to place the buildings in a more habitable condition.

The item of \$110,000 for the District of Columbia armory is the final installment to complete construction of the project.

A total of \$6,940 is allowed for six additional members of the Park Police to raise the total to 78. The sum includes equipment and provides salaries on the basis of 4 months of the present fiscal year. The outbreak of war has placed additional protective duties on the force and while an increased increment of 17 was sought by the superintendent the Commissioners have approved funds only for the 6 recommended.

LIMITATIONS AND LEGISLATIVE PROVISIONS

The following limitations or legislative provisions not heretofore enacted in connection with any appropriation bill are recommended:

On page 3, in connection with civilian defense:

* * * (which regulations may provide exemption from the requirements of section 3709 of the Revised Statutes) * * *

On page 5, in connection with the Employees' Compensation Commission:

Provided, That section 3709, Revised Statutes, shall not apply to any purchase or service outside continental United States when the unit aggregate amount involved does not exceed \$500.

On page 8, in connection with the Inter-American Highway:

Provided, That expenditures hereunder may be made without regard to section 3709, Revised Statutes.

On page 8, in connection with the Selective Service System:

During the period of the emergency declared by the President on May 27, 1941, so much of section 6 of the Act approved May 6, 1939 (53 Stat. 985), as amended by section 2 of the Act approved June 30, 1939 (53 Stat. 989), as requires the head of each independent establishment or executive department (other than the Post Office Department) to submit to the Postmaster General quarterly reports relating to mail matter which has been transmitted free of postage, is hereby suspended, insofar as the Selective Service System is concerned.

On page 17, in connection with the Post Office Department:

Provided, That the number of inspectors that may be employed for the remainder of the fiscal year 1942 is hereby increased from six hundred and thirty-five to seven hundred and thirty-five.

On page 23:

The appropriation "Salaries and expenses, Procurement Division," contained in the Treasury Department Appropriation Act, 1942, is hereby made available for the payment of per diem employees engaged in work in connection with operations of the fuel yards at rates of pay approved by the Secretary of the Treasury, not exceeding current rates for similar services in the District of Columbia, and the second paragraph under the caption "Procurement Division" in such Act is hereby amended by adding after the words "District of Columbia" the words "and areas adjacent thereto."

FIRST DEFICIENCY APPROPRIATION BILL, FISCAL YEAR 1942

Comparative statement of the amounts requested in the Budget estimates, the amounts recommended in the accompanying bill, and the increase or decrease in the Budget estimates compared with the amounts recommended in the bill

[The year noted after each item indicates the fiscal year]

House Doc. No.	Department or agency	Amount of Budget estimates, fiscal year 1942 and prior years	Amount recommended in bill, fiscal year 1942 and prior years	Increase (+) or decrease (-), bill com- pared with Budget estimates
TITLE I.—GENERAL APPROPRIATIONS				
LEGISLATIVE				
HOUSE OF REPRESENTATIVES				
598	Special and select committees, 1942.....	\$125,000.00	\$110,000.00	-\$15,000.00
598	Reporting committee hearings, 1942.....	15,000.00	15,000.00	
	Total, House of Representatives.....	140,000.00	125,000.00	-15,000.00
OFFICE OF LEGISLATIVE COUNSEL				
	Salaries and expenses, 1942.....		1,500.00	+1,500.00
LIBRARY OF CONGRESS				
565	Security of collections, 1942.....	203,000.00	100,000.00	-103,000.00
GOVERNMENT PRINTING OFFICE				
565	Working capital, 1942.....	2,000,000.00	2,000,000.00	
	Total, legislative.....	2,343,000.00	2,226,500.00	-116,500.00

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THE JUDICIARY				
569	Salaries and expenses of clerks, United States courts, 1942.....	25,000.00	25,000.00	
EXECUTIVE OFFICE OF THE PRESIDENT				
OFFICE FOR EMERGENCY MANAGEMENT				
597	Civilian defense, 1942.....	100,000,000.00	100,000,000.00	
INDEPENDENT EXECUTIVE AGENCIES				
EMPLOYEES' COMPENSATION COMMISSION				
592	Salaries and expenses, 1942.....	72,500.00	72,500.00	
592	Printing and binding, 1942.....	5,000.00	5,000.00	
592	Employees' compensation fund, 1942.....	500,000.00	400,000.00	-100,000.00
592	Salaries and expenses, military bases (national defense), 1942.....	175,000.00	175,000.00	
	Total, Employees' Compensation Commission.....	752,500.00	652,500.00	-100,000.00
FEDERAL COMMUNICATIONS COMMISSION				
557	National defense activities, 1942.....	587,195.00	587,195.00	
FEDERAL SECURITY AGENCY				
PUBLIC HEALTH SERVICE				
590	Expenses, Division of Venereal Diseases, 1942.....	2,500,000.00	2,500,000.00	
602	Emergency health and sanitation activities (national defense), 1942.....	1,295,000.00	1,295,000.00	
602	Training for nurses (National defense), 1942.....	600,000.00	600,000.00	
	Total, Public Health Service.....	4,395,000.00	4,395,000.00	

Comparative statement of the amounts requested in the Budget estimates, the amounts recommended in the accompanying bill, and the increase or decrease in the Budget estimates compared with the amounts recommended in the bill—Con.

[The year noted after each item indicates the fiscal year]

House Doc. No.	Department or agency	Amount of Budget estimates, fiscal year 1942 and prior years	Amount recommended in bill, fiscal year 1942 and prior years	Increase (+) or decrease (-), bill com- pared with Budget estimates
	TITLE I.—GENERAL APPROPRIATIONS—Continued			
	INDEPENDENT EXECUTIVE AGENCIES—Continued			
	OFFICE OF EDUCATION			
602	Salaries and expenses, Forum Advisory Service, 1942.....	\$12,035.00		-\$12,035.00
602	Education and training, defense workers (national defense), 1942.....	10,000,000.00	\$10,000,000.00	
	Total, Office of Education.....	10,012,035.00	10,000,000.00	-12,035.00
	Total, Federal Security Agency.....	14,407,035.00	14,395,000.00	-12,035.00
	FEDERAL WORKS AGENCY			
	PUBLIC ROADS ADMINISTRATION			
568	Inter-American Highway, 1942.....	7,000,000.00	7,000,000.00	
	NATIONAL MEDIATION BOARD			
576	Salaries and expenses, National Railroad Adjustment Board, 1942.....	¹ 22,500.00	¹ 22,500.00	
	Total, independent executive agencies.....	22,769,230.00	22,657,195.00	-112,035.00

18 FIRST DEFICIENCY APPROPRIATION BILL, 1943

DISTRICT OF COLUMBIA				
SALARIES AND EXPENSES				
559	Purchasing Division, 1942.....	1,530.00		-1,530.00
591	Recorder of Deeds, rent, 1942.....	6,250.00	6,250.00	
559	Office of Superintendent of Weights, Measures, and Markets, con- tingent expenses, 1942.....	250.00	250.00	
	Minimum Wage and Industrial Safety Board, 1942.....		5,320.00	+5,320.00
559	Office of Civilian Defense, salaries and expenses, 1942.....	10,000.00		-10,000.00
559	District of Columbia employees' compensation fund, 1942.....	8,000.00	8,000.00	
	Total, salaries and expenses.....	26,030.00	19,820.00	-6,210.00
	CONTINGENT AND MISCELLANEOUS EXPENSES			
559	Printing and binding, 1942.....	10,000.00	7,500.00	-2,500.00
559	Electrical Department, general supplies, 1942.....	1,000.00		-1,000.00
	METROPOLITAN POLICE			
591	Salaries of officers and men, 1942.....	67,363.00	53,890.00	-13,473.00
591	Miscellaneous and contingent expenses, 1942.....	2,680.00	2,680.00	
591	Uniforms, 1942.....	7,125.00	7,125.00	
	Total, Metropolitan Police.....	77,168.00	63,695.00	-13,473.00
	PUBLIC SCHOOLS			
559	Miscellaneous, 1942.....	75,555.00		-75,555.00
559	School buildings and playground sites, 1941.....	10,000.00	10,000.00	

¹ And authority to transfer not to exceed \$2,500 from appropriation "Printing and binding, National Railroad Adjustment Board, National Mediation Board, 1942."

FIRST DEFICIENCY APPROPRIATION BILL, 1943

19

Comparative statement of the amounts requested in the Budget estimates, the amounts recommended in the accompanying bill, and the increase or decrease in the Budget estimates compared with the amounts recommended in the bill—Con.

20

[The year noted after each item indicates the fiscal year]

House Doc. No.	Department or agency	Amount of Budget estimates, fiscal year 1942 and prior years	Amount recommended in bill, fiscal year 1942 and prior years	Increase (+) or decrease (-), bill com- pared with Budget estimates
	TITLE I.—GENERAL APPROPRIATIONS—Continued			
	DISTRICT OF COLUMBIA—Continued			
	FIRE DEPARTMENT			
559	Miscellaneous, 1942.....	\$7,700.00	\$7,700.00	
	PUBLIC WELFARE			
591	Division of Child Welfare, maintenance of receiving home for children, 1942.....	2,750.00	2,750.00	
559	Receiving home, additional amount for constructing new building, 1942.....	36,000.00		-\$36,000.00
	Home for Aged and Infirm:			
559	Personal services, 1942.....	27,320.00	13,000.00	-14,320.00
559	Repairs and improvements, 1942.....	48,000.00	48,000.00	
559	Provisions, and so forth, 1942.....	52,148.00	45,000.00	-7,148.00
	Total, Home for Aged and Infirm.....	127,468.00	106,000.00	-21,468.00
	Total, Public Welfare.....	166,218.00	108,750.00	-57,468.00

FIRST DEFICIENCY APPROPRIATION BILL, 1942

	MILITIA			
559	Completing construction of armory, 1942.....	110,000.00	110,000.00	
	NATIONAL CAPITAL PARKS			
559	Salaries, Park Police, 1942.....	6,125.00	4,085.00	-2,040.00
559	Uniforms and equipment, Park Police, 1942.....	2,855.00	2,855.00	
	HIGHWAY FUND, GASOLINE TAX AND MOTOR VEHICLE FEES			
591	Police traffic control, 1942.....	11,887.00	9,500.00	-2,387.00
	WATER SERVICE			
559	Washington Aqueduct, operation and maintenance, 1942.....	34,360.00	34,360.00	
559	Site for water tank, vicinity of Alabama and Massachusetts Aves. SE., 1942.....	5,000.00	5,000.00	
559	Judgments, payment of.....	15,538.00	15,538.00	
	Total, District of Columbia.....	559,436.00	398,803.00	-160,633.00
	DEPARTMENT OF AGRICULTURE			
594	Forest Service, fighting forest fires, 1942.....	2,050,000.00	2,050,000.00	
	DEPARTMENT OF THE INTERIOR			
	GENERAL LAND OFFICE			
603	Revested Oregon and California Railroad and reconveyed Coos Bay Wagon Road Grant Lands, Oregon, 1942.....	18,000.00	18,000.00	
	GEOLOGICAL SURVEY			
596	Mineral leasing, 1941.....	668.53	668.53	

FIRST DEFICIENCY APPROPRIATION BILL, 1942

21

Comparative statement of the amounts requested in the Budget estimates, the amounts recommended in the accompanying bill, and the increase or decrease in the Budget estimates compared with the amounts recommended in the bill—Con.

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House Doc. No.	Department or agency	Amount of Budget estimates, fiscal year 1943 and prior years	Amount recommended in bill, fiscal year 1942 and prior years	Increase (+) or decrease (-), bill compared with Budget estimates
TITLE I—GENERAL APPROPRIATIONS—Continued				
DEPARTMENT OF THE INTERIOR—Continued				
GOVERNMENT IN THE TERRITORIES				
596	Relief and civilian defense, Hawaii, 1942.....	\$15,000,000.00	\$15,000,000.00	
603	Reconstruction and improvement, Richardson Highway, Alaska, 1942.....	2,200,000.00	2,200,000.00	
	Total, Department of the Interior.....	17,218,668.53	17,218,668.53	
DEPARTMENT OF JUSTICE				
FEDERAL BUREAU OF INVESTIGATION				
569	Salaries and expenses (emergency), 1942.....	2,150,000.00	2,150,000.00	
579	Claims for damages, 1942.....	151.20	151.20	
	Total, Department of Justice.....	2,150,151.20	2,150,151.20	
NAVY DEPARTMENT				
OFFICE OF THE SECRETARY				
578	Damage claims, 1942.....	771.41	771.41	

22

FIRST DEFICIENCY APPROPRIATION BILL, 1942

House Doc. No.	Department or agency	Amount of Budget estimates, fiscal year 1943 and prior years	Amount recommended in bill, fiscal year 1942 and prior years	Increase (+) or decrease (-), bill compared with Budget estimates
POST OFFICE DEPARTMENT				
(Out of postal revenues)				
OFFICE OF THE POSTMASTER GENERAL				
595	Salaries, Office of Budget and Administrative Planning, 1942.....	22,900.00		-\$22,900.00
SALARIES IN BUREAUS AND OFFICES				
595	Office of First Assistant Postmaster General, 1942.....	14,400.00		-14,400.00
595	Office of Second Assistant Postmaster General, 1942.....	3,750.00		-3,750.00
595	Office of Third Assistant Postmaster General, 1942.....	3,165.00		-3,165.00
595	Office of the Solicitor, 1942.....	8,265.00	8,265.00	
595	Office of the Chief Inspector 1942.....	9,200.00		-9,200.00
595	Bureau of Accounts, 1942.....	3,675.00		-3,675.00
595	Office of the Purchasing Agent, 1942.....	1,200.00		-1,200.00
	Total, salaries in bureaus and offices.....	43,655.00	8,265.00	-35,390.00
CONTINGENT EXPENSES				
595	Printing and binding, 1942.....	200,000.00	200,000.00	
	Total, departmental service.....	266,555.00	208,265.00	-58,290.00
FIELD SERVICE				
OFFICE OF CHIEF INSPECTOR				
595	Post-office inspectors, salaries, 1942.....	135,400.00	65,000.00	-70,400.00
595	Post-office inspectors, travel and miscellaneous expenses, 1942.....	69,600.00	49,000.00	-20,600.00
	Total, Office of Chief Inspector.....	205,000.00	114,000.00	-91,000.00

FIRST DEFICIENCY APPROPRIATION BILL, 1942

23

Comparative statement of the amounts requested in the Budget estimates, the amounts recommended in the accompanying bill, and the increase or decrease in the Budget estimates compared with the amounts recommended in the bill—Con.

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House Doc. No.	Department or agency	Amount of Budget estimates, fiscal year 1943 and prior years	Amount recommended in bill, fiscal year 1942 and prior years	Increase (+) or decrease (-), bill com- pared with Budget estimates
	TITLE I.—GENERAL APPROPRIATIONS—Continued			
	POST OFFICE DEPARTMENT—Continued			
	Field Service—Continued			
	OFFICE OF THE FIRST ASSISTANT POSTMASTER GENERAL			
595	Compensation of postmasters, 1941.....	\$300,000.00	\$300,000.00	
595	Detroit River postal service, 1941.....	500.00	500.00	
595	Special delivery fees, 1941.....	125,000.00	125,000.00	
595	Unusual conditions at post offices, 1942.....	580,000.00	300,000.00	-\$280,000.00
595	Miscellaneous items, first- and second-class post offices, 1942.....	600,000.00	300,000.00	-300,000.00
	Total, Office of First Assistant.....	1,605,500.00	1,025,500.00	-580,000.00
	OFFICE OF THE SECOND ASSISTANT POSTMASTER GENERAL			
595	Star Route Service, Alaska, 1942.....	30,000.00	30,000.00	
595	Domestic air-mail service, 1942.....	(?)		

24 FIRST DEFICIENCY APPROPRIATION BILL, 1943

	OFFICE OF THE FOURTH ASSISTANT POSTMASTER GENERAL			
595	Vehicle service, 1942.....	1,000,000.00	1,000,000.00	
	Total, field service.....	2,840,500.00	2,160,500.00	-671,000.00
	Total, Post Office Department.....	3,107,055.00	2,377,765.00	-729,290.00
	DEPARTMENT OF STATE			
577	Contingent expenses, 1942.....	150,000.00	150,000.00	
556	Emergencies arising in the Diplomatic and Consular Service, 1942.....	5,000,000.00	5,000,000.00	
	Total, Department of State.....	5,150,000.00	5,150,000.00	
	TREASURY DEPARTMENT			
	OFFICE OF THE SECRETARY			
593	Consolidated emergency fund, 1942.....	400,000.00	350,000.00	-50,000.00
	BUREAU OF ACCOUNTS			
593	Contingent expenses, public moneys, 1942.....	150,000.00	150,000.00	
593	Refund of moneys erroneously received, 1942.....	40,000.00	40,000.00	
	BUREAU OF THE PUBLIC DEBT			
558	Expenses of loans, 1942.....	(?)	(?)	
	OFFICE OF THE TREASURER OF THE UNITED STATES			
593	Check forgery insurance, 1942.....	50,000.00	50,000.00	

FIRST DEFICIENCY APPROPRIATION BILL, 1943

² Limitation on amount available for personal services in District of Columbia increased from \$64,500 to \$67,350.

³ Limitation of amount which may be obligated under indefinite appropriation "Expenses of loans, act of Sept. 24, 1917, as amended and extended", Second Deficiency Act, 1941, increased from \$9,800,000 to \$27,250,000.

⁴ Limitation in note (?) increased from \$9,800,000 to \$26,000,000.

25

Comparative statement of the amounts requested in the Budget estimates, the amounts recommended in the accompanying bill, and the increase or decrease in the Budget estimates compared with the amounts recommended in the bill—Con.

[The year noted after each item indicates the fiscal year]

House Doc. No.	Department or agency	Amount of Budget estimates, fiscal year 1942 and prior years	Amount recommended in bill, fiscal year 1942 and prior years	Increase (+) or decrease (-), bill compared with Budget estimates
TITLE I.—GENERAL APPROPRIATIONS—Continued				
TREASURY DEPARTMENT—Continued				
BUREAU OF CUSTOMS				
593	Salaries and expenses, 1942.....	\$471,000.00	\$471,000.00	
SECRET SERVICE DIVISION				
593	Suppressing counterfeiting and other crimes, 1942.....	229,000.00	229,000.00	
593	Salaries, White House Police, 1942.....	74,000.00	50,000.00	-\$24,000.00
593	Uniforms and equipment, White House Police, 1942.....	10,770.00	10,770.00	
	Total, Secret Service Division.....	313,770.00	289,770.00	-24,000.00
BUREAU OF THE MINT				
593	Transportation of bullion and coin, 1942.....	600,000.00	500,000.00	-100,000.00
593	Salaries and expenses, mints and assay offices, 1942.....	1,395,900.00	1,395,900.00	
COAST GUARD				
587	Claims for damages, operation of vessels, 1942.....	1,243.57	1,243.57	
	Total, Treasury Department.....	3,421,913.57	3,247,913.57	-174,000.00

FIRST DEFICIENCY APPROPRIATION BILL, 1942

WAR DEPARTMENT				
MILITARY ACTIVITIES				
OFFICE OF THE SECRETARY				
580	Claims for damages to and loss of private property, 1942.....	4,955.71	4,955.71	
CIVIL FUNCTIONS				
586	Claim for damages, river and harbor work, 1942.....	100.00	100.00	
	Total, War Department.....	5,055.71	5,055.71	
	Total, title I.....	158,800,281.42	157,507,823.42	-1,292,458.00
TITLE II—JUDGMENTS AND AUTHORIZED CLAIMS				
574	Property damage claims, 1942.....	51,493.37	51,493.37	
572	Judgments, United States Courts.....	55,237.21	55,237.21	
582	Judgments, Court of Claims.....	714,206.80	714,206.80	
573	Audited claims allowed by General Accounting Office.....	1,915,851.00	1,915,851.00	
571 581 583 584 588	Special claims allowed by General Accounting Office.....	180,561.27	180,561.27	
575	Claims allowed by General Accounting Office (War with Spain, Philippine travel pay claims).....	165,438.36	165,438.36	
	Total, title II.....	3,082,788.01	3,082,788.01	
	Grand total, titles I and II.....	161,883,069.43	160,590,611.43	-1,292,458.00

FIRST DEFICIENCY APPROPRIATION BILL, 1942

27

...by closing that it may not
...to see some dancers on the
...but if any of you men wore the
...of the country in the last war—
...will know how I feel when I
...that I witnessed the chance to have
...restoration in the camps when
...changes were brought there and
...When programs went on. One of the
...Mr. Chairman, who put on such
...that helped entertain the sol-
...and provide recreation in the camps
...in the last war, was one of our own
...the late distinguished
...from Massachusetts, Mr.
...He was one of those who ap-
...to the camps and helped put on
...and shows in the camp. This
...to ridicule the program of
...the administration.

Mr. LELAND M. FORD, Mr. Chair-
man, will the gentleman yield?

Mr. HOOK, I yield.
Mr. LELAND M. FORD, Does the
gentleman believe it inspires confidence
in our people to find that those whom we
think are volunteers in this program
volunteer for \$22 a day, \$8,000 a year,
\$4,000 a year for those purposes?

Mr. HOOK, Does the gentleman be-
lieve it inspires confidence in the Nation
for him to keep continuously ridiculing
the program, referring to isolated articles
that may be picked out as shining
shafts for his argument but which may
be isolated occurrences?

Mr. LELAND M. FORD, Will the
gentleman answer my question?
(After the gavel fell.)

Mr. CANNON of Missouri, Mr. Chair-
man, unfortunately the debate to which
we have listened so seriously as it has
been presented, is entirely beside the
point, because the money for the pur-
pose to which the gentleman referred
and the money in which this amendment
is directed is money that has already
been appropriated to the Office of Emer-
gency Management and by them dele-
gated to Civilian Defense. In other
words there is not a word in the pro-
posed amendment that would apply to
this bill because the text of the bill itself
precludes the spending of money for any
purpose short of the purchase and admin-
istering of this equipment; and in order
to make it emphatic the House has just
adopted, unanimously, a committee
amendment further emphasizing that
restriction and preventing the use of
money for any such purpose. There
would therefore be no purpose in adopt-
ing such an amendment. It could have
been done even if it were adopted.

Mr. WOODRUM of Virginia, Mr.
Chairman, will the gentleman yield?

Mr. CANNON of Missouri, I yield to
my friend the gentleman from Virginia,
Mr. WOODRUM.

Mr. WOODRUM of Virginia, As the
gentleman says, it has been repeatedly
stated today, not only by the chairman
of the bill but by the dis-
tinguished gentleman from New York,
that some of the funds of this \$100,000,
and may be used for any of the purposes
which have been mentioned here today.

Administrative funds of the Office
of Civilian Defense on which they are

now operating and out of which they are
now paying these salaries were allocated
by the Office for Emergency Management.
This Office must shortly come before
the Appropriations Committee for their
funds for the next fiscal year, and at
that time I believe the House can be
definitely assured the Appropriations
Committee will go into the matter very
carefully, look into all these charges,
and when that bill comes here amend-
ments regulating these appropriations
will be in order and it will be entirely
appropriate to limit them. But even the
adoption of this amendment would be
a gesture, an idle gesture, for it would
not put a limitation on this fund which
cannot be reached through this bill any-
way.

Mr. CANNON of Missouri, The gen-
tleman from Virginia has accurately
stated the situation and has indicated
clearly the remedy. Very shortly we shall
have before us a bill which will carry ap-
propriations for this agency; but no such
appropriation is carried in this bill. This
amendment cannot affect the matters
discussed by the proponents of the
amendment.

Mr. VORYS of Ohio, Mr. Chairman,
will the gentleman yield?

Mr. CANNON of Missouri, I yield to
the gentleman from Ohio.

Mr. VORYS of Ohio, Would it not be
a good thing for this House to express
itself on this general policy?

Mr. CANNON of Missouri, It has al-
ready expressed itself just as emphati-
cally as it could when it adopted the
committee amendment.

Mr. LELAND M. FORD, Mr. Chair-
man, will the gentleman yield?

Mr. CANNON of Missouri, I yield to
my friend from California.

Mr. LELAND M. FORD, I agree with
what the gentleman says, but if none of
these funds are to be used for the pur-
poses indicated, why object to the amend-
ment? It makes it specific and insures
and provides additional safeguards that
the funds will be used only for this spe-
cific purpose.

Mr. CANNON of Missouri, Mr. Chair-
man, it is important that in draft-
ing legislation that we do not confuse
the text with the irrelevant and mean-
ingless verbiage.

The CHAIRMAN, The question is on
the amendment offered by the gen-
tleman from California (Mr. LELAND M.
Ford).

The question was taken; and on a divi-
sion (demanded by Mr. LELAND M. FORD)
there were—ayes 75, nays 54.

Mr. WOODRUM of Virginia, Mr.
Chairman, I demand tellers.

Mr. DITZER, Mr. Chairman, I make
the point of order that the gentleman's
request comes too late.

The CHAIRMAN, The point of order
is overruled.

Tellers were ordered, and the Chair
appointed Mr. CANNON of Missouri and
Mr. LELAND M. FORD to act as tellers.

The Committee again divided; and the
tellers reported there were—ayes 85, nays
80.

So the amendment was agreed to.
Mr. CRAWFORD, Mr. Chairman, I
ask unanimous consent to revise and ex-

tend my own remarks on the bill now
under consideration.

The CHAIRMAN, Is there objection to
the request of the gentleman from
Michigan (Mr. CRAWFORD)?

There was no objection.

The Clerk read as follows:

Consolidated emergency fund: For all ex-
penses necessary, including personal services
in the District of Columbia, in connection
with the performance by the bureau and
office of the Treasury Department hereinaf-
ter named of additional or increased func-
tions and activities arising out of the war
emergency, fiscal year 1943, \$350,000, from
which sum transfers not to exceed the
amounts specified may be made to said bu-
reau and office as follows: Office of the Sec-
retary, \$41,396; Office of the Chief Clerk,
for contingent expenses, \$57,500, for personal
services, \$15,000; Superintendent of Treas-
ury Buildings, \$34,680; Division of Fer-
rous Metal, \$19,934; and Bureau of Internal Re-
venue, \$200,490.

Mr. WIGGLESWORTH, Mr. Chair-
man, I offer an amendment, which I send
to the Clerk's desk.

The Clerk read as follows:

Amendment offered by Mr. WIGGLESWORTH:
Page 20, line 12, strike out "\$350,000" and
insert "\$172,000."

Page 20, line 10, strike out "\$19,934" and
insert "\$15,934."

Page 20, line 10, strike out "\$200,490" and
insert "\$23,490."

Insert at the end of line 10 the following:
"Provided, That none of the funds herein
appropriated shall be used for producing
moving pictures."

Mr. WIGGLESWORTH, Mr. Chair-
man, this is one of the two items under
the Treasury Department to which I re-
ferred in my remarks on the floor earlier
in the day. It is the so-called consoli-
dated emergency fund and as recom-
mended by your committee calls for an
appropriation of \$350,000.

Included in this sum of \$350,000 there
is \$19,934 by way of increase for the
Division of Personnel. There is already
in that Division a personnel of 60. This
request would call for 33 additional per-
sons, or an increase of 50 percent in this
activity. Almost every agency in the
Government nowadays seems to be in-
creasing its personnel division. The
Budget has pointed out recently that
there has been an over-all increase
throughout the Government of 100 per-
cent in this respect during the past 2
years, although those on the rolls have
only increased by about 50 percent. This
amendment would serve to reduce this
item by \$3,000.

It would further eliminate \$80,000 for
a unit to deal with Federal, State, and
local fiscal relations which, in my judg-
ment is not in any way justified by the
record. It would reduce by \$4,400 the
additional amount requested for the Leg-
islative Council's office which seeks to
expand by 133 percent. It would also
wipe out \$80,000 requested for the Walt
Disney moving-picture film already re-
ferred to.

I think the film is unjustified as a mat-
ter of policy and I think it is particularly
unjustified in view of the fact that the
Department went ahead with the pro-
duction of the picture without any au-
thority in advance from the Congress.

The amendment which I have offered all told would effect a reduction of \$178,000. I hope the committee will adopt it.

Mr. CANNON of Missouri. Mr. Chairman, I ask unanimous consent that all debate on this paragraph and all amendments thereto close in 5 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Missouri (Mr. CANNON)?

There was no objection.

Mr. CANNON of Missouri. Mr. Chairman, the distinguished gentleman from Massachusetts is a businessman of acumen and experience, yet he violates two of the fundamental principles of business—first, by proposing to eliminate advertising; and, second, by objecting to contracting for that advertising at less than the established rate.

Mr. Chairman, every big business today considers advertising as essential and indispensable. Motion-picture publicity is the most effective form of advertising, and we secure it here at vastly less than its actual cost.

The cost of making this picture would, at normal rates, be \$150,000. Mr. Disney, acknowledged to be the foremost man in his profession, has donated his services free of charge. There is no expense here except the expense of making the film. The making of the picture, which would normally cost \$150,000, we get for \$80,000.

In addition, the firms which distribute the pictures are also donating their services. Beyond that, 12,000 theaters in the United States exhibit the pictures gratis. At normal rates the cost would amount to \$500,000. Between 65,000,000 and 80,000,000 people visit the picture shows every week. In other words, Mr. Chairman, every week more than half the men, women, and children in the United States visit the picture shows and will see these pictures, and come under the influence of the lesson they carry.

Those who have seen the picture without exception pronounce it one of the finest agencies for its purpose that could be used. It relates to the filing of income-tax returns. It is estimated that 7,000,000 new income taxpayers will file returns this year who have never filed returns before, and this picture will exercise a very salutary influence upon them especially.

Mr. STARNES of Alabama. Mr. Chairman, will the gentleman yield?

Mr. CANNON of Missouri. I yield to the gentleman from Alabama.

Mr. STARNES of Alabama. Is it not a fact that through this medium we will reach more taxpayers than we could reach through the press or the radio, which are also giving time for this program?

Mr. CANNON of Missouri. Yes; and at the same time reach them through the medium which is acknowledged to be the most effective medium that can be brought to bear on public opinion.

Mr. TABER. Mr. Chairman, will the gentleman yield?

Mr. CANNON of Missouri. I yield to the gentleman from New York.

Mr. TABER. Is it not a fact that the spending of \$30,000 of the taxpayers' money that ought to go for bombers will

make the taxpayers hate to pay their income tax?

Mr. CANNON of Missouri. Quite the contrary. No one can see this picture without approving it, and I regret that the gentleman refused to accompany the committee to pass upon it. Could it have been that he was afraid he would be convinced? "What is truth?" asked Jesting Pilate, and would not stay for an answer. [Here the gavel fell.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Massachusetts (Mr. WIGGAMSWORTH).

The question was taken; and the Chairman being in doubt, the Committee divided; and there were—ayes 78, nays 69. So the amendment was agreed to.

The Clerk read as follows:

Expenses of loans: The limitation on the amount that may be obligated during the fiscal year 1942 under the indefinite appropriation "Expenses of loans, act of September 24, 1917, as amended and extended," contained in the Second Deficiency Appropriation Act, 1941, is hereby increased from \$2,500,000 to \$25,000,000: Provided, That such appropriation shall be available during the fiscal years 1942 and 1943 for payment of all necessary expenses connected with public-debt issues or with any refunding operations, to be expended as the Secretary of the Treasury may direct.

Mr. DITTER. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DITTER: On page 21, line 13, strike out "\$20,000,000" and insert "\$20,000,000."

Mr. CANNON of Missouri. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the Chair, Mr. SMITH of Virginia, Chairman of the Committee of the Whole House on the state of the Union, reported that the Committee, having had under consideration the bill (H. R. 6548) making appropriations to supply deficiencies in certain appropriations for the fiscal year ending June 30, 1942, and for prior fiscal years, to provide supplemental appropriations for the fiscal year ending June 30, 1942, and for other purposes, had come to no resolution thereon.

INVESTIGATION OF THE NATIONAL DEFENSE PROGRAM

Mr. BULWINKLE. Mr. Speaker, from the Committee on Printing I report (Rept. No. 1756) back favorably without amendment a resolution (S. Con. Res. 24) authorizing the printing of additional copies of the report of the select committee of the Senate authorized and directed to make a complete study and investigation of the national defense program as a House document.

The Clerk read the resolution, as follows:

Resolved by the Senate (the House of Representatives concurring). That there be printed 2,000 additional copies of the report (Rept. No. 230, pt. 2, current session) of the select committee of the Senate authorized and directed to make a complete study and investigation of the operation of the national defense program, of which 2,000 copies shall be for the use of the select committee, 1,000 for the use of the Senate document room, and

2,000 copies for the use of the House document room.

The resolution was agreed to.
ATTACK ON PEARL HARBOR BY JAPANESE ARMED FORCES

Mr. BULWINKLE. Mr. Speaker, from the Committee on Printing I report (Rept. No. 1757) back favorably without amendment a resolution (S. Con. Res. 25) authorizing the printing of additional copies of the Report of the Commission Appointed by the President of the United States To Investigate the Facts Relating to the Attack Made by the Japanese Armed Forces Upon Pearl Harbor in the Territory of Hawaii, on December 7, 1941, as a House document.

The Clerk read the resolution, as follows:

Resolved by the Senate (the House of Representatives concurring). That there be printed 87,500 additional copies of Senate Document No. 129, Report of the Commission Appointed by the President of the United States To Investigate and Report the Facts Relating to the Attack Made by Japanese Armed Forces Upon Pearl Harbor in the Territory of Hawaii, on December 7, 1941, of which 2,000 copies shall be for the use of the Senate document room, 24,500 copies for the use of the House document room, and 2,000 copies for the use of the House document room.

The resolution was agreed to.

REPORT ON THE PROGRESS OF THE NATIONAL DEFENSE PROGRAM

Mr. BULWINKLE. Mr. Speaker, from the Committee on Printing I report (Rept. No. 1758) back favorably without amendment a resolution (H. Con. Res. 53), authorizing the printing of additional copies of House Report No. 104, current session, of the Committee on Naval Affairs of the House relative to the progress of the national defense program.

The Clerk read the resolution, as follows:

Resolved by the House of Representatives (the Senate concurring). That 2,000 additional copies of House Report No. 104, current session, as submitted to the House of Representatives pursuant to the resolution (H. Res. 162, current Congress), directing the Committee on Naval Affairs to conduct thorough studies and investigations of the progress of the national defense program with a view to determining whether such program is being carried forward efficiently, expeditiously, and economically, be printed for the use of the House Committee on Naval Affairs.

Mr. MICHENER. Mr. Speaker, will the gentleman yield?

Mr. BULWINKLE. I yield.

Mr. MICHENER. All of these resolutions, I assume, have the approval of the gentleman from Pennsylvania (Mr. RICH), the Republican member of the committee?

Mr. BULWINKLE. They have; yes. The resolution was agreed to.

EXTENSION OF DEBATE

Mr. MARCANTONIO. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record on two subjects and to include therein correspondence between myself and the Secretary of the Navy.

CONGRESS OF THE UNITED STATES
 JOINT COMMITTEE ON REDUCTION OF
 NONESSENTIAL FEDERAL EXPENDITURES

There will be a meeting of the Joint Committee in
 Room 314 Senate Office Building on Friday, Feb. 6,
 at 10:00 a.m.

To For open session.

Hepburn
Gibbs
6/9

HARRY FLOOD BYRD,
 Chairman.

GPO 86554



TREASURY DEPARTMENT

WASHINGTON

February 6, 1942.

MEMORANDUM ON MEETING OF THE JOINTCOMMITTEE ON REDUCTION OF NON-DEFENSE EXPENDITURES

A meeting was called at 10:00 A. M., Friday, February 6, in the Senate Finance Committee Room in the Senate Office Building. There were present:

Senators:	Bureau of the Budget:
Byrd	Mr. Lawton
Glass	Mr. Patterson
LaFollette	General Accounting Office:
Nye	Mr. Barger
Congressmen:	Farm Security Administration:
Cannon	Mr. Baldwin and staff
	Witness:
	Judge Green of Alabama.

Congressman Cannon left the meeting at 10:30 A. M.

Senator Byrd stated that the meeting had been called to hear the protest of Judge E. K. Green of the Probate Court of Greensboro, Alabama, against the payment of poll taxes by the FSA in Alabama.

Judge Green stated that this matter had come to his attention in December, 1941 when he found a Mr. Gill, who was employed by the FSA, making an examination of the Hale County poll tax records. Mr. Gill stated that he was examining the poll tax records of the white clients of FSA and that the FSA intended to pay up all such poll taxes. Judge Green said he immediately made inquiry of persons in other sections of Alabama and found that in certain counties similar situations existed. Upon inquiry of the FSA supervisor of Hale County he was informed that the FSA proposed to pay the back and current poll taxes of borrowers from its organization. Judge Green submitted certain affidavits in support of his statements and claimed that the payment of poll taxes of individuals by FSA was contrary to the laws of Alabama.

In reply to a question by Senator McKellar as to how much money had been paid by the FSA, Judge Green stated that no payments

FOR DEFENSE



had been made because the taxes were due October 1 and the last payment date was February 1.

Senator McKellar read a letter sent by Mr. Baldwin, Administrator of FSA, to Congressman Jarman of Alabama in which he stated that the FSA considers taxes, including poll taxes, in the same category as expenditures for seed, feed, fertilizer, farm equipment, groceries, church dues, etc., and includes such taxes in its budgets for FSA borrowers.

Senator Byrd stated that the payment of poll taxes always raised a question as to whether it was the purpose of FSA to influence voters. Senator Byrd asked Judge Green whether the people of Hale County believed that FSA paid their poll taxes in order to influence their votes. Judge Green answered yes. There was a general discussion as to the extent to which this practice was adopted in Alabama and as to the knowledge of the supervisory officials of the FSA concerning the practice. Judge Green stated that the matter had been abandoned this year because the payment date had expired but would be started again next year. Senator Glass observed that if the payments were for honest purposes, why had they been abandoned.

Mr. Baldwin was given an opportunity to explain the practices of his organization. He read a statement of policy followed by the FSA in considering rehabilitation loans for individuals and stated that his organization will include an allowance in the borrower's budget of an amount necessary to pay poll taxes if the borrower indicates his desire to make such expenditure. Mr. Baldwin explained the manner in which FSA operated in making rehabilitation loans or grants and stated that his organization never paid the poll tax of the borrower but always permitted the borrower to include his poll tax as part of the family's expense and that he would continue to follow such practice unless the Congress directs that it be discontinued. He submitted for the information of the Committee an opinion dated February 2, 1942 by the Solicitor of the Department of Agriculture who ruled that the practice followed by the FSA was not in violation of any law.

Senator Byrd asked certain questions of Mr. Baldwin and demanded a yes or no answer. Senator LaFollette interposed and stated that he objected to subjecting the witness to a yes or no answer because of the manner in which the questions were phrased and thought that the witness should be permitted to answer the questions as he desired since he had shown no evidence that he was attempting to avoid answering such questions.

- 3 -

Senator LaFollette asked Mr. Baldwin to outline the steps which the FSA goes through in making loans. These steps were explained by Mr. Baldwin. Senator LaFollette pointed out that the poll tax may in fact be paid out of other income received by the borrower and not necessarily out of money received from the FSA. There was a general discussion as to the maturities of FSA loans, amounts of grants, amounts of repayments, number of employees employed in Washington and the field, the amount paid for publicity, etc.

Senator Glass left at 12:40 P. M.

Mr. O'Neill of the American Farm Bureau Association was given an opportunity to present the views of his organization with respect to the FSA. He made criticisms, complaints and charges against the FSA and stated that his organization was prepared to support its charges with documentary evidence. These remarks precipitated an immediate reply by Mr. Baldwin and their ensued for a few minutes a "grand circus performance" between Mr. O'Neill and Mr. Baldwin.

Senator Byrd terminated the discussion and said that a meeting would be held some time next week, at which time Mr. O'Neill would be given an opportunity to present in detail his charges and complaints and that Mr. Baldwin would be given an opportunity at a later date to reply to them.

Thereupon the meeting adjourned at 1:15 P. M.

WJL

February 6, 1942.

MEMORANDUM

TO: Mr. W. N. Thompson

FROM: Mr. Charles Schwarz *CS*

Reference is made to the attached clipping which appeared in the New York Post, February 5, 1942. Will you please note on the clipping the address shown

Financial Editor,
New York Post,

SpF&T

with the symbol, editor, and paper on different lines. Careful checking of our addressing files shows that we have two plates for the New York Post as follows:

Mr. Trussell,
Financial Editor,
New York Post,
73 West St.,
New York, N.Y.

SpF&T

and

Financial Editor (SpF&T)
New York Post
75 West Street
New York, N.Y.

It seems that the writer, Douglas E. Cooper has blocked out the name of Mr. Trussell and photographed that envelope. It appears that Mr. Trussell is no longer employed with the New York Post and as of this date, we have not received correspondence to remove his name. A reply by telegram to Mr. Cooper from me was sent today (copy attached).

*Chia advises he explained
to Seay, who was satisfied
2/6/42 JWC*

TREASURY DEPARTMENT

WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

CONTINGENT EXPENSES

(The appropriation from which payable must be stated on above line)

February 6, 1942

STANDARD FORM NO. 14-A
APPROVED BY THE PRESIDENT
MARCH 10, 1926**TELEGRAM**

OFFICIAL BUSINESS—GOVERNMENT RATES

Mr. Douglas Cooper,
The New York Post,
New York, New York.

YOUR STORY LAST NIGHT'S POST GIVES GROSSLY INACCURATE IMPRESSION OF DISTRIBUTION TREASURY ANNOUNCEMENTS. MAILING PLATES MADE UP ONLY BY REQUEST AND CHECKED TWICE YEARLY BY REPLY POSTCARDS. NO REQUEST RECEIVED HERE DISCONTINUE REFERENCE TO MR. TRUSSARD FORBES FINANCIAL EDITOR WHICH OUR FILES SHOW ACCOUNT FOR EXTRA COPY. YOUR STORY GAVE IMPRESSION DUPLICATE COPIES SENT IN SAME ENVELOPE. REQUEST YOU MAKE CLEAR LATER EDITIONS TODAY THAT TWO COPIES GIVEN BY YOU SENT DIFFERENT ADDRESSES AND NO NOTIFICATION RECEIVED HERE TO DISCONTINUE. TO CONSERVE PAPER WE ARE NOW GLAD TO HAVE THIS NOTICE REMOVED FROM OUR LIST.

Charles Schwarz,
Director Public Relations.

102

TREASURY DEPARTMENT

WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

CONTINGENT EXPENSES

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE 2-14417
February 6, 1942

STANDARD FORM NO. 14 A
APPROVED BY THE PRESIDENT
MARCH 10, 1925

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

Mr. Douglas Cooper,
The New York Post,
New York, New York.

YOUR STORY LAST NIGHT'S POST GIVES GROSSLY INACCURATE IMPRESSION OF DISTRIBUTION TREASURY ANNOUNCEMENTS. MAILING PLATES MADE UP ONLY BY REQUEST AND CHECKED TWICE YEARLY BY REPLY POSTCARDS. NO REQUEST RECEIVED HERE DISCONTINUE RELEASES TO MR. TRUSSELL FORMER FINANCIAL EDITOR WHICH OUR FILES SHOW ACCOUNT FOR EXTRA COPY. YOUR STORY GAVE IMPRESSION DUPLICATE COPIES SENT IN SAME ENVELOPE. REQUEST YOU MAKE CLEAR LATER EDITIONS TODAY THAT TWO COPIES CITED BY YOU SENT DIFFERENT ADDRESSEES AND NO NOTIFICATION RECEIVED HERE TO DISCONTINUE. TO CONSERVE PAPER WE ARE NOW GLAD TO HAVE THIS NOTICE REMOVE BOTH ADDRESSEES FROM OUR LIST.

Charles Schwarz,
Director Public Relations.

TREASURY DEPARTMENT
RETURN AFTER FIVE DAYS TO

OFFICIAL BUSINESS

Financial Editor
New York Post
75 West Street
New York City, N. Y.

(SPFAT)

Spencer
Financial Editor
New York Post

103

PENALTY FOR PRIVATE USE TO AVOID
PAYMENT OF POSTAGE... \$300

TREASURY DEPARTMENT
RETURN AFTER FIVE DAYS TO

OFFICIAL BUSINESS

Mr. W. W. Ruml
Financial Editor,
New York Post,
73 West St.,
New York, N. Y.

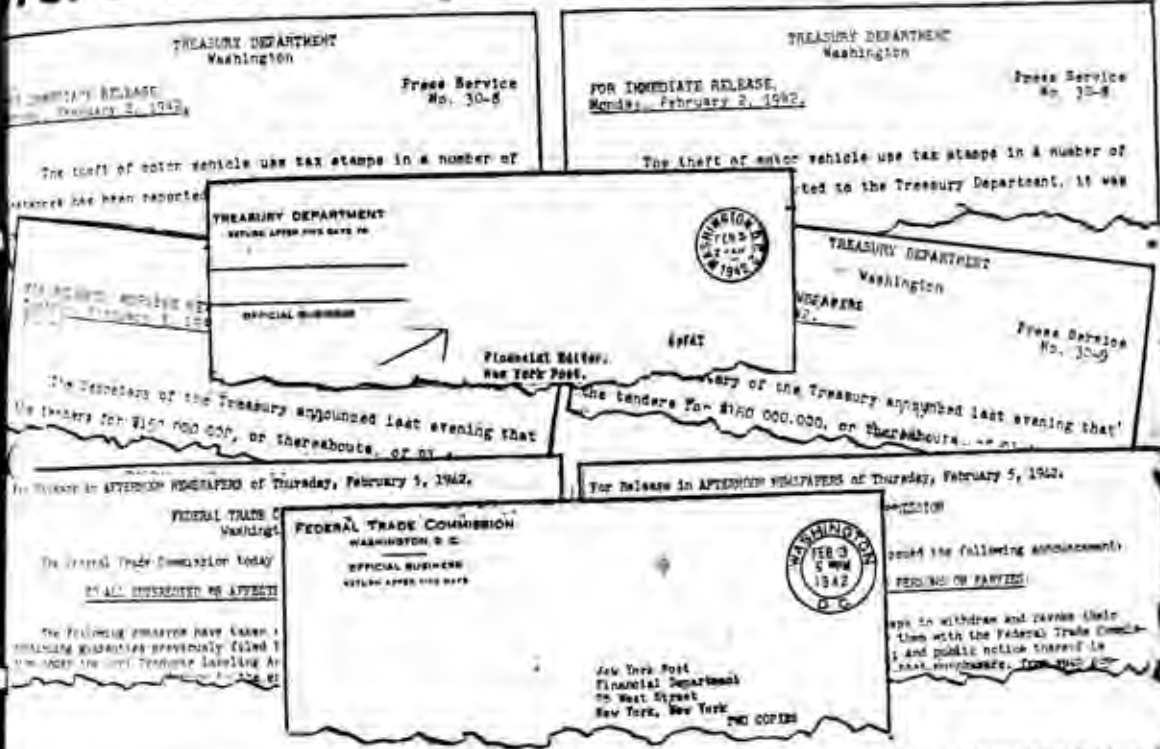
SP317

104

PENALTY FOR PRIVATE USE - \$ 500
PAYMENT OF POSTAGE, \$300

New York Post FEB 5 1942

U.S. Can Save Paper In Its Own Backyard



DOUGLAS E. FOOTER
 The government has requested... to save their scrap... as a part of the war... waste.
 Many more business firms to... their wrapping paper, paper bags, and other... have been used to... the manufacture and... of these products.
 The government is date... waste in its own

bureaus.
 Dozens of Washington departments mail out each day publicly releases in duplicate and sometimes in triplicate. Their annual aggregate runs into thousands of tons of paper.
 The New York Post receives each weekday two, three and sometimes four copies of each release. Newspapers all over the country receive the same. One copy would do the job.

Such mail rarely goes astray. In the picture above are shown some of the releases received by the New York Post yesterday morning, Feb. 4. All three releases, from the Treasury Dept. and the Federal Trade Commission, were in duplicate.
 Even more wasteful is the fact that often the releases are out of date. By this it is meant that the stories have already

been published by the time the releases reach the newspaper office. News services have carried them on their wires 24 to 48 hours earlier.
 It will be noted that the Treasury's releases received Feb. 4 were mailed Feb. 3. (See post office stamp on envelope). One of the releases was intended for publication the previous day, Feb. 2. The other was for release on the day it was mailed.

TREASURY DEPARTMENT

106

INTER OFFICE COMMUNICATION

DATE February 6, 1942

TO Secretary Morgenthau

FROM Mr. Kuhn

I have passed this suggestion on to Mr. Disney,
who will take it to California with him.

107

February 6, 1942

Mr. Walt Disney
Mr. Ferdinand Kuhn, Jr.
Secretary Morgenthau

Mrs. Morgenthau has made an excellent suggestion on how to open the picture. Her suggestion is to have a drawing of a small baby shoe or baby boot, and then the ending would be the war boot or shoe of the soldier.

I am passing this suggestion along to you for your consideration.



TREASURY DEPARTMENT

WASHINGTON

February 6, 1942

MEMORANDUM FOR THE SECRETARY:

You asked me on Tuesday for a report by today of the work done by post offices on the sale of Defense Bonds and Stamps.

You will recall that at the beginning of the program a joint committee was created, of representatives of the Post Office and Treasury Departments, to have general oversight of the methods used by post offices in promoting the sale of Bonds and Stamps.

Mr. Mahan is Chairman of the Treasury section of this Committee. I attach hereto a statement from him, giving the most important facts about the work which has been done by the Postal Service on the Bond program.

There are certain things that I should like to add to what Mr. Mahan has said, or to emphasize from his report, as follows:

(1) The Postmaster General and his associates cooperated with the Treasury in the formulation of a standard plan for the sale of Defense Bonds and stamps at post offices. This plan is described in the manual attached to Mr. Mahan's report entitled "Program for the Guidance of Postmasters," which was distributed to postmasters everywhere on October 15. The "Program" was calculated to lay a foundation for standardizing and improving the work done by all post offices in the sale of Defense Bonds and Stamps, and I believe has had that effect.

(2) Since October, by direction of the Postmaster General, all post offices of the first and second classes, about 4500 in number, have been surveyed specially by postal inspectors to determine whether the "Program" was being complied with, that is, for example, whether adequate window service was available

to patrons desiring to purchase bonds or stamps; whether sufficient clerks were assigned to handle the sale of bonds and stamps; whether these clerks were properly instructed in their duties; whether posters, display material, and literature were on hand and in their proper place; and so forth. Incidentally, I am informed that the surveys brought unsatisfactory conditions to light in almost half the offices; and that steps were promptly taken to apply the necessary remedies in these offices and in all other offices found deficient in any particular.

(3) My opinion is, concurring with Mr. Mahan, that post-office performance on the Defense Bond project is steadily improving, largely as the result of the cooperation and the interest and activity of Postmaster General Walker and his assistants; and that the Postal Service as a whole is doing, with minor exceptions, everything that we can reasonably expect of it.

(4) The Post Office Department, as Mr. Mahan says, prefers not to install bond and stamp booths in post office lobbies. Their reason is that they believe that this would have no effect on the volume of sales, but would simply divert sales from the windows to the booths. It should be remembered, in this connection, that at large post offices or stations Defense Savings Stamps can ordinarily be bought at any postage-stamp window, and that Defense Savings Bonds can be purchased at a number of windows, either from clerks specially assigned or from clerks attending also to regular post-office duties. A booth which would afford to the public facilities equivalent to those now available would in many cases have to be larger than the lobby space would admit, and in any case would add greatly to lobby congestion and confusion. The objection to special Defense Bond and Stamp booths is unanimous among post office officials, and is concurred in by all Treasury people who have studied the matter, including myself. I feel strongly that the matter should not be pressed further.


GRAVES

TREASURY DEPARTMENT

110

INTER OFFICE COMMUNICATION

DATE 2/6/42

TO Mr. Graves
FROM Mr. Mahan

POST OFFICE OUTLETS

16,559 Post Offices were selling Defense Bonds and Stamps as of May 31, 1941. As of January 15, 1942 number of Post Offices had increased to 34,553. Of this number 16,382 are 4th class offices, selling stamps only.

DEFENSE BOND SALES

Below is a comparative statement of United States Savings Bond sales in Post Offices by months, commencing with May through December, 1940, (Series D), and the corresponding months of 1941, (Series E).

BONDS

	<u>1940</u>	<u>1941</u>
May	\$ 43,937,906.25	\$ 51,148,106.25
June	37,934,906.25	40,334,700.00
July	53,554,500.00	51,399,262.50
August	37,174,575.00	40,750,128.75
September	34,513,818.75	38,928,956.25
October	38,712,712.40	41,175,506.25
November	39,125,737.50	38,516,471.75
December	82,723,068.75	120,119,080.25
January (1941)	134,977,706.25	(1942) 158,469,000.00

DEFENSE STAMP SALES

In April, 1941 Post Offices sold \$37,548.90 in Postal Savings Stamps. This represented the largest month's sales since the inception of the plan in 1911. Following are the sales by months

beginning May 1.

STAMPS

May	\$ 3,349,346.90
June	2,737,578.75
July	3,520,103.35
August	4,372,302.80
September	5,191,628.65
October	5,985,398.40
November	6,354,295.25
December	25,699,129.85
January	40,000,000.00 (est.)

VOLUNTARY PURCHASE PLAN

Out of a total of 311,000 postal employees more than 60% have pledged themselves to buy \$1,300,000 of Defense Bonds per month. Actually in December they purchased \$4,200,000 which represents 3% of the Post Office payroll for the month. Up to December 20 total purchases of Defense Bonds by postal employees in 1941 amounted to \$8,600,000.

DISPLAY MATERIAL

33,000 Post Offices have been supplied with special display material, including posters for motor equipment. First and second class offices have been checked by Postal Inspectors to make sure material is properly displayed. All third and fourth class offices are being checked as speedily as possible. In addition Post Office Inspectors make certain that each employee selling bonds and stamps has a complete stock of all material and that he is well informed on the Question and Answer Manual for Postal employees.

POSTMASTER GENERAL'S MEETINGS

In the past month Postmaster General Walker has held meetings at 11 key points with anywhere from 35 to 75 key Postmasters present at each meeting. The two subjects to which he has devoted the most time are Defense Bond and Stamp Sales and the Post Office Voluntary Purchase Plan.

EXHIBITS

Attached are: (1) original manual entitled "Program for the Guidance of Postmasters" with accompanying letter sent out by the Postmaster General. (2) a special issue of the Postal Bulletin, incorporating all instructions on the duties, obligations and responsibilities of Postmasters in connection with the handling of Defense Bonds and Stamps. (3) Voluntary Purchase Plan for Postal Employees, reprinted from the Postal Bulletin.

CONCLUSION

The Post Office Department prefers not to have us install stamp booths in their lobbies. They stand ready to open up additional windows, if necessary, to accomplish what they believe will be the same results.

My personal feeling is that the Post Office performance on bond and stamp sales is steadily improving. I know they regard this as their number one job next to delivery of the mail. I am sure we can expect any cooperation we request of them.

Firms Employing 500 Persons or More Participating in Payroll Savings Plans

(As reported by the Defense Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms	Percent of total having payroll savings plans		
	Jan. 10	Jan. 24	Jan. 31		Jan. 10	Jan. 24	Jan. 31
Alaska.....	0	23	27	76	12	30	36
Alabama.....	15	17	18	18	83	64	100
Arizona.....	6	15	15	18	33	83	83
California.....	237	275	283	361	66	76	78
Colorado.....	22	22	22	32	69	69	69
Connecticut.....	97	125	132	165	58	68	71
Delaware.....	2	2	2	26	7	7	7
District of Columbia.....	12	21	22	52	23	40	42
Florida.....	12	22	24	66	27	33	36
Georgia.....	35	39	42	143	24	27	29
Idaho.....	2	8	8	10	20	20	20
Illinois.....	277	319	336	634	44	50	53
Indiana.....	41	41	47	100	23	23	37
Iowa.....	9	10	11	53	17	19	21
Kansas.....	16	30	31	31	52	37	100
Kentucky.....	19	27	31	70	27	39	44
Louisiana.....	0	0	0	65	0	0	0
Maine.....	42	45	48	48	88	94	100
Maryland.....	40	77	80	154	26	50	56
Massachusetts.....	41	199	212	370	11	54	57
Michigan.....	305	305	308	333	92	92	93
Minnesota.....	27	25	28	101	27	25	28
Mississippi.....	12	12	13	28	43	43	46
Missouri.....	0	122	124	124	0	96	100
Montana.....	4	4	5	5	80	80	100
Nebraska.....	28	28	32	41	68	68	78
Nevada.....	3	3	3	3	100	100	100
New Hampshire.....	17	26	27	27	63	96	100
New Jersey.....	185	197	204	236	78	83	86
New Mexico.....	5	5	6	6	83	83	100
New York.....	435	607	647	1,350	32	45	48
North Carolina.....	49	71	77	166	29	42	46
North Dakota.....	0	1	1	1	0	100	100
Ohio.....	285	322	377	577	51	56	66
Oklahoma.....	22	31	37	62	35	50	60
Oregon.....	51	51	60	60	85	85	100
Pennsylvania.....	336	348	400	625	54	56	64
Rhode Island.....	58	61	64	70	84	87	71
South Carolina.....	27	32	37	66	22	33	39
South Dakota.....	3	3	3	3	100	100	100
Tennessee.....	4	4	11	105	4	4	10
Texas.....	36	43	46	127	19	23	25
Utah.....	2	9	9	14	57	64	64
Vermont.....	10	12	12	13	77	92	92
Virginia.....	41	65	70	95	43	68	74
Washington.....	44	47	48	56	51	55	56
West Virginia.....	2	21	25	27	7	31	37
Wisconsin.....	84	94	116	137	61	69	85
Wyoming.....	0	1	1	1	0	100	100
Railroads.....	105	105	105	105	100	100	100
Total.....	3,132	4,043	4,304	7,347	44	54	60

Firms Employing 100 to 499 Persons Participating in Payroll Savings Plans

(As reported by the Defense Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms	Percent of total having payroll savings plans		
	Jan. 10	Jan. 24	Jan. 31		Jan. 10	Jan. 24	Jan. 31
Alabama.....	17	57	67	285	6	20	24
Arizona.....	15	20	20	58	26	34	34
Arkansas.....	22	29	30	142	15	20	21
California.....	655	910	978	1,660	39	55	59
Colorado.....	64	83	89	198	32	42	45
Connecticut.....	100	188	206	622	16	30	33
Delaware.....	0	0	0	84	-	-	-
District of Columbia....	8	14	15	152	5	9	10
Florida.....	48	68	73	139	35	49	53
Georgia.....	56	68	71	589	10	12	12
Idaho.....	19	22	22	50	36	44	44
Illinois.....	48	162	258	2,252	2	7	11
Indiana.....	0	76	154	586	-	13	26
Iowa.....	4	9	11	271	1	3	4
Kansas.....	114	258	270	270	42	96	100
Kentucky.....	75	75	83	312	24	24	27
Louisiana.....	0	0	0	384	-	-	-
Maine.....	3	24	27	198	2	12	14
Maryland.....	32	50	57	405	8	12	14
Massachusetts.....	53	333	425	1,523	3	22	28
Michigan.....	137	179	197	1,022	13	18	19
Minnesota.....	181	265	279	399	45	66	70
Mississippi.....	30	35	42	143	21	24	29
Missouri.....	0	210	215	664	-	32	32
Montana.....	22	25	26	39	56	64	67
Nebraska.....	6	27	46	123	5	22	37
Nevada.....	8	14	14	24	33	58	58
New Hampshire.....	7	24	38	145	5	17	26
New Jersey.....	171	223	232	269	20	26	37
New Mexico.....	12	19	24	35	34	54	69
New York.....	505	922	999	4,839	12	22	24
North Carolina.....	29	80	99	499	6	16	20
North Dakota.....	4	5	5	29	14	17	17
Ohio.....	0	203	311	1,739	-	12	18
Oklahoma.....	29	63	99	345	8	18	29
Oregon.....	21	21	65	317	7	7	21
Pennsylvania.....	713	713	884	2,032	35	35	44
Rhode Island.....	49	63	74	224	22	28	33
South Carolina.....	13	24	29	174	7	14	17
South Dakota.....	5	7	7	19	26	37	37
Tennessee.....	0	2	29	448	-	*	6
Texas.....	74	89	114	1,375	5	7	8
Utah.....	13	18	19	111	12	16	17
Vermont.....	30	38	42	63	47	60	67
Virginia.....	31	70	84	338	9	21	25
Washington.....	71	76	88	406	17	19	22
West Virginia.....	0	13	30	272	-	5	11
Wisconsin.....	0	55	101	680	-	8	15
Wyoming.....	1	4	5	12	8	33	42
Total.....	<u>3,495</u>	<u>5,933</u>	<u>7,059</u>	<u>26,565</u>	<u>13</u>	<u>22</u>	<u>26</u>

Office of the Secretary of the Treasury, Division of Research and Statistics.

February 6, 1942

* Less than 1 percent.

Analysis of Exposure to Payroll Savings Plans
January 31, 1942

	Number exposed to payroll savings plans	Total number in the country	Percent of total exposed
Part A - Summary by Number of Organizations Exposed			
Business organizations			
(1) Railroads.....	105	105	100
(2) Other firms with 500 employees or more.....	4,279	7,242	59
(3) Firms with 100 to 499 employees....	<u>7,059</u>	<u>26,965</u>	<u>26</u>
(4) Subtotal -- large firms.....	11,443	34,312	33
(5) Firms with less than 100 employees.	<u>8,477</u>	*	*
(6) Total business organizations.....	19,920	*	*
Governmental organizations.....	*	*	*
Grand total.....	<u>19,920</u>	*	*

	Number exposed to payroll savings plans	Total number in the country	Percent of total exposed
Part B - Summary by Number of Employees Exposed			
Business organizations			
(1) Railroads.....	1,433,046	*	*
(2) Other firms with 500 employees or more.....	11,878,095	*	*
(3) Firms with 100 to 499 employees....	<u>1,637,955</u>	*	*
(4) Subtotal -- large firms.....	14,949,096	*	*
(5) Firms with less than 100 employees.	<u>277,075</u>	*	*
(6) Total business organizations.....	<u>15,226,171</u>	<u>30,400,000</u> 1/2	<u>50</u>
Governmental organizations			
(1) Federal Government.....	*	1,700,000 1/2	*
(2) State and local governments.....	<u>639,688</u>	<u>2,700,000</u>	<u>24</u>
(3) Total governmental organizations....	<u>639,688</u>	<u>4,400,000</u>	*
Grand total.....	<u>15,865,859</u>	<u>34,800,000</u> 1/2	<u>46</u>

Office of the Secretary of the Treasury,
Division of Research and Statistics.

February 6, 1942

Excludes agricultural employees, military personnel, employees on WPA or NYA or CCC projects, proprietors, firm members, self-employed, casual workers and persons in domestic service.
Data not available.

177
 Stock of Series E Savings Bonds on Hand ^{1/}
 January 20, 1942 to date

CONFIDENTIAL

(In thousands of pieces)

	: Stock on hand : beginning : of day	: Sales : this day	: Bonds : manufactured : this day	Stock on hand close of day	IBM deliveries this day
Jan.					
20	8,101	218	800	8,683	1,000
21	8,683	337	800	9,146	275
22	9,146	381	800	9,565	1,000
23	9,565	377	800	9,988	1,000
24	9,988	263	800	10,525	1,000
25	10,525	none-closed	none-closed	10,525	-
26	10,525	487	1,000	11,038	2,000
27	11,038	186	1,000	11,852	-
28	11,852	251	1,000	12,601	2,000
29	12,601	265	1,000	13,336	-
30	13,336	283	800	13,853	2,000
31	13,853	139	800	14,514	-
Feb.					
1	14,514	none-closed	none-closed	14,514	-
2	14,514	505	800	14,809	-
3	14,809	158	800	15,451	-
4	15,451	262	800	15,989	2,500
5	15,989	250	800	16,539	-

Office of the Secretary of the Treasury,
 Division of Research and Statistics.

February 6, 1942

^{1/} Includes stock in hands of (1) Federal Reserve Banks and branches, (2) Post offices, (3) Federal Reserve Bank issuing agents, and (4) Treasury vaults in Washington.

Unfilled Orders for Savings Bonds at the
Federal Reserve Banks and the Post Office Department
January 20 to date

CONFIDENTIAL

(In thousands of pieces)

	: Unfilled : orders at : opening of : business :	: New orders : received : this day :	: Bonds : manufactured : this day :	Unfilled orders at close of business	Stock of bonds on hand*	: IBM : deliveries : this day :
Jan.						
20	202	204	800	86	1,184	1,000
21	86	411	800	59	1,546	875
22	59	697	800	86	1,676	1,000
23	86	569	800	50	1,871	1,000
24	50	727	800	28	1,922	1,000
25	28	none-no mail	none-closed	28	1,922	-
26	28	490	1,000 <u>1/</u>	7	2,011	2,000
27	7	434	1,000 <u>1/</u>	7	2,177	-
28	7	474	1,000 <u>2/</u>	6	2,102	2,000
29	6	407	1,000 <u>2/</u>	8	2,097	-
30	8	426	800 <u>2/</u>	6	1,863	2,000
31	6	404	800 <u>1/</u>	9	1,863	-
Feb.						
1	9	none-no mail	none-closed	9	1,863	-
2	9	402	800 <u>2/</u>	11	1,668	-
3	11	428	800 <u>2/</u>	6	1,435	-
4	6	441	800 <u>2/</u>	0	1,188	2,500
5	0	344	800 <u>2/</u>	0	1,044	-

Office of the Secretary of the Treasury,
Division of Research and Statistics.

February 6, 1942

* Bonds in Washington vaults only.

1/ Includes 400 thousand pieces manufactured for inventory in the field.

2/ Includes 600 thousand pieces manufactured for inventory in the field.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Four Business Days of February and January 1942 and December 1941
 (February 1-5, January 1-5, December 1-4)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	February 1942	January 1942	December 1941	February over January	January over December	February over January	January over December
	Series E - Post Offices	\$ 21,156	\$ 22,926	\$ 8,126	-\$ 1,770	\$14,800	- 7.7%
Series E - Banks	<u>74,724</u>	<u>57,246</u>	<u>13,266</u>	<u>17,478</u>	<u>43,980</u>	<u>30.5</u>	<u>331.5</u>
Series E - Total	95,880	80,171	21,392	15,709	58,779	19.6	274.8
Series F - Banks	15,288	8,539	3,552	6,749	4,987	79.0	140.4
Series G - Banks	<u>72,468</u>	<u>34,541</u>	<u>25,789</u>	<u>37,927</u>	<u>8,752</u>	<u>109.8</u>	<u>33.9</u>
Total	<u>\$183,636</u>	<u>\$123,252</u>	<u>\$ 50,733</u>	<u>\$60,384</u>	<u>\$72,519</u>	<u>49.0%</u>	<u>142.9%</u>

Office of the Secretary of the Treasury, Division of Research and Statistics.

February 6, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousands and will not necessarily add to totals.

UNITED STATES SAVINGS BONDS

Daily Sales - February 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
February 1942									
2	\$ 8,435	\$ 34,150	\$ 6,191	\$ 19,795	\$ 60,136	\$ 42,585	\$ 6,191	\$ 19,795	\$ 68,571
3	3,572	7,887	2,793	19,518	30,199	11,459	2,793	19,518	33,770
4	4,893	16,537	3,937	18,515	38,989	21,430	3,937	18,515	43,882
5	4,257	16,149	2,367	14,640	33,156	20,406	2,367	14,640	37,413
Total	\$ 21,156	\$ 74,724	\$ 15,288	\$ 72,468	\$162,479	\$ 95,880	\$ 15,288	\$ 72,468	\$183,636

Office of the Secretary of the Treasury, Division of Research and Statistics.

February 6, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

MEMORANDUM FOR THE SECRETARY.

February 6, 1942.

Mail Report

There are a great many general letters about bonds, taxes, etc., that it is hard to classify as either favorable or unfavorable. In other words, our correspondents are really thinking about the pros and cons on a number of current problems, and we have not had quite so many letters devoted entirely to abuse or entirely to praise.

Both banks and individuals suggest liberalizing Defense Bond regulations, in view of accumulating deposits and the desire of the Government for money, as well as the patriotic willingness of both institutions and individuals to subscribe.

Toward the end of the week we began to get letters on the so-called grab in the matter of Congressional pensions. Perhaps a dozen letters came in, all shocked and indignant, and all tying it up with Defense Bond sales.

There have been a number of letters of protest concerning William Randolph Hearst's "personal" use of the Defense Bond campaign. These have come both from the New York locality and from California.

Comments on the Secretary's speeches have about stopped. At the end of this abstract there are a number of quotations from letters received the first few days of the week.

W. F. F. F.

Comments on the Present Emergency

Carrie Lederer, Hotel Shoreland, Chicago, Ill. I am taking the liberty of writing you to express an opinion which I feel other American citizens are in accord with, i.e., we are giving out too much important information relative to the locations of our various ammunition plants, airplane factories, the building and launching of our battleships and all other defense projects in general. I believe, these channels of information should be closed to the general public. While we Americans are proud of the progress we are making along these lines, and welcome the news of such activities, still I am sure we would be willing to sacrifice the knowledge of this information rather than have it fall into the enemies' hands.

Harold J. Cunningham, San Francisco, Calif. * * * Our Government is using every means at present to meet the tremendous requirements of our war needs. We have a tremendous stock of silver on hand. Why not make a 24 or 36 piece Victory Solid Silver Table Set to be sold at a price of \$100, which price would get the full value paid out of the silver and plenty to pay for the manufacture. * * * The design to be perfectly plain with a V on the handles so that they might be engraved with the purchaser's monogram. I would subscribe for one of these the first on the list, the same as I know many others would do.

H. L. Starbeck, Sears, Roebuck & Co., Sacramento, Calif. Gary Cooper could sell enough Defense Bonds in two minutes to pay for a bomber if it were named the "Sergeant York". The members of the American Legion could be influenced to purchase even more than enough Defense Bonds to pay for an entire squadron of bombers and fighter escort if the bombers would be named the "American Legion Squadron" and the fighters the "General Pershing Fighters". The Spanish American War Veterans could be prevailed upon to purchase enough Bonds to pay for an "Admiral Dewey Bomber", and retake Manila. * * * After all, battleships, cruisers, and submarines are all named, why not name the bombers, tanks and fighters?

- 2 -

Arthur Little, Pasadena, Calif. There is a growing trend in the press, radio, etc., that your good self, or some equally powerful executive down there, ought to take prompt steps to check. It is the trend towards the defeatist thinking that following this war, there must, inevitably, be another terrible depression - and of such force as to make 1932 and 1933 look like a day's outing on the Hudson. No doubt you have rather sensed this, along with any other far-seeing banker, yet the rush of the times puts the solution of the problem off. * * * Under the circumstances, I think you are to be congratulated for putting up a good performance. My respects and best wishes.

A citizen - Hollywood, Calif. No doubt you have heard about Herr Hearst spreading your face and his across his paper, in the camouflage of "Buy a Bomber". We know out here on the coast that you cannot be in sympathy with this man's constant subtle attacks on our Allies - England and Russia. Even though he seems to have everyone in our land, including Washington, intimidated, he dares not come out as openly as before our entry in the war, in support of his paymaster - Hitler. * * * We are cautioned to do and say nothing to in any way injure our efforts to win the war, while this man with his thousands whom he reaches, is permitted to snipe and hamstring our every attempt. How long - how long, will he be permitted to do this?

James G. Whitelaw, Maplewood, N.J. For two years I have received from the Government \$60 monthly, as pension for service in Puerto Rico in the Spanish American War. I have written Mr. George E. Brown, Director of Veterans' Claims Service, suggesting that in view of the extreme needs of our country in these days, that my wife and I feel we could manage for a while without this pension - that being a contribution which we, not now young enough to be of any great service, can make in this emergency. * * * (Encloses endorsed Govt. check in the amount of \$60.)

H. L. Snyder, Manager, The Russell Manufacturing Co., Massillon, Ohio. While I did not hear you when in the city of Cleveland last week, yet I have read, and re-read what you were supposed to say about "plugging the holes" in tax system, and that the wage earner would have to be taxed more and more. You have also gone on record that you would stop "INFLATION" if possible, but to me, you have not done a very good job. * * * I just a week ago paid \$2.10 for a stamp to put on my old auto that I doubt if I could get \$200 for it, yet this same use tax applies to the cheapest as well as the most expensive car - yet out of 30 million cars, there are no doubt 25 to 28 million owners of autos of the common variety, but we, the poor devils, must pay just the same when we can least afford it. For over a year I have been trying to get some "defense work" so that I could keep the men I did have on the payroll, but try as I have, yet I have not even had an opportunity to do one bit of work. * * * Every place I go, I see the big fellow getting millions; new factory buildings, new machinery and paid for, doing it; but how about a fellow like myself who is considered a small businessman. The last letter I have had was about three weeks ago, signed by a Mr. Gailbraith of the Procurement Division, who suggested that I contact the field office in Youngstown, and while I wrote them, as yet no answer. Frankly, I don't know why I write you this letter, but I have just read stories in the papers about you and just had to get it off my chest.

O. Abraham, Abraham & Company, N.Y.C. The American public are holding certain amounts of English securities for which they have been deprived of a fair market since the outbreak of the European war. Since then, American citizens are no longer permitted to sell securities in Great Britain, and to withdraw the funds resulting from such sales. * * * It has only been possible to sell British securities here at anywhere from 15% to 40% of their value in the London market. May I suggest to you, Mr. Secretary, to try to make arrangements with the British Treasury whereby American investors who are holders of English securities will be allowed to sell them in the London market upon submitting proof to the British Treasury

that such securities were in possession of American citizens since prior to September, 1939, and that there is no enemy interest involved therein. * * * Although we are ourselves now at war, British investors may still sell United States securities here and withdraw the proceeds. I believe in view of the foregoing, it would appear to be incongruous if the British Treasury would continue to deny our citizens a privilege which we are now extending to British holders of our securities. * * * If your department should think that my suggestion has merit, I should be very glad to come to Washington at any time and confer with any official of your department who would have the matter in hand. For personal reference, may I refer to your father, with whom I am well acquainted.

Nat. G. Rothstein, Beverly Hills, Calif. In the press of your many duties it may just pay you (and the administration) mighty well to know the temper of some of the people when they learn the rotten waste that is going on. It sets very, very badly on the stomachs and hearts of people to find out that the Government is paying \$90 per month rent for station wagons to people out west here; and guaranteeing to put the car in perfect shape after it has seen its service, including rubber and mechanical condition. Second-hand station wagons can be bought out here for less than \$900, which means that if the Government BOUGHT the cars outright, they would own the cars, and the cars would be paid for in ten months.

Favorable Comments on Bonds

Lim Joe, Detroit, Mich. I am a citizen of China and I want to do my share for the cause of the United Nations. * * * My countrymen and I wish to know how the payment of Defense Bonds will be made before and at maturity when we return to China, after our victory over the Axis.

F. J. Cooney, Pine Bluff, Ark. I draw \$50 per month as a Spanish Vet. For this compensation I do exactly NOTHING. I will be 64 years old, come April 17th. I am still young enough to do this. Bal-a-hoo Defense Stamps and Bonds from a booth on a busy street corner. How? 1st. Build the booth myself. 2nd. Hustle loud speaker equipment from local business. 3rd. Get in the booth and sell Stamps and Bonds. Many Spanish Vets are still able to do this little stunt, at least 4 hours per day, and then a relief man can step in, just as a firing line is relieved or helped by the support and through reserve. I live 13 blocks from a Post Office. * * * Maybe I would buy more Defense Stamps if I did not have to walk 26 blocks to do it.

Theodore T. Krey, Wilshire Horseshoe Club, Los Angeles. * * * Based on personal experience and investigation, I am strongly convinced that there must be perhaps billions of dollars worth of old gold being carelessly hoarded by millions of Americans, who have never been forced by financial embarrassment to dispose of it. But in a vast number of cases, as personal investigation seems to prove, the obstacle has been an inherent repugnance against being gyped by the average old gold broker who is more than inclined to take advantage of the seller's ignorance in the intricate problem of gold assay. With the enormous facilities of your Treasury Department, would it not be feasible and convenient too, besides infinitely profitable, to assign one of your experts in all large cities like Los Angeles, for the purpose of weighing such gold, with the definite understanding that the value thereof, MUST be converted into Defense Bonds and Stamps, which the bank will carry through to completion? According to report, Italy raised enormous amounts by confiscation of such old gold.

Ray Stinn, Milwaukee, Wisconsin. (Letter referred to the Treasury from the White House.) I go to the Milwaukee Vocational School, and am president of my class. Now a plan has come by our school authorities to sell Defense Stamps in our school. I hate to bother such a busy man as you are, but I believe you can help me. If you can find the time, will you please write out a speech for me, telling my class the importance of buying Defense Stamps that will help build the tanks, guns, etc., so badly needed by our Army and Navy? Make it official, if you will, by putting your signature to it. I also would like you to get, if you can, the autograph of all the members of your Cabinet for me. I wanted to have a democratic party in our class, but the teacher said it was a waste of time. I sell newspapers and I want you to know that every tip and extra money I have, I am buying a Defense Bond.

Unfavorable Comments on Bonds

Andrew M. Chuck, Bayonne, N.J. The 800 members of our local (United Electrical, Radio & Machine Workers of America) wish to bring to your attention and ask your assistance in a matter that is of deep concern to us at this time. Although we are engaged in war production, we are eager to contribute in other ways to the nation's fight against the Axis aggressors. To this end we proposed three months ago to C. H. Kibler, personnel manager of Babcock & Wilcox, where we are employed, that the company institute the kind of payroll deduction plan that so many other concerns are using to help their employees buy Defense Bonds. The Company's adamant reply to our request has been that it is "too busy" to comply, and even the actual outbreak of war has brought no change in this attitude.

R. R. Smith, President, The First National Bank, Chickasha, Okla. (Telegram) The passage of the pension Bill for Senators and Representatives has materially hurt the sale of Defense Bonds in this area. Should use your efforts to have this Bill vetoed.

Roland C. Koehler, Detroit, Mich. On January 2nd I established a regular monthly remittance for Defense Bonds. I have just received my reminder that a check would be appreciated for the February Bond by the U. S. Treasury. That check will not be sent until I receive the last Bond I paid for. We chaps in business are being asked to turn handsprings in getting our defense materials on short notice and it does seem as though the Treasury could deliver a piece of paper in less than 30 days. I do not believe that you are aware of the unbelievable slowness that exists in taking care of a simple transaction such as this Bond sale direct to the purchaser.

Miss Rachel Baldwin, Evanston, Ill. I see that you are considering naming a special issue of Defense Bonds for Carole Lombard - surely you wouldn't do that! Think how silly you would look, naming Bonds of a great country for a second-rate movie actress. And that would be an insult to the memory of those fifteen Army men who died with her - they who were the real loss to the country. And especially as it now develops that all were the victims of the Labor Relations Board, it would seem that the Administration would want to advertise that disaster as little as possible.

S. M. Vottis, President, Capital District Industrial Union Council, Schenectady, N.Y. * * * The CIO Unions in this area, as organizations, have purchased over \$100,000 worth of Bonds. The membership has pledged, (through payroll deductions), the purchase of over \$12,000,000 in Defense Bonds in this District, through the drive conducted by the CIO leaders. During the week of January 19th, we contacted Major Tanner who receives and puts through their paces, the tanks manufactured by the American Locomotive Company, and by our Union members; and we asked Major Tanner to have a tank displayed in front of the New York State Office Building in Albany in order to help make our drive for the sale of Defense Bonds among State employees a greater success. The tank was promised, and plans were laid accordingly. The newspapers and the radio carried the story the day before. Several dignitaries from the State Capital were on hand to meet the tank, which did not come. * * * (Reason - snow on the street.) * * * I personally contacted Major Tanner and he told me it was none of my damn business why the tank was not available. * * * If the Major had told us that due to military reasons, a tank was not available, I believe this explanation would have been acceptable. We appreciate the fact that we are in a state of war and just a hint along these lines would have been sufficient. * * * We have no differences with Major Tanner other than his general attitude. As far as we are concerned, the matter is a closed incident and we feel that any publicity along these lines would only hurt our production effort, and the sale of Defense Bonds.

E. J. Bond, Ypsilanti, Mich. Bonds must be sold and money must be raised in greater and greater quantity for the Defense of our country. Why not approach the problem as a merchant would? Make the customer want what we have to sell by offering a good product in a clean store. * * * In other words, the one thing that would instill confidence in the man on the street and make him want to give more and more and build up in him a feeling of security, would be a housecleaning in all Govt. positions. Get rid of all persons that are now, or ever were, connected with any un-American organization, and replace them with persons who

will not tolerate or entertain the philosophy of Nazism, Communism or Fascism. Every time a man like Joseph P. Lash or Malcolm Cowley, or dozens of others, go into a Government office, the American citizen wonders where we are going and becomes confused. Let's make him feel that our house is clean. That will boost the sale of Bonds and make the citizens feel secure.

H. O. Foraker, Sedalia, Mo. You are probably spending millions to push the sale of Savings Bonds and Stamps, and then the Congress votes a pension for life for its members. Do not think the people back home will be quite so willing to back up your work after this.

Agnes Dunn, Member of the New Hampshire Democratic National Committee. * * * William J. Starr of Manchester has been appointed to a position to assist in the sale of Savings Stamps and Bonds in New Hampshire. Mr. Starr is 29 years old, lately out of law school, eligible for the draft, unknown to people of the state and generally unsuited for the position. * * * It is considered a very unfortunate appointment in several respects -- one, because of his youth, inexperience, unfitness and availability for the draft, and secondly, because New Hampshire has made such a supreme effort to cooperate in the sale of these Stamps and Bonds that they resent, at this late date, the entry of a "political appointee" to tell them how to do it. New Hampshire is preponderantly Republican, the press, radio, banks, large industrial establishments are all Republican. They have lain aside politics, as they should, and have been extremely cooperative in handling Stamps and Bonds. Banks have run full-page advertisements for weeks, at their own expense, newspapers have run reams of material, and every agency known from the investment bankers, all along the line, have cooperated, at their own expense. They are somewhat justified in feeling that this is not necessary, if the Government is hiring a man to do it. * * * Democrats are bearing the full brunt of the fury of these people. I have personally kept out of circulation because people are vicious and anxious to take out their feelings on anyone in the party. * * * It is the most unfortunate thing that has happened in New Hampshire in the entire war effort, but if it can be taken care of - say by the resignation of Mr. Starr - who, by now, should be anxious to resign, it might take care of the matter. * * * To-night's papers are carrying statements from various people around the state - Democrats and Republicans - as to the need or desirability of such an office, and they are definitely against it.

Bert Ketchum, Muskegon Federal Savings and Loan Assn., Muskegon, Mich. Would you like to have the first-hand observation of one who is close to the picture? This is it: We are selling many Bonds, but mostly out of previous savings. Little current earnings are going into this in comparison with total sales. Payroll deductions for Bond purchases are readily agreed to by factory workers, but the amounts so subscribed are a very small part of their wages. * * * I know that a withholding tax would not be objected to by working men here. But how to apply such a tax represents real problems. The workers in many industries have had no great wage raises, and are already hard put to pay bills out of income. On the other hand, workers in some defense plants have twice the income they had a few years ago, and could easily stand a 20% withholding tax. * * * These defense plant workers are, in many cases, using their big income to get out of debt, and are paying us large payments on their mortgages and contracts. We cannot loan money out as fast as it comes to us. So, we have bought \$50,000 worth of Defense Bonds each of the last two years. We would buy two or three times that if allowed. * * * From where I sit, it seems to me that you should offer these Bonds in larger blocks, at a lower rate, even 2%.

John D. Langmuir, New Hampshire Federation of Taxpayers Associations, Inc. Newspaper statements have just been made in New Hampshire indicating that personnel has been employed to sell Defense Bonds within the state. May I most earnestly request that, from every conceivable angle, this be discontinued since it is having an effect in the reverse of that anticipated? We are informed that something like \$20,000 annually will be spent for this purpose in New Hampshire. If that is true within this state, undoubtedly it applies elsewhere. * * * A number of New Hampshire citizens and organizations have already stated that they would resent having their money used to support unnecessary money raisers instead of solely for the winning of this war. * * * Since we are confident there is no wish in your Department to capitalize on the generosity of New Hampshire people, for the creation of needless positions, we sincerely trust that this venture will immediately be discontinued.

Mrs. H. L. Post, Clarkston, Wash. Referring to your letter of January 19. Yes, I feel that my husband and I both are buying all the Bonds that we can, and as we are both loyal American citizens, not asking for help, we shall probably continue to do so. But after this pussy-footed Bill of granting pensions to 250,000 more Government officials and Congressmen, I feel more resentful than ever before about the poor and small income people being continuously told to save and buy stamps and bonds so that the Government officials may spend and grab for themselves. * * * How can the common people feel any confidence in their leaders?

Mylo S. Downey, Asst. State Boys' Club Agent, College Park, Md. The 4-H Club members of Maryland are anxious to contribute their bit, both as individuals and as groups, in the purchasing of Defense Stamps and Bonds. * * * However, these clubs have found after they made all their arrangements to buy Bonds that it was impossible to secure them in the name of the organization in amounts smaller than \$100.00. This represents a real problem to these small clubs of rural youth. They cannot readily raise enough additional money to buy \$100 Bonds. How can these organizations put their present resources to work for the Government?

Mary McDonald Shupp, Attica, Ind. If Rep. Ludlow thinks it fair to issue a Bond in honor of Miss Lombard, please listen to the wishes of a united people that you issue 15 more Bonds, each bearing the name of a brave soldier laddie who made the supreme sacrifice and is really more deserving than Miss Lombard, for they had dedicated their future, their lives, their all to the service of Uncle Sam.

E. A. Shineman, Cashier, The Manufacturers National Bank, Ilion, N.Y. May I bring to your attention the added work and expense imposed on banks for the handling and sales of Defense Savings Bonds? If these sales continue to increase (and we know they will), it will mean putting on extra help, which we can ill afford. In addition, there is the "out of pocket" expense. There is no bank more willing to do all it can, and more, to help our country in every way possible, but we do feel there is a limit to the amount of work we can do with our present force, and a definite limit to the expenses we can assume. * * * This letter is written after much hesitation and careful thought. Please receive it in the spirit in which it is written.

- 12 -

Comments on Taxation

Geo. Whitefield Betts, Jr., Lawyer, N.Y.C. * * * I saw in the papers that Senator George was advocating some super tax on corporations above the regular tax. I think we will have to go easy on this. The tax on corporations is already something terrific and there is such a thing as the law of diminishing returns. I think the Secretary will handle this in the proper way and not let Congress in its zeal, kill the goose that lays the golden egg. I hope the Secretary will not countenance the much resented joint return for husband and wife if they live together. You know how it was resented at the last session. (Letter addressed to Mr. Kuhn.)

Larry Owens, Los Angeles. I am an American citizen writing to you in regard my income tax. I received my form about the 5th of Jan., but the company I work for has not gave its employees their slips of the amounts we made for the year 1941. It was the middle of February last year when we received them. I have been ready to pay my income tax since I received my notice, but we all in this plant, around 600, don't know the amounts we made. It is unfair to us who are willing to pay our taxes as soon as we can, because when we have to wait till near the dead-line, we are rushed, and many of our boys are going into the Army, and I would like to make a suggestion. As long as you make a dead-line for us to pay our taxes, why not make a dead-line for our employer to give us the slips of the amounts we made for the previous year.

Albert Henderson, Youngstown, Ohio. I note that you pledge yourself to "remove any defects in the tax laws which may injure our national morale". Well then show yourself man enough to tax the labor unions. So far, you have been too cowardly to even mention it. Day by day you are strangling us to death while the C.I.O. and A.F.L. are amassing monstrous fortunes from the millions they are bleeding from the workers. You can prate about civilian morale every day, but there won't be any until you remedy the vilest injustice ever put upon a worker.

Dr. A. R. Buchanan, University of Colorado, Denver. * * *
I have become seriously concerned about the complacent attitude of a great mass of our people. The University business office is under instructions to deduct approximately 12% from my monthly salary check for the purchase of Defense Bonds. * * * In order to facilitate the purchase of Bonds in this amount, it is necessary that I economize on all living expenses to the limit. As a part of my economy program I have been walking $3\frac{1}{2}$ to 7 miles each day, thereby cutting down on gasoline consumption, tire wear, and automobile operating expense. * * * At a recent meeting with some of my faculty associates, my economies were severely ridiculed. The remark was made by one faculty member, "Why should anyone want to save tires, gasoline, or money; why should I buy Defense Bonds". This illustrates what I mean by the very general attitude of complacency about which I am perturbed. Finally, I am convinced that this complacency and lack of realization that we are at war can be remedied only by a payroll tax. I wish to urge very strongly that such a tax, amounting to at least 15%, be passed and put into effect as soon as possible. I shall be happy to pay it along with those who will complain long and loudly, but who will be forced to the realization that this nation is at war and will be then doing something to aid the war effort.

Mrs. Mary L. Heath, Kenton, Ohio. There is a matter which puzzles me very much and which I would like you to answer. Why do you favor the filing of income tax returns when there is no tax to pay? It never was done before, and it just adds to the expense of carrying on the Government, which everyone knows is far too high anyway, without that expense added to it. * * * It seems that instead of hunting ways to add to the expense of the Government, you should be hunting ways to decrease it. * * * I used to work in the Bureau of Internal Revenue, and I know the amount of red tape used in connection with a return. It goes through many hands there, so naturally is an added expense which should be avoided.

Henry C. Gardner, Secretary, Farmers Bank of Unionville, Missouri. * * * There is one form of business which is operating in direct competition with the banks in rural communities, without paying taxes. * * * The Unionville Production Credit Association maintains by far the most elaborate office of any business in our county. They do a large business, but for some strange reason, they claim to be exempt from taxation. * * * Due to the extra expenses we have in the way of taxes, we have to charge 6% for a loan, the Production Credit Association will make at 4½%. Their borrowers have to take 5% of their loan in stock, and in addition to this, pay an inspection fee, which is not charged by the local banks. However, the farmers think the Production Credit loans are considerably cheaper. Hence, their loans are increasing, and ours are going down. This association sends their office girls to the Court House to obtain the information from our chattel mortgages on file, and then solicit our borrowers. * * * We are not asking for relief on our taxes. What we do ask is that competing business be taxed on an equal basis.

Favorable Comments on Speeches

Francis M. Thompson, Attorney, Columbus, Ohio. The undersigned is in accord with your sentiments, and in furtherance of his conviction, has conducted litigation in Ohio, in an effort to prevent the Columbus Metropolitan Housing Authority and other similar authorities from being allowed exemption, for the properties erected by them, and rented to the tenants they select.

Arthur J. Mealand, Jr., Shaker Heights, Ohio. In spite of the fact that I have sold millions of dollars worth of municipal bonds during the last twenty some years, I have never felt that this loophole to avoid taxation should be open to people of means.

Wm. R. Woodward, Boston, Mass. Great "tax savings" are being made by merging moribund organizations having 'unrealized' losses together with highly profitable enterprises, such as munition works. The 'tax free organization' should not be allowed to permit corporations having excess profits to avoid paying taxes by 'merging' with corporations having a 'high basis' (unrealized losses). I heard last week of a man who made a profit of one million dollars but sustained a tax loss of \$400,000 to be deducted from his other income, by a transaction of this sort.

Sidney B. Wood, Jr., New York, N. Y. You have proposed, among other things, to eliminate or modify percentage depletion. A very similar 'hole' exists in the form of real estate depreciation on property operated or owned for profit purposes, and I am puzzled as to why something has not been suggested toward remedying the condition.

Rowland Carr, Allentown, Pa. Calls attention to "a most glaring loophole--the so-called pension trust fund which has come to my attention through apparently many tax practitioners recommending it to their clients."

Unfavorable Comments on Speeches

Fred Schwarzhoff, City Clerk, Bridgeport, Conn. Submits resolution opposing the attempt of the Treasury Department to impose a Federal tax on state and municipal bonds.

Russell Hartranft, 291 Beech Spring Road, South Orange, N. J. Opposes joint tax return by husband and wife. "I cannot see why two individuals, because they marry, should lose their identity as entirely separate entities. Such a school of thought as you propose need only be carried a step further to make one party guilty of crimes committed by the other." Second disagreement is in the matter of tax-exempt securities. "Any attempt to make those outstanding taxable would put the Government in the light of advocating breaking contracts and besmirching the very fundamental principle of the American Way in business; namely, honesty and faith in the other fellow's commitment.... "Why attempt to shatter the foundations of our democracy by undermining its two main pillars - the family - and business integrity?"

Hon. Paul Brown, House of Rep. - Enclosing a telegram from Honorable J. M. Wooddall, Mayor of the City of Augusta, Georgia, in opposition to the proposal to tax state and municipal bonds.

Miss Anna Robb, Detroit, Michigan. While there are municipalities who are in good financial condition and their securities have as good a market as U. S. Government bonds, there are many smaller municipalities since depression days who have found it tough sledding to get investors to purchase their bonds even with the tax exempt advantage. In Michigan there are hundreds of rural school districts who have had to revamp their financial set-up and refinance at lower interest rates, which they hope to be able to meet. The fact that their bonds are not moving in the investing market shows that they are not out of the woods yet.... However, if the Federal Government is so overloaded with obligations that it cannot lend a hand to these small but vastly important centers of education, it should not throw destruction in their path by ill-advised legislation.

Richard Stearns, Malba, N. Y. I honestly am of the opinion that outstanding issues should remain as they are, as I feel the government cannot afford to take a dictatorial attitude on obligations issued in good faith, as God knows we have seen enough of that from those nations we are now at war with.

N. B. Matthews, Vice Pres., Basin State Bank, Stanford, Mont. In opposition to the taxing of all Govt., State and Municipal bonds now outstanding, says "At this time we are trying to build up a reserve to cushion the shock that is bound to follow the present conflict and if we are to be taxed on our bonds it will hamper us very materially."

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

February 6, 1942

TO Ferdinand Kuhn, Jr.
FROM Joseph Melia

EDITORIAL COMMENT ON TAXES:
FEAR OF THE DARK

The delay in the public announcement of the Treasury's wartime tax recommendations is resulting in a feeling of growing editorial uneasiness.

To the large section of the press that has fought past tax programs of the Administration, the few proposals that have been rumored from Washington have served only to strengthen the suspicion that New Dealers are trying to advance -- in the words of the New York Times -- "the same pet schemes they have been promoting for years." In this category are grouped proposals to tax undistributed profits and to wipe out the alternative method of computing excess profits.

It is argued that such legislation would work undue hardships on business, especially small business, and perhaps destroy beyond repair our system of private enterprise. The St. Paul Pioneer-Press mirrors the attitude of most newspapers in insisting that these proposals have been made not so much for their revenue

possibilities, but in the hope of advancing social theories under the guise of wartime necessities. "The purpose," this newspaper believes, "is primarily to force a drastic reorganization of corporate financial structures not merely for the period of the war but for all time because some business reformers think that a good thing to do."

The Vinson Committee report of "unconscionable" profits is pooh-poohed by the majority press, with the section on profits regarded as being full of "exaggerations and sensational half-truths." Almost all newspapers place their editorial emphasis entirely on the section showing the amount of tax-free bonds in union treasuries. Publications like PM, The Nation, the New Republic and labor newspapers are very much in the minority in praising the report and advocating drastic upward revisions in corporate and personal income taxes.

Constantly citing the goose that laid the golden eggs, most editorial writers continue to view present taxes on business and personal incomes as being at or near the saturation point. Even the St. Louis Star-Times, a liberal newspaper which in the past favored increasing excess-profits taxes, more recently stated that "these fields have been mined extensively and there's a limit to what they can produce."

Only a general sales levy is winning widespread editorial support. Most newspapers maintain that such a tax would be the only "fair" solution to the problem of raising an unprecedented amount of revenue and at the same time keep the cost of war down by curbing inflation. A withholding tax would be unjust, it is argued, because it would permit non-wage earners to escape. In addition, the press maintains a sales levy would be less of a burden on low-income groups than a withholding tax. The reason advanced for this is that a sales tax would be paid "painlessly", whereas a withholding tax would be a steady drain of a relatively large, single sum each payday. For the same reason, a general sales levy is favored over the suggestion to pay part of workers' wages in Defense Bonds. Some newspapers also attack the idea of enforced savings as a "Hitlerite" morale.

Loopholes

The widespread fear in the press that the Treasury will prescribe some bitter tax pills has been heightened by Secretary Morgenthau's recommendation to tax outstanding issues of State and municipal securities. Most editorial writers continue to attack this suggestion, but cracks are beginning to appear in the united front of opposition presented last week. "The time has come when income from state and municipal securities should

be treated uniformly with other income from securities," editorialized the Cleveland Press, a Scripps-Howard newspaper. In this view that the war makes it imperative to close tax-exempt loopholes, the Cleveland Press is supported by the leading newspapers of St. Louis, Providence, Milwaukee, Duluth, and Minneapolis.

The official organ of the Railroad Brotherhoods also endorses the Secretary's proposal. The CIO News has failed as yet to comment editorially, but in its latest issue the Secretary's speech is prominently displayed in a news story. In the same issue a full page is devoted to reprinting the policy resolutions formulated recently by the CIO executive council, one of which is on taxes. This resolution favors the elimination of tax exempts and opposes a withholding tax or a sales tax.

The Secretary's other proposals for closing tax loopholes have met with little criticism except from the Hearst press, which attacked the suggestion to remove community property privileges. The Hearst writer argued: "Obviously, an inequality is involved, but the discrimination lies in non-community property states. The only fully equitable adjustment would be nation-wide application of community property laws."

Bring On The Taxes

In their increasing impatience for public disclosure of the new tax program, editorial writers show no awareness that time is being saved by ironing out tax controversies in Treasury-Congressional conferences before making any public announcements. This is indicated by the way some newspapers, including the New York Times and the Scripps-Howard chain, severely criticize the Treasury for not yet letting the public know how the biggest tax load in history will be divided. It is argued that morale will suffer and inflation will be advanced if, as last year, legislation is so delayed that taxes fall on earnings already spent.

"Why the delay? Bring on the bad tax news," the Scripps-Howard editorial demanded. "Every day the deficit grows larger, and the need for greater revenue more imperative. The people have braced for the bad news . . . They are willing to shoulder the heavier burden. But they want to know how much the increase will be, and how it will be assessed. And they have a right to know . . . Unless a start is made soon it will be late summer before the new tax bill becomes law. By then most of this year's incomes will have been earned -- and spent . . . As a result, millions of citizens will have to borrow to pay the tax on last year's income. Heavier taxation is unavoidable. But the confusion and uncertainty which this breeds are not unavoidable . . ."

For your information.

February 6, 1942.

To Archibald MacLeish

From Alan Barth

EDITORIAL OPINION
ON THE WAR:
THE BEST DEFENSE

Attack

The undercurrents of editorial thinking emerge most clearly in unstudied responses to sudden and dramatic events. Because it was passionately hoped for, but not foreseen, the Navy's raid upon the Gilbert and Marshall Islands uncovered impulses and emotions which had previously been hidden behind careful rationalizations.

Most of the American press, with conscious self-restraint, had avoided the question uppermost in all editorial minds -- "Where is the Pacific Fleet?" Almost all editorial pages ask the question now -- ask it rhetorically and answer it with prideful jubilation. The very excess of delight over an attack, the results of which were at best inconclusive, reveals the deep and frightened anxiety which has been felt for America's first line of defense.

The New York Post, for example, gives the following expression to its sense of relief: "The roar of planes zooming

up from carrier decks and the ear-shattering crash of naval guns in the Marshall and Gilbert Islands give the answer to a question which has been buzzing throughout the world since Pearl Harbor: Where is the American Pacific Fleet? The Japanese and Germans told us that it was a crippled and demoralized thing that wouldn't be heard from for a long time to come, if ever. Our own Government told us it was busy, asked us to be patient, said we would have the answer in good time. Now the planes and guns have spoken . . . That's all we needed to know."

Out of the knowledge that the fleet is still in being, that it is still capable of effective action, has come an immense resurgence of confidence. For despite their hopeful headlines, newspapers are filled with a submerged fear that the Japanese tidal wave may not be checked until too late.

The rejoicing discloses another dominant editorial feeling -- that the best defense is to attack. In the press as a whole, the defensive psychology which prevailed before Pearl Harbor has now largely disappeared. There is no longer a myopic watching of local ramparts; the ramparts we watch today are far-flung and fly, almost indiscriminately, British, Russian, Dutch and Chinese, as well as American flags. And the desire to strike the enemy on his home ground appears to be motivated, not merely by an eagerness for revenge, but by a growing recognition that the war can be won only by offensive strategy.

Headlines

Some effort to mix the bitter news of losses with the sweet, small evidences of success is discernible in the headline writing of careful newspapers, such as The New York Times and The Christian Science Monitor, which are not obliged to depend for their circulation upon newsstand sales. The tabloids, indeed the bulk of the press, continue to treat minor triumphs as though they constituted ultimate victory.

But current news stories carry their own sobering influences. And commentators tend more and more to acknowledge that disaster seems imminent at Singapore, that ominous portents are coming out of Libya, that the Burma Road is gravely threatened and with it the lifeline of supplies to China.

A developing attention to the importance of China in the Far Eastern war was brought into focus this week by the half billion dollar loan to stabilize that country's currency. The loan was overwhelmingly approved and brought forth a bevy of editorial tributes to the courage and steadfastness of Chiang Kai-shek's forces. The strategic significance of the Burma Road is now recognized: numerous commentators point out that Chinese bases afford the best possibility of future offensive action against Japan.

Dissidence

The superficial unity wrought by Pearl Harbor now seems to be wearing thin. It consisted at best of a common anger at a treacherous assault upon the United States.

But the minority which opposed the foreign policy of the Government prior to Pearl Harbor opposes the Government's war policy today -- for precisely the same reasons and with the same motives. Its opposition is once more becoming vigorously vocal.

The Roberts report seems to have given the signal for this dissidence. It provided the occasion for the first real blast at the Administration from temporarily silenced critics. The landing of troops in Northern Ireland furnished an issue over which the true colors of the opposition were fully revealed. This opposition is no more concerned now than formerly with waging a world war to end fascism; it is concerned only with a narrowly nationalistic protection of American territory.

Thus The Denver Post is able to observe in commenting on the despatch of our forces to Ireland, "There is one lesson the United States should learn from England. That is to put our own interests ahead of those of everybody else." Other isolationist newspapers develop variations on this theme.

At the same time, however, the dissident minority is seeking industriously to erase the recollection of its pre-war opposition and to foster the feeling that national unity demands an avoidance of recriminations. This is particularly true in respect to the forthcoming Congressional elections -- which, but lately, certain isolationist journals insisted that the Administration would forbid. And interventionist commentators show some inclination to encourage this forgiveness of the past. Most of them are anti-Administration in the domestic field; they want the November voting to be based on conventional Democratic-Republican issues and consequently are prone to overlook the past vagaries of their candidates in the field of foreign affairs.

Indeed, Congress itself has powerfully promoted this sort of whitewashing by absolving itself from all blame for the disaster in the Pacific. It appears altogether unlikely that genuine national unity will be achieved by the simple expedient of letting bygones be bygones. Recognizing this, the more forthright elements of the press call for an abandonment of "politics as usual."

147 A

FEB 6 1942

Dear General Smith:

It gives me a great deal of pleasure to salute you with your new title, and I want to congratulate you upon the well-deserved honor that has just come to you.

It is indeed gratifying to know that in these times of stress, a post of this important nature is held by a man of your caliber. Although I know your days will be busy ones, and full of even greater responsibilities, I know also that you will enjoy the satisfaction that goes with work well done.

Sincerely,

(Signed) E. Hergothau, Jr.

By Messenger *Hopkins 1/15*

M.M.C.

Brigadier General Walter B. Smith,
United States Secretary to the Combined
Chiefs of Staff,
War Department,
Washington, D. C.

GGT/abv

February 6, 1942

Dear Mr. Ambassador:

Colonel Donovan's office has begun to send me daily reviews of the British press as received by cable from London. I understand that you suggested that these reviews be sent to the Treasury, and I should like you to know how much we appreciate this service. It will be most useful in giving us a clearer picture of the current state of mind in England.

Best regards.

Sincerely,

(Signed) E. Mergenthau, Jr.

Hon. John G. Winant,
American Ambassador,
London, England.

FK/cgk

*Copies to Mr. Thompson
Sent to Secy Dept. for
transmittal via Diplomatic pouch*

By Messenger Sturges 12:15

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission,
who enclose Statement No. 19 - Aircraft Despatched
- for week ended February 3, 1942.

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

February 6, 1942.

STATEMENT NO. 19

MOST
SECRET 150

AIRCRAFT DESPATCHED FROM THE UNITED
STATES DURING WEEK ENDED FEBRUARY 3, 1942

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Catalina	Canada				3
<u>CURTIS</u>					
Kittyhawk	U.K.	U.K.	2		
	Canada				8
<u>GLENN MARTIN</u>					
Baltimore	Middle East	Port Sudan	9		
<u>NORTH AMERICAN</u>					
Harvard II	Canada				4
<u>YUNEE</u>					
Stinson 049	U.K.	U.K.	4		
<u>TOTAL</u>			15		15

British Air Commission
February 4, 1942.

TREASURY DEPARTMENT

151

INTER OFFICE COMMUNICATION

DATE February 6, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Shipment of planes to British Forces

1. In the week ending February 3, a total of 30 planes of all types (26 combat planes) were shipped to British forces. Half of the total were sent to Canada. This week's deliveries to the British represents less than a third of the average weekly shipments during the past year.

2. According to our export figures for the week ending January 31, we sent 40 planes to Russia and 30 to China. Shipments to the British represented only a fraction of the total. To get a more complete picture, we should receive data, similar to that provided by the British, from the Russians and Chinese.

Table A-Shipments by Area

	Week Ending February 3, 1942	Total Shipped in 1942 to date	Total Shipped since January 1, 1941
<u>To the United Kingdom</u>			
Light and medium bombers	0	1	1,125
Heavy bombers	0	0	104
Naval patrol bombers	0	0	102
Pursuit	2	62	373
Army Cooperation	4	13	44
Trainers	<u>0</u>	<u>0</u>	<u>24</u>
Total to the United Kingdom	6	76	1,772
<u>To the Middle East</u>			
Light and medium bombers	9	62	392
Heavy bombers	0	0	5
Pursuit	0	123	971
Army Cooperation	0	0	0
Trainers	<u>0</u>	<u>8</u>	<u>150</u>
Total to the Middle East	9	193	1,518
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	0	95
Naval patrol bombers	0	0	27
Pursuit	0	0	168
Trainers	<u>0</u>	<u>0</u>	<u>105</u>
Total to Pacific Forces	0	0	395
<u>To the Forces in Russia</u>			
Light and medium bombers	0	4	48
Pursuit	<u>0</u>	<u>0</u>	<u>49</u>
Total to Russian Forces	0	4	97
<u>To the Canadian Forces</u>			
Light and medium bombers	0	1	55
Naval patrol bombers	3	11	19
Pursuit	3	27	69
Trainers	<u>4</u>	<u>120</u>	<u>1,294</u>
Total to Canadian Forces	15	159	1,437
<u>Totals</u>			
Light and medium bombers	9	68	1,715
Heavy bombers	0	0	109
Naval patrol bombers	3	11	148
Pursuit	10	212	1,630
Army Cooperation	4	13	44
Trainers	<u>4</u>	<u>128</u>	<u>1,573</u>
Total	30	432	5,219

Table B - Shipments by Types

	Week Ending February 3, 1942	Total Shipped in 1942 to date	Total Shipped since January 1, 1941
11 Airacobra	0	0	154
being B-17	0	0	20
Boston III	0	0	39
Crewster Buffalo	0	0	168
Cessna T-50	0	86	634
Consolidated Catalina	3	11	148
L. B. 30 (B-24)	0	0	6
Liberator I (B-24A)	0	0	19
Liberator II (B-24B)	0	0	64
Curtiss Kittyhawk	10	152	534
Tomahawk	0	0	593
Douglas Boston I	0	0	1
Boston II	0	0	81
Boston III	0	4	443
Fairchild 24 R-9	0	5	27
Wrenn Martin Baltimore	9	62	130
Maryland	0	0	150
Crumman Martlet II	0	5	46
Cockhead Hudson I	0	0	1
Hudson III	0	1	352
Hudson IV	0	0	70
Hudson V	0	1	398
North American Harvard II	4	42	939
Mustang	0	55	135
Cairn Autogiro	0	0	5
Bought Sikorsky Chesapeake	0	0	50
Walter Stinson-049	4	8	12
Grand Total - All Types	30	432	5,219

Table C - Plane Shipments to the British by Weeks

154

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy bombers</u>	<u>Naval Patrol bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Total</u>
Weekly average of shipments in 1941	32	2	3	27	1	28	92
January 6, 1942	24	0	5	30	4	9	72
January 13, 1942	3	0	2	58	0	42	105
January 20, 1942	8	0	0	14	0	60	82
January 27, 1942	24	0	1	100	5	13	143
February 3, 1942	<u>9</u>	<u>0</u>	<u>3</u>	<u>10</u>	<u>4</u>	<u>4</u>	<u>30</u>
Total shipments since January 1, 1941 to date	1,715	109	148	1,630	44	1,573	5,219

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

15E

DATE FEB 6 1942

TO Secretary Morgenthau
FROM E. H. Foley, Jr.

As you know, general licenses issued under the freezing order have had the effect of freeing the accounts of all blocked nationals who have resided in the United States at all times on and since June 17, 1940, except persons singled out for specific blocking.

We have given further consideration to the refugee problem and we feel that we should now proceed to release from the restrictions of the Executive Order blocked nationals who are at present in the United States, regardless of the date of their arrival in this country. The regulation of the financial affairs of such persons requires a disproportionate amount of effort on the part of Foreign Funds Control in relation to the results achieved. Only a small group of persons within the United States will attempt to carry on transactions inimical to our war effort. We will exclude from the proposed general license by specific designation prior to the issuance of the license persons now known by us to need strict supervision. After the issuance of such license we will continue to exclude on an individual basis persons coming to our attention who require strict supervision.

This action on our part will serve to underline the sympathy and fairness with which this Government is treating refugees, and will form part of a broader program to enlist the enthusiasm of persons in conquered nations for the Allied cause. For example, an effective story can be worked up for use on foreign language broadcasts to other countries.

If you are in agreement with this program, it will be appreciated if you will so indicate below.

S. 1076

I approve:


Secretary of the Treasury

February 7, 1942.

THE SECRETARY OF THE TREASURY
WASHINGTON

February 6, 1942.

MEMORANDUM FOR THE PRESIDENT

At a meeting this morning in regard to General
Aniline and Film Corporation attended, among others, by
William C. Bullitt, John E. Mack, Leo T. Crowley, Gerard
Strope and Ed Foley, it was unanimously agreed that the
foreign-owned stock in the corporation (approximately 97
per cent of the stock now outstanding) be vested in the
Secretary of the Treasury immediately in order to enable
us to carry out an effective program of Americanizing
the company. John E. Mack believes that I. G. Farben not
only created the company, but still controls its stock.
We have the same view, and if you approve, I shall take
the necessary steps to effect the vesting.

Another meeting of the group is scheduled for
next Friday morning to discuss and work out a program
for the management of the company.

H. Morgenthau Jr.

Approved: FEB 7 1942

Franklin D. Roosevelt

TREASURY DEPARTMENT

157

INTER OFFICE COMMUNICATION

DATE February 6, 1942

TO Secretary Morgenthau
FROM E. H. Foley, Jr.

Re: H. A. Brassert and Company,
60 East 42nd Street, New York City,
310 South Michigan Avenue, Chicago, Illinois,
507 Wood Street, Pittsburgh, Pennsylvania.

H. A. Brassert and Company, a firm of consulting engineers specializing in the design and construction of iron and steel industries, was blocked on instructions from the Treasury in December 1941. At that time the Brassert Company had just been awarded a \$2,500,000 contract for the construction of open hearth furnaces for the National Steel Company of Brazil. This contract was part of a \$25,000,000 project for the establishment of a steel industry for Brazil. The project is being financed by the United States Government through the Export-Import Bank.

The Brassert Company which has built steel plants in many parts of the world began the construction in Germany in 1937 of two large plants for the Herman Goering Steel Works. Numerous unconfirmed reports are current concerning Brassert's relations with the German Government.

- 2 -

Brassert has also been interested in Askania Regulator Company, Chicago, Illinois. This company, which manufactures regulating devices minutely controlling the flow of air and gases for metallurgical and industrial work, was until recently the subsidiary of Askania-Werke, Berlin. In the spring of 1941, Brassert purchased from Askania-Werke its interest in Askania Regulator Company and gave Askania-Werke in exchange one of the buildings that had housed his Berlin office during the construction of the Goering Works.

Axel Wenner-Gren, who was recently put on the Proclaimed List, has financed the operation of two companies in which Brassert has a substantial interest. One of them, the Open Hearth Combustion Company, is now conducting a successful business. The other, Minerals and Metals Corporation, is engaged in developing a Brassert project for the direct reduction of iron ore.

The nature of the business of the Brassert Company is such that it will be adversely affected by a protracted continuation of the present status where it is under Treasury investigation but the Treasury can not say

- 3 -

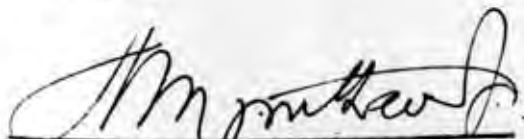
definitely that people can do business with Brassert without fear of interruption by the Treasury. Accordingly, the only fair thing to do is to complete a thorough-going investigation of the related companies and depending upon our conclusions either unblock Brassert or take action comparable to what we have done with regard to General Aniline, Schering, etc.

It is proposed that a prompt and thorough investigation of the records and personnel of H. A. Brassert and Company, Askania Regulator Company, and Minerals and Metals Corporation be made immediately.

If you agree, please indicate your approval below.

S. J.

I APPROVE:



Secretary of the Treasury



GENERAL COUNSEL
TREASURY DEPARTMENT
WASHINGTON

160

FEB 6 1942

TO: Secretary Morgenthau
FROM: E. H. Foley, Jr.

Re: Arnhold & S. Bleichroder, Inc.,
30 Broad St., New York, N. Y.

Since the declaration of war, the General Ceramics Company of New Jersey and New York has been supervised by representatives of the Treasury Department. This company manufactures steatite products used for high frequency insulation in short wave radio transmission and acid-proof stoneware used primarily in the chemical industry. The concern has contracts with the Army and the Navy, and its products are essential to our war efforts.

The private banking firm of Arnhold & S. Bleichroder, Inc., is closely connected with General Ceramics and their business affairs are so intermingled that it is impossible adequately to supervise General Ceramics without a thorough knowledge of the affairs of Arnhold & S. Bleichroder, Inc. To obtain this essential information,

- 2 -

it is proposed, if the action meets with your approval, to make a discreet examination of the books and records of Arnhold & S. Bleichroder, Inc.

Prior to 1937 the stock of General Ceramics was owned by a German corporation, and the interests of the present stockholders were acquired in that year. Sixty percent of the stock is now held by members of several Arnhold families who are either German nationals or have been such within the past few years. Most of the members of these families have immigrated to Brazil or to the United States since January 1, 1939.

The Chairman of the Board of Directors of General Ceramics is Hans Arnhold, now residing in the United States. Arnhold & S. Bleichroder, Inc., is wholly owned by Sociedade Commercial Monte Franco Ltda., Sao Paulo, Brazil. Ninety percent of Sociedade is owned by Adolph Arnhold, brother of Hans, who resides in Sao Paulo, in the heart of the German settlement of Brazil. The president of both General Ceramics and Arnhold & S. Bleichroder,

Inc., is W. L. Schoenheimer, and the two concerns share joint offices at 30 Broad Street, New York City.

It is believed that the Arnholds are attempting to siphon out the funds of General Ceramics, which would result in handicapping the productive efforts of the company. Indications are that Arnhold & S. Bleichroder, Inc., is being used as a means of concealing the operations of General Ceramics. The banking concern, for example, has a factoring arrangement with General Ceramics whereby General Ceramics pays interest at the rate of 35 percent, even on such accounts as Western Electric, R. C. A., and the Navy; this despite the offer by a local bank of a line of credit at 5 percent. There is also some indication that merchandise is frequently deliberately underpriced for the benefit of Arnhold & S. Bleichroder, Inc., and that confidential correspondence for General Ceramics is addressed to Arnhold & S. Bleichroder, Inc.

It is manifest from this situation that a thorough knowledge of the affairs of Arnhold & S. Bleichroder, Inc.,

- 4 -

must be obtained in order for the supervision of
General Ceramics to be effective.

9.14.76

I APPROVE: FEB 18 1942

*O.K.
Wm. Jr.*

FEB 6 1942

Dear Harry:

We do not have at this time any complete information about the firm Aktiebolaget Bofors. However, we have been told by counsel in this country for Axel Wenner-Gren that Wenner-Gren owns about 15% of the stock of Bofors.

We are at the present time making a full investigation of Wenner-Gren's activities, and should we learn anything further as to who owns Bofors, I will pass the information on to you.

Sincerely,

(Signed) Henry

Mr. Harry L. Hopkins,
The White House,
Washington, D.C.

Enclosures

*Delivered by Secret Service
Photo file - n.m.c.
Original file in Foley*

BB/ma - 2/3/42

January 21, 1942

Alexander Proudfit, Esquire,
64 East 66th Street,
New York, New York.

Sir:

I have your letter of December 30
telling me to tell the Army and the Navy
to stop manufacturing Bofors guns for
the use of the United Nations in the
defeat of Germany and Japan.

I can only say to you that if I had
a client who asked me to do what you are
asking your Government to do I would tell
him to jump in the lake.

Very truly yours,

HARRY L. HOPKINS

January 21, 1942

Alexander Proudfit, Esquire,
64 West 65th Street,
New York, New York.

Sir:

I have your letter of December 30
telling me to tell the Army and the Navy
to stop manufacturing Beaufort guns for
the use of the United Nations in the
defeat of Germany and Japan.

I can only say to you that if I had
a client who asked me to do what you are
asking your Government to do I would tell
him to jump in the lake.

Very truly yours,

HARRY L. HOPKINS

copy

ALEXANDER COUPER PROUDFIT
PATENT LAW
64 EAST 86th STREET
New York City

December 30, 1941.

Gen. Harry Hopkins, Lend-Lease Administrator
Office of the Lend-Lease Administration
Washington, D. C.

Sir:

I am writing you on behalf of my client Aktiebolaget Bofors, which, by a contract dated June 21, 1941, made in Sweden, with the Navy Department of the United States of America, granted the United States Government

"Exclusive and irrevocable license to make, use and have made in the United States for the United States use, the following items:-

Military and naval guns, ammunition and mountings of types hereinafter specified according to all present inventions thereon, and such letters of United States which might be issued therefor, or any divisional continuation or re-issue letters patent of the United States now granted thereon for the full term or terms of such letters patent or any of them; said license to cover Bofors 40 mm water-cooled gun for naval use, Bofors 40 mm air-cooled gun for Army use, Bofors field carriage for 40 mm gun, as covered by U. S. patent 2103670, and all types of ammunition for said guns."

I call your attention to the fact that under the above mentioned contract the license granted the United States government is limited to the manufacture and use of the Bofors 40 mm equipment "in the United States for the United States use."

My client has been informed that the United States Government is having manufactured Bofors 40 mm equipment for countries other than the United States, and that the equipment so manufactured is being supplied under the Lend-Lease Act for use by countries other than the

United States of America and Great Britain, and accordingly Aktiebolaget Bofors has directed me to notify the Lend-Lease Administration in its behalf, and I hereby do so, that such manufacture, either directly, or by contractors, of Bofors 40 mm equipment for the use of any country other than the United States of America or Great Britain, and the supply of the aforesaid equipment to such other countries by the Lend-Lease Administration, is in violation of the rights of Aktiebolaget Bofors.

In accordance with my client's directions, I hereby request that instructions be given by you as Lend-Lease Administrator, to the appropriate officials in the Lend-Lease Administration, in the Navy Department, in the Army Department, and also to contractors for such equipment, to cease the manufacture of Bofors 40 mm equipment, and the supply of equipment so manufactured, except for the use of the United States of America and of Great Britain.

I am notifying the Firststone Tire & Rubber Company and the Chrysler Corporation that the manufacture of Bofors 40 mm equipment for the use of any country other than the United States of America and of Great Britain is in violation of the rights of my client, and am demanding that they forthwith cease and desist from the manufacture of Bofors 40 mm equipment for the use of any government other than that of the United States of America and that of Great Britain.

Very respectfully,

Alexander C. Proudfit

Attorney for Aktiebolaget Bofors.

THE WHITE HOUSE
WASHINGTON

January 30, 1942

Dear Henry:

Do you have any idea who owns stock in the firm Aktiebolaget Bofors mentioned in the attached correspondence? I suspect that it is Wenner-Gren

It looks like an indirect move on the part of this corporation to slow down our aid to the other United Nations.

Incidentally, the Judge Advocate General of the Navy isn't worrying about our legal rights to go ahead and manufacture the gun for any country we please!

Will you please return this file when you have finished with it.

Very cordially yours,

Harry L. Hopkins
B

HARRY L. HOPKINS

Enclosure.

The Honorable
The Secretary of the Treasury.

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

E. R. Stettinius, Jr.
Administrator

January 20, 1942

Miss Lois Berney
Secretary to Mr. Harry Hopkins
The White House
Washington, D. C.

Dear Miss Berney,

In response to your call of this morning, I am attaching copy of original letter addressed to Mr. Hopkins on December 30, 1941, by Alexander C. Proudfit, Attorney for Aktiebolaget Bofors.

The background on this is that the Navy Department believes that its license covers the right to Lend-Lease Bofors equipment to foreign governments. The Navy Judge Advocate General has so ruled. Under any circumstances, neither Army nor Navy will be scared out of lend-leasing Bofors' items on account of this or any other similar claim.

We have simply acknowledged Mr. Proudfit's letter noncommittally, as per the attached copy.

Sincerely yours,

Katherine Baxter
Miss Katherine Baxter
Secretary to Mr. Stettinius

Attachments 2

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

M E M O R A N D U M

January 19, 1942

TO: Harry Hopkins
FROM: E. R. Stettinius, Jr.

I have answered the letter from Alexander Proudfit which you referred to me and which claimed a breach of the Bofors license agreement. The Navy Department knows the whole story on this and has the situation well in hand. There is no danger that the Lend-Leasing of any Bofors items will be affected by this claim.

ES

C
O
P
Y

January 19, 1942

Dear Sir:

Your letter of December 30, 1941 addressed to Honorable Harry Hopkins has been referred to me.

Since the Navy Department made the contract referred to in your letter on behalf of the United States Government, that department would be the appropriate agency to discuss with you any question of interpretation of that agreement.

I suggest, therefore, that you write directly to the Navy Department.

Very sincerely yours,

E. R. Stettinius, Jr.

Alexander Proudfit, Esq.
64 East 86th Street
New York City

FOREIGN FUNDS CONTROL

FEB 6 1942

2020120

SALARIES AND EXPENSES

Foreign Exchange Control 1942

M. JOHN FLEMMER

SPECIAL INVITATIONS FOR MEDICAL RESEARCH

BERNE, SWITZERLAND

dated February 3. Policy of State and Treasury Departments is that remittances may be made to American citizens in enemy territory only through the facilities of the Special Division of the Department of State and the Swiss Government representing our interests in such areas. Treasury Department working with the Department of State to facilitate the establishment of a channel through which such remittances may be made

(initialed) R M J.

Secretary of the Treasury

n.m.c.

JWP:mgb 2/4/42

15 5 1942

Secretary Morgenthau

E. H. Foley, Jr.

Simon Flexner's telegram deals with the following situation:

Mrs. Antoinette Rotan Peterson, who lives in Bridgewater, Connecticut, and whose husband is a leading neurologist and psychiatrist in the United States, has a daughter who has lived in Italy since 1938 for reasons of health. The daughter is also an American citizen. It is desired to remit funds to her for living expenses. The State Department is attempting to arrange a channel for remittances to be made to American citizens in enemy territory through the Special Division of the State Department and the Swiss Government, which is representing our interests in such areas. Such channels are not as yet in operation, partly at least, to the many difficulties which the Swiss are raising. The Petersons wish to send funds through the American Friends Service Committee organization in Switzerland or through banking channels in Switzerland pending the establishment of governmental facilities. The State Department agrees that it would be undesirable for such channels of communication with enemy territory to be established and we are working with them to expedite the making of remittances through the Swiss Government in the approved way.

(Initialed) E. H. Foley, Jr.

JWF:mgd 2/4/42

COPY

1942 FEB 3 PM 259

WA660 70 DL

NRB NEW YORK NY 3 132P

HON HENRY M MORGENTHAU JR

TREAS DEPT

MAY I ASK YOUR ATTENTION TO THE UNFAVORABLE ACTION IN
CASE OF THE DAUGHTER OF DOCTOR AND MRS. FREDERICK
PETERSON NOW IN ITALY APPLICATION NUMBER ONE FIVE NINE
THREE FEDERAL RESERVE BANK OF NEWYORK THREE FIVE ONE
SEVEN SEVEN SIX C. I HAVE KNOWN FREDERIKA SINCE
CHILDHOOD AND HER PARENTS FOR OVER THIRTY YEARS.
DOCTOR PETERSON A LEADING NEUROLOGIST AND PSYCHIATRIST IN
COUNTRY. I HOPE APPLICATION CAN BE REVIEWED FAVORABLY.

SIMON FLEXNER ROCKEFELLER INSTITUTE FOR
MEDICAL RESEARCH.

C.

256P

STRICTLY CONFIDENTIAL

175

*See memo to Bell
& W. L. of 2/4/42.*

February 6, 1942.

NOTE FOR THE SECRETARY'S FILES

filed 2/9/42

While discussing the Lend-Lease arrangement which the State Department had prepared and which Secretary Hull is strongly urging the British to accept, Secretary Morgenthau told Mr. White that he had not seen the agreement before he sent the message to Sir Kingsley Wood and didn't know specifically what was in it. (Nor had any one in the Treasury seen the agreement in anything like its final form.) Secretary Morgenthau said that he sent that message to Wood because President Roosevelt had sent a strongly worded message to Churchill urging that the agreement be signed and because Secretary Hull and Dean Acheson were very desirous of having the Secretary bring pressure to bear on his opposite number. Secretary Morgenthau made perfectly clear that he sent the message to carry out the President's wishes.

FEB 6 1942

My dear Mr. President:

I wish to call to your attention the continued shipment of gold from French North Africa to Germany. This gold is being delivered in accordance with the decisions of the Franco-German Armistice Commission at Wiesbaden. A brief sketch of how the gold came to be in North Africa and its subsequent disposition is given in the enclosed memorandum.

It would obviously be greatly in our interest to stop the delivery of this gold to Germany. The enclosed cable from our Consulate General in Algeria suggests that the delivery of this gold might be stopped if one of the planes carrying the gold were intercepted and forced to return to Algiers. Could we do anything in this connection?

I am bringing this matter to the attention also of Vice President Wallace and Secretary Hull.

Faithfully yours,

(Signed) H. H. Hopkins, Jr.

Secretary of the Treasury

The President,

The White House.

Enclosures (2)

Henry Hopkins, Jr.
H. H.
Copy to Mr. [unclear]

OO:WJS/Drl
 2/5/42

February 5, 1942

Secretary Morgenthau

Mr. White

Subject: Delivery of Gold from North Africa to Germany

1. In the spring of 1940, the French Government transferred about three-quarters of a billion dollars of gold to Dakar for safekeeping.

The danger of German occupation of French territory in May 1940 prompted the French Government to transfer to French West Africa a large part of its domestic gold holdings together with the gold held by the Bank of France for the central banks of Belgium and Poland.

After the fall of France, the German Government, on the ground that it had the responsibility of guarding the interests of the central banks of these countries under its "protection", demanded that the French return the Belgian and Polish gold stored in West Africa. The Vichy Government agreed in principle to the return of this gold, although, apparently, no date was set for final delivery.

2. Of the gold removed to Dakar about \$184 million belonged to the Central Bank of Belgium and \$68 million to the Bank of Poland.

The value of Belgian gold shipped to Dakar has been variously reported at from \$184 million to \$250 million with the former figure probably correct. The figure on Polish gold held by the Bank of France was given by the Polish Financial Counselor in New York.

3. Previous reports from France and Africa have indicated that the Vichy Government was delivering this Belgian and Polish gold to the Germans.

In January 1941, French officials admitted that they were handing over some of the Belgian and Polish gold to Germany.

In March 1941, it was reported from Dakar that the French commercial airline was carrying small amounts of Belgian and Polish gold to Europe.

On July 17, 1941, the American Consul at Algiers reported that about 375 million of Belgian gold had reached Algiers and was to be shipped to France by plane.

About 463 million of Belgian and Polish gold was said to have arrived at the Moroccan State Bank from West Africa during November 1941, in preparation for transfer to Europe.

On December 23, 1941, 33 million in gold was sent by plane from Algiers to Marseilles, and on December 26, 1941, another shipment of 89 million was made.

2. There is new evidence that the French are arranging for the shipment to Europe of the remaining Belgian and Polish gold now stored in French North Africa.

The American Consulate General in Algeria reports that the French authorities have arranged to ship to Marseilles by regular commercial airplane about 120 million of this gold a month. Presumably these shipments are destined for eventual delivery to the Germans.

3. The gold shipments might be stopped if one of the French planes were intercepted and forced to return to Algiers.

This method proved effective several months ago when the French sent a trial shipment of several tons of gold over the Mediterranean. British war planes intercepted and turned back the French transports without attacking them, and their gold cargo was again deposited in French Africa.

3-11/1941
20/41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Algiers, Algeria.

DATE: January 20, 1942, 4 p.m.

NO. : 47.

The following is from Murphy.

From a reliable official source I have learned that for each departure during an indefinite period the French authorities have reserved accommodations for 600 kilos weight for special confidential shipments on the Algiers-Marseille Air France plane. Each day at 8:15 a.m., except on Wednesdays, the Algiers Air France plane leaves Algiers for Marseille. The official source in question says that this arrangement is made for the shipment of gold to Europe. It would permit shipment of gold to Europe. It would permit shipment of approximately six tons of gold every ten days.

This story was confirmed to me by a recent passenger on the Air France Line to Marseille who saw one consignment of gold loaded on the plane in which he was traveling. The gold in question is believed to be Polish and Belgian gold which was heretofore stored in French West Africa, now destined for Germany and Belgium under the Wiesbaden agreement. (See my strictly confidential despatch of September 11, 1941.)

This contraband traffic, it was suggested to me, might be stopped if one of these planes were intercepted and forced to return to Algiers.

The foregoing telegram was repeated to Tangier and Vichy.

COLE

Copy: oj:1-27-42

Copy: gp:2-4-42

FEB 6 1942

My dear Mr. Vice President:

I wish to call to your attention the continued shipment of gold from French North Africa to Germany. This gold is being delivered in accordance with the decisions of the Franco-German Armistice Commission at Wiesbaden. A brief sketch of how the gold came to be in North Africa and its subsequent disposition is given in the enclosed memorandum.

It would obviously be greatly in our interest to stop the delivery of this gold to Germany. The enclosed cable from our Consulate General in Algeria suggests that the delivery of this gold might be stopped if one of the planes carrying the gold were intercepted and forced to return to Algiers. Could we do anything in this connection?

I am bringing this matter to the attention also of President Roosevelt and Secretary Hull.

Sincerely yours,

(Signed) E. Bernheimer, Jr.

Secretary of the Treasury

The Vice President,
United States Senate,
Washington, D. C.

Enclosures (2)

OO:WJS/Dr1
2/5/42

R. J. C.
By ~~Memorandum~~ Sturges 5:20
L. J. C.

FEB 6 1947

181

My dear Mr. Secretary:

I wish to call to your attention the continued shipment of gold from French North Africa to Germany. This gold is being delivered in accordance with the decisions of the Franco-German Armistice Commission at Wiesbaden. A brief sketch of how the gold came to be in North Africa and its subsequent disposition is given in the enclosed memorandum.

It would obviously be greatly in our interest to stop the delivery of this gold to Germany. The enclosed cable from our Consulate General in Algeria suggests that the delivery of this gold might be stopped if one of the planes carrying the gold were intercepted and forced to return to Algiers. Could we do anything in this connection?

I am bringing this matter to the attention also of President Roosevelt and Vice President Wallace.

Sincerely yours,

(Signed) W. E. Borah, Jr.

Secretary of the Treasury

The Honorable,

The Secretary of State,

Washington, D. C.

Enclosures (2)

W. E. Borah, Jr.
20
W. E. B.
Copies to Mr. White

WJS/Drl
1/5/42

February 6, 1942

My dear Mr. Secretary:

On December 19, 1941, I wrote you asking if any help could be given to Messrs. W. H. Fress and W. H. Taylor who were in Hong Kong working with the Chinese Stabilization Board. In your reply of January 10, 1942, you advised that your Department had begun negotiations with the Japanese Government through the intervention of the Swiss authorities in Tokio for the exchange of Japanese official personnel in the United States for American official personnel in Japan and Japanese-occupied territory. You further indicated that the Department of State would make every effort to have Messrs. Fress and Taylor included in the American party if an exchange takes place.

I now should like to make formal request that similar efforts be made to include in the American party to be returned to the United States the Treasury personnel indicated on the enclosed schedule, informal advice with respect to which has heretofore been given to Mr. Havens of your Department.

Sincerely yours,

(Signed) E. Mergenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of State.

Enclosure
WNT:cfBy Messenger *Simon 4:20*

TREASURY PERSONNEL IN THE FAR EAST

<u>NAME</u>	<u>TITLE</u>	<u>LOCATION</u>	<u>SERVICE</u>	<u>NATIONALITY</u>
T. Maxwell Anderson	Attorney	Manila, P. I.	General Counsel	U. S. Citizen
William L. Hubbard	Economic Analyst	Manila, P. I.	Monetary Research	U. S. Citizen
Solomon Adler	Senior Analyst	Chungking, China	Monetary Research	U. S. Citizen
James J. Saxon	Head Commercial Specialist	Manila, P. I.	Foreign Funds	U. S. Citizen
Thomas Page Nelson	Commercial Spec.	Manila, P. I.	Foreign Funds	U. S. Citizen
Reynolds B. North	National Bank Exam.	Manila, P. I.	Comptroller of the Currency	U. S. Citizen
Albert E. Price	National Bank Exam.	Manila, P. I.	Comptroller of the Currency	U. S. Citizen
Martin G. Scott	Treasury Attache	Kobe, Japan	Customs	U. S. Citizen
Earl W. Daley	Treasury Representative *	Kobe, Japan	Customs	U. S. Citizen
Ella Jacobson	Clerk	Shanghai, China	Customs	U. S. Citizen
Arthur J. Campbell	Treasury Representative	Hong Kong, China	Customs	U. S. Citizen
Juanita Mary Griffin	Stenographer & Code Clerk	Shanghai, China	Office of the Secretary	U. S. Citizen
Miriam Forhee	Clerk-Stenographer	Shanghai, China	Office of the Secretary	U. S. Citizen

<u>NAME</u>	<u>TITLE</u>	<u>LOCATION</u>	<u>SERVICE</u>	<u>NATIONALITY</u>
100** Masayo Yasunaga	Interpreter-Translator	Kobe, Japan	Customs	U. S. Citizen
** Wong Quan Ng	Interpreter-Translator	Hong Kong, China	Customs	U. S. Citizen

* On temporary duty in Shanghai, China.

** These employees were engaged as Interpreter-Translators by the Treasury Department in Kobe, Japan, and Hong Kong, China, respectively, and are both American citizens. Apparently there would be no responsibility on the part of the Department in returning these employees to the United States, and in view of the curtailment of activities in the Far East, their services were ordered discontinued effective December 30, 1941, following which accrued annual leave was to be taken.

Treasury Department 185
Division of Monetary Research

Date February 14, 1942

To: Miss Chauncey

From: Mr. White

I think the Secretary will be interested in seeing this.

I am also attaching a copy with a letter to Harold Ickes in case the Secretary would like to send this information to Ickes because of the statements made about oil which goes to Spain.

Copies of the statement have already been sent to the State Department and to the Board of Economic Warfare.

TREASURY DEPARTMENT

186

INTER OFFICE COMMUNICATION

DATE February 6, 1942

TO Secretary Morgenthau

FROM Mr. White

Subject: Statements Made By Deserting Spanish Seaman.

I think you will find interesting the attached record sent to Mr. Gaston by the U. S. Immigration Office in Port Arthur, Texas, reporting an interview with an 18 year old Spanish seaman who recently deserted his ship in Port Arthur, Texas.

His statements include the following:

1. Spanish tankers are unloading their oil directly into rail-road tank cars bound for Germany. He knows of times when two tank trains per day were leaving Barcelona for Germany.

He has also seen the tankers unloading oil into smaller ships, bound for Italian ports.

Only relatively small quantities are loaded into trucks for retaining in Spain.

2. Other sailors have described to him the shipping of food from Spain to Germany.
3. Spanish Falangists are shanghaiing unemployed Spaniards into "recruiting" for the German war against Russia.

THE SECRETARY OF THE TREASURY
WASHINGTON



Dear Harold:

I am enclosing a copy of a statement made on January 14, 1942, to an Immigration Officer at Port Arthur, Texas, by Jose L. Lora-Vichega, an 18 year old deserting Spanish seaman from a Spanish tanker.

I thought you might be interested in seeing the statements made by this sailor in regard to oil shipments from Spain to Germany.

Sincerely,

Secretary of the Treasury

The Honorable,

The Secretary of Interior,

Washington, D. C.

Enclosure



(COPY)

188

January 23, 1942.

Honorable Breckinridge Long,
Assistant Secretary of State,
Department of State,
Washington, D. C.

Dear Mr. Long:

I am enclosing, as a matter of information in connection with some of the reports I have forwarded to you in the past, a statement made on January 14, 1942, to an immigration officer by Jose L. Lora-Vichera, a deserting Spanish seaman from the CAMPEA tanker CAMPERO.

Very truly yours,

(Signed) Herbert E. Gaston,
Assistant Secretary of the Treasury.

Enclosure.

cc: Mr. Pehle
Mr. White

SWORN STATEMENT MADE BY JOSE LUIS LORA-VICHERA AT PORT ARTHUR, TEXAS,
JANUARY 14, 1942, TO HORACE C. HARRIS.

PRESENT: Horace C. Harris Examining Officer & Interpreter
 D. N. Sharpley Stenographer
 Jose L. Lora-Vichera Deponent

Statement by examining officer to deponent: You are informed that I am an Immigrant Inspector of the United States Immigration and Naturalization Service and desire a statement from you relative to your right to be and remain in the United States; such statement as made to be thoroughly voluntary on your part and under oath. Are you disposed to make a voluntary, sworn statement under oath? Answer: Yes.

Jose Luis Lora-Vichera, being first duly sworn, testifies as follows, in the Spanish language:

- Q: That is your full correct name? A: Jose Luis Lora-Vichera.
- Q: When and where were you born and of what country are you a citizen?
A: I was born in Puerto de Santa Maria, Province of Cadix, Spain, January 4, 1923, and I am a citizen of Spain.
- Q: Where, when, and in what manner did you last enter the United States?
A: I came as a crewman on the Spanish tanker, CAMPERO, on its last voyage here and left the ship here in Port Arthur last November. (The CAMPERO last arrived in Port Arthur, Texas, November 5, 1941. The above-named crewman was reported as a deserter.)
- Q: Why did you leave the tanker CAMPERO in this port? A: Because they wanted to take me to Germany.
- Q: Who wanted to take you to Germany? A: The Falangists, who are sending them there.
- Q: Please explain what you mean by the "Falangists are sending them there". A: Since Spain owes Germany a great deal of money from the Revolution, the Falangist government is repaying Germany by sending men, food, and oil.
- Q: Have you been approached and requested to go to Germany as a soldier?
A: The Falangists by force attempted to send me to Germany to fight against Russia.
- Q: When were you confronted by the Falangists for this purpose?
A: It took 20 days for the CAMPERO to come here, and about ten days before that I was in a park in Seville, Spain, with some other fellows and some Falangist men were in the park and asked me and my companions why were we not working, and I told them there was no work, and they told me that since I was not working I could carry a gun and go along to Germany to help fight the Russians. An argument ensued, followed by a fight. While the fight was going on, a Falangist officer passed by and took me and my companions to the enlisting office and while

going to the enlistment office I managed to escape and instead of returning to my home in Seville, I went to the home of some relatives in Cadiz. About ten days after I arrived at Cadiz, the CAMPERO, on which I had served before, arrived in port and my father was an officer on the ship. I told him my trouble and he arranged with the master to take me back into the crew.

Q: You spoke of food and oil going to Germany, as well as men. Have you ever seen any food go to Germany? A: With reference to food, I know that boats of the Spanish company, Pinillos, have been going to Germany loaded with food supplies from the Port of Bilbao, and a sailor friend, Antonio Riveiro, said that he had been in Germany on board one of these boats. Some were sunk, while going to Germany, but others got there.

Q: Just what did your friend Antonio Riveiro tell you about such transportation of food to Germany? A: About nine months ago it happened that the CAMPERO went to Barcelona for repairs, and I saw these boats loaded with supplies leaving the port, convoyed by German and Italian warships. This Antonio Riveiro was a friend of some of the crew of the CAMPERO and we went out to a movie and had a few drinks, and we asked Antonio about his life on his ship, and he said it was quite adventurous going to Germany, and mentioned that they went to a German port and they had to sail up a river about two hours before they got to the docks and that it was in Germany proper.

Q: Did you personally see any of these food ships leaving Spain for Germany? A: Yes, from Barcelona.

Q: How do you know they were going to Barcelona? A: I have been told of that only by the sailor. Also I know it is the rumor that the Spanish are sending food to Germany.

Q: What do you know about oil going to Germany? A: I have seen tank cars loaded with oil going to Germany via Irun from Barcelona.

Q: How do you know they were going to Germany? A: I know that they were going there because the tank cars had a metal plate on each one, saying "Irun" and that is the only railroad line communication with Germany. These tank cars left about twice a day. After the engine there were two passenger cars and about 30 tank cars.

Q: Do you know what these tank cars carried? A: I have seen several products being loaded direct from the boats to the tank cars, some with gasoline, gas oil, fuel oil, and lubricating oil.

Q: How often did these trains leave from Barcelona going to Irun? A: As soon as the ships arrived they sent them out full as fast as they could.

Q: How do you know that the tank cars leaving Barcelona bearing destination plates labelled "Irun" went to Germany? A: I know that they were going to Germany because a friend of the family, Luis Olaya, happened to have to go to Germany and he said that he was afraid of going to Germany as he had to work on the basis of delivering several train loads to that nation.

Q: Did Luis Olaya tell you that personally? A: Mr. Olaya, with the Captain of the CAMPERO, came to my father's house and just talking about general things Mr. Olaya mentioned having to go to Germany and that is how I heard it. (The fact that Olaya went to Germany has been verified through another source.)

Q: Who is Luis Olaya? A: He is an engineer or oil inspector employed by the Treasury of the Government to supervise the Spanish oil monopoly, C.A.M.P.S.A., business.

Q: Did you hear Mr. Olaya state anything about how long this traffic of oil from Spain to Germany had been going on? A: He didn't say.

Q: When did this conversation take place? A: About ten or twelve days before the CAMPERO left Spain, or about the first of October, 1941. It was two days before I had the fight and escaped from Seville.

Q: Did Mr. Olaya go to Germany on board one of these trains carrying petroleum products? A: He was supposed to leave by train, but he went by plane because he was afraid of sabotage on the train. At least, Mr. Olaya said he was going to leave by plane.

Q: Did he state what his destination in Germany was? A: He did not say, or if he did, I didn't understand it.

Q: In reference to his motive for going to Germany, what did Olaya state? A: He said that he had to accompany the convoy of tank cars to Germany and that once in Germany he had to visit some centers of oil industry and that he had to check the quality and quantity of the oil for the government.

Q: Did someone accompany every train? A: I don't know. I only heard Mr. Olaya speak of it.

Q: Do you positively know that American petroleum loaded by the CAMPSA line vessels in Port Arthur, Texas, has been transferred to railroad tank cars in Barcelona, such cars labelled "Irun"? A: Yes. The CAMPERO had some oil loaded here and unloaded there into tank cars saying "Irun."

Q: Where is Irun? A: On the border between Spain and Occupied France.

Q: How did they unload from the ships to the cars? A: By hose from the boat to the dome of the tank car, and the hose being held by a metallic holder. They were loaded one at a time. Practically all of the cargo was unloaded on tank cars, except about 200 tons that was loaded on trucks and sent to the storage plant of the Spanish government. They were loaded on trucks that were driven under elevated tanks, and the trucks were loaded three at a time.

Q: Have you seen tankers discharging cargo directly into German or Italian boats, in port or at sea? A: In the port of Barcelona the CAMPERO, about eight or nine months ago, came alongside a small boat, the OPHIR, also a CAMPSA line boat. This OPHIR took cargo from the CAMPERO and went to an Italian port, which is a very well known town. I can't recall the exact name of the town. This has happened several times. The CAMPERO has also taken some English sailors from a boat that had been sunk and left them at Bermuda.

Q: How do you know that the OPHIR went to Italy? A: By the sailors of the OPHIR. The sailors told me; that has been quite well known by the sailors of these boats. Once an Italian submarine stopped us. It shot a cannon shot across our boat in order to make us stop and when convinced that our boat was a Spanish boat, the submarine left. If I go back to Spain and they find out that I have been making these statements, they would put me out of the way.

Q: Did your father know that you were going to desert your vessel?
A: Yes, I told him and my mother.

Q: When your father and mother knew that you were going to leave the ship here, were they afraid that something would happen to your 17 year old brother? A: I do not think that anything will happen to him.

Q: Did your father advise you to desert the vessel here? A: Yes. My father has been around the world and has been a sailor and he said that this was a good country.

Q: Did your father assist you in getting into this country? A: When the boat came here and the Immigration Officer asked me for a picture for the passport, it happened that I didn't have any pictures and the Immigration officer did not want to give me a pass because he thought that I was too young. My father went to the Captain and asked him to fix it up so that I could go ashore. Finally the Immigration officer took my fingerprints and my father gave me \$10.00 and I came ashore.

Q: Did your father, who was an officer on board the CAMPERO at the time of the discharge, actually advise you to desert or did he only ask the master to let you go ashore to enjoy shore leave? A: I wanted to stay here and not go back to Spain and my father thought it was best for me to stay.

- 5 -

I CERTIFY THAT THE FOREGOING FOUR PAGES CONSTITUTE A CORRECT
TRANSCRIPTION OF THE STATEMENT MADE BY THE DEPONENT.

(Signed) Horace C. Harris
Horace C. Harris

(Signed) Jose L. Lora-Vichera.

C
O
P
Y

194

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF 840.51 Frozen Credits/5288

February 6, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith copies of telegram no. 212 of February 5, 1942 from the American Embassy at Santiago, concerning the withdrawal by Axis interests of 60,000,000 pesos from Chilean banks, following the December 7 attack on Pearl Harbor.

Enclosure:

From Santiago, no. 212,
February 5, 1942.

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

Santiago

Dated February 5, 1942

Rec'd 9:45 p.m.

Secretary of State,
Washington.

212, February 5, 5 p.m.

In slip to reliable American contact recently Chilean Superintendent of Banks stated that following December 7th attack on Pearl Harbor Axis interests withdrew 60,000,000 pesos from Chilean banks. Realizing too late that an American was present he added that most of this sum had been redeposited. Contact doubts whether redeposits were more than 10,000,000 pesos. If this estimate is correct Axis nationals and agents in Chile have cash on hand at least the equivalent of \$1,600,000. Another contact reports that amount in Yokahama Specie Bank account with Bank of Chile (Japanese Chilean clearing account) is 20,000,000 pesos.

BOWERS

HTM

Copy:bj:2-7-42

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE February 6, 1942

TO ^{cc} Secretary Morgenthau
 FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£129,000
Purchased from commercial concerns	£ 20,000

Open market sterling held steady at $4.03\frac{3}{4}$, with no reported transactions.

The Canadian dollar discount widened to $11\frac{7}{8}\%$ at the close, compared with $11\frac{5}{8}\%$ last night.

The Uruguayan free peso, which has been quoted at .5250 for almost a month, rose nearly one full cent to .5340 today. There was very little activity in that currency in the New York market.

The Cuban peso was offered at a premium of $7\frac{7}{8}\%$ today, a new high on the current movement.

In New York, closing quotations for the foreign currencies listed below were as follows:

Argentine peso (free)	.2365
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Venezuelan bolivar	.2770

In order to increase the Stabilization Fund's gold balance, we purchased \$3,500,000 in gold from the General Fund through the New York Assay Office.

The State Department forwarded a cable reporting that the Swiss Bank Corporation, London, shipped \$39,000 in gold from England to its New York agency, for sale to the New York Assay Office.

In London, spot and forward silver remained at $23\frac{1}{2}$ d and $23\frac{9}{16}$ d respectively, equivalent to 42.67¢ and 42.78¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Barman's settlement price for foreign silver was also unchanged at $35\frac{1}{8}$ ¢.

We made no purchases of silver today.

BRITISH EMBASSY
WASHINGTON, D.C.

PERSONAL
AND SECRET

6th February, 1942.

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 43

Information received up to 7 A.M., 5th February, 1942.

1. NAVAL

3rd/4th. H.M. Destroyer ATHERSTONE in company with a Polish destroyer engaged two laden eastbound ships off the CHANNEL ISLANDS and left them sinking. A photographic reconnaissance of BREST on the 4th showed the PRINZ EUGEN entering the roadstead, the pilot of the aircraft reported seeing two other large ships with the PRINZ EUGEN, but these were not covered by the photograph. H.M. submarine P. 36 torpedoed a merchant vessel of about 5,000 tons off TRIPOLI (L) on the 24th. A small Panamanian merchant ship was torpedoed on the 4th south of DELAWARE BAY and is reported sinking.

2. MILITARY

LIBYA. Enemy infantry attacked our troops in the TIMI area on the afternoon of the 3rd and were repulsed. We are now holding positions between GAZAIA and the TRIGH EL ABD with armoured patrols covering the front.

SINGAPORE. On the 4th the enemy shelled the naval base and SEMBAWANG aerodrome but caused no damage. Our artillery engaged targets in JOHORE BAHRU.

BURMA. Japanese forces on the BURMA front are now estimated at one division in the HOUMEIN-YESOD area, one division further north with headquarters at CHIENG-MAI, and one division with tank units, in reserve centred on BANGKOK, with probably detachments on the TAVOY COAST.

NETHERLANDS EAST INDIES. There are indications that the Japanese are planning to occupy aerodromes in the PALEMBANG area in SUMATRA.

3. AIR OPERATIONS

LIBYA. 3rd. Hurricanes attacked considerable eastbound traffic on roads west of DERNA and east of MARTUBA causing many casualties.

SICILY. 4th. Blenheims attacked railway communications near PALERMO. 3 are missing and another crashed on return.

MALTA. During enemy raids on aerodromes between the 2nd and 4th, one Hurricane was destroyed on the ground and serious damage was caused to buildings at TAEALI aerodrome where big craters were caused.

A second attack on KALAFRANA caused negligible damage. Our fighters, three of which are missing, damaged 4 enemy raiders and A.A. fire damaged a fifth.

MALAYA. SINGAPORE was raided several times on the 4th but most of the bombs fell in the sea. Two enemy aircraft were probably destroyed and two others damaged by A.A. fire.

February 7, 1942
10 a.m.

TREASURY APPROPRIATIONS

Present: Mr. Graves
Mr. Thompson
Mr. Foley
Mr. Bernard
Mr. Buffington
Mr. Bell
Mr. Schoeneman

MR. THOMPSON: I think we have got fairly good news for you. We will surely get it back on the House vote.

H.M.JR: How are we going to get it back?

MR. FOLEY: You have got to go down at half past ten Monday morning before the Appropriations Committee on the five hundred million dollars for China, and they probably won't bring this thing up on the floor until Tuesday, and then Mark Shields thinks when you get through talking about China you can refer to these two items, the one for the motion pictures, and the one for Harold Graves' staff.

H.M.JR: Have they cut that out too?

MR. FOLEY: They have got one pending they didn't get to, and point out how necessary they are, and say that if anybody - that anybody who sees the picture will approve of it, and invite anybody on the Committee who hasn't seen it to have it shown to them anywhere. We

- 2 -

will bring it there or bring it anywhere.

H.M.JR: Why can't we have it in the adjoining room?

MR. FOLEY: We can have it all ready, have the apparatus outside and everything else, and if they say they can do it right then, we can bring it in and set it up.

H.M.JR: I - you see, as I remember the room, you have the hearing, and then there is the Chairman's room.

MR. FOLEY: Put it up in the Chairman's room.

H.M.JR: Put it up in the Chairman's room, that is, the sixteen millimeter.

MR. FOLEY: Yes. This was done in the Committee of the whole. Mark says that when the House meets on Tuesday they will have to take up and vote on the amendments agreed to by the Committee as a whole, so that there will be a House vote on this amendment again on Tuesday, and by that time they will have an opportunity to get the Democrats back and get them lined up. It was done by pretty much a party vote. Mark says that there were just enough Democrats voting with the Republicans to throw it out by eight votes.

MR. BERNARD: There were very few of them there.

H.M.JR: Did you (Buffington) do what I asked you to do, to have that picture shown in the home towns of the members of the Appropriations Committee?

MR. BUFFINGTON: Yes, sir.

H.M.JR: Has it been done?

MR. BUFFINGTON: The instructions have been given to the exchanges, and I have also planted these newspapers --

- 3 -

H.M.JR: Well, has it been done?

MR. BUFFINGTON: I can't answer that.

H.M.JR: Well, will you find out?

MR. FOLEY: How about Auburn, New York? You mentioned that one yesterday.

H.M.JR: Well, I mentioned this thing yesterday. You know, I get these ideas, and I told you this fully a week ago.

MR. BUFFINGTON: And instructions were given immediately to National Screen, and confirmed.

H.M.JR: Has it been done, George?

MR. BUFFINGTON: I will have to check.

H.M.JR: Well, find out.

MR. BUFFINGTON: I will.

H.M.JR: And I wonder if the National Screen people - you see, there are two people to concentrate on. One is Taber, and the other is Wigglesworth.

MR. BUFFINGTON: I will get right to that.

H.M.JR: Taber, you see, in the testimony - Cannon said that Taber wouldn't come to see it.

MR. FOLEY: Well, Cannon couldn't have made a better statement.

H.M.JR: But there was another statement there --

MR. FOLEY: It was in the report - this is the committee report, and that is about what Cannon said.

- 4 -

H.M.JR: Well, what I wanted to get at is, I think I will call up Congressman Cannon of Missouri right now.

MR. FOLEY: Good.

H.M.JR: And ask him what I can do to help.

MR. FOLEY: That is right. We have already done that with Mark Shields. It will be good for you to talk to the Chairman.

MR. THOMPSON: Mr. Cannon on the floor, in answer to Taber said, "I regret the gentleman (Mr. Taber) refused to accompany the committee to pass upon it. Could it have been that he was afraid he would be convinced? 'What is truth?' asked jesting Pilate, and would not stay for an answer."

H.M.JR: I read the whole thing this morning. But there are other things in this thing, Schoeneman, this isn't the only thing that is hit.

MR. THOMPSON: No.

MR. SCHOENEMAN: Oh, no. They hit Gulick, Paul, Blough, and Tarleau.

MR. THOMPSON: They didn't mention it in the discussion, but they took it out in the money, so we will watch it.

H.M.JR: Well, he referred to either three or four items.

MR. THOMPSON: That is right, Gulick, and Blough, and Tarleau.

MR. FOLEY: Then Ditter also - they struck out five million dollars of the Defense Bond appropriation.

MR. SCHOENEMAN: Six.

MR. BELL: They said that would have gone through if the Chairman hadn't --

- 5 -

MR. BERNARD: They quit. They quit right after the vote on the Donald Duck. But Ditter had a long blast on the cost of financing the last war.

H.M.JR: Who is he?

MR. FOLEY: He comes from Pennsylvania.

H.M.JR: How about getting an answer to Ditter? That should be prepared.

MR. BERNARD: It certainly should.

H.M.JR: I mean, if we could get it and have it released for Monday morning over my name. I think the thing should be prepared. I just picked up yesterday a little criticism of Procurement. I picked that up myself. I didn't get it from your (Foley's) service. Nobody sent it down. Some Senator criticised Procurement, that they were not taking care of the little business man. Nobody gave it to me from your service, and I sent out word to have it, and they fixed me up a nice release. I get a whole column in today's Times on it, but nobody from Bernard gave me anything on it.

MR. BERNARD: That was yesterday?

H.M.JR: I will show it to you. It was some Senator made an investigation, and he lumped us with all the others, and I picked it up, and it came, I guess, over the ticker or something. Here, I mean, I just sent it out, and got a nice little statement there.

MR. FOLEY: Yes, I saw that in the Times.

H.M.JR: But that was the result of criticism of the Senator.

MR. FOLEY: I thought it was your press conference. I didn't know.

H.M.JR: No, I had it done specially. I think we ought to have Graves' people, whoever handles this for me, prepare a nice statement showing what we are doing

- 6 -

in answer and give it on - on the cost and so forth and so on and give it out Monday morning.

(Mr. Graves entered the conference.)

H.M.JR: Hello, Harold. Harold, this Congressman Ditter criticized our efforts on Defense Bonds, and I would like very much to have a statement prepared so we can release it for Monday morning's papers answering Congressman Ditter, you see.

MR. SCHOENEMAN: It was pretty long, Harold.

MR. BELL: What is it, the cost of the liberty loans?

MR. SCHOENEMAN: Yes.

MR. BELL: We have got all that.

H.M.JR: Well, there are enough people in the room here that can prepare it, and it ought to be done so we will have it Monday morning.

(The Secretary held a telephone conversation with Congressman Clarence Cannon as follows:)

February 7, 1942
10:13 a.m.

HMJr: Hello.

Cong.
Cannon: Good morning, Mr. Secretary.

HMJr: How are you?

C: Yes, sir.

HMJr: This is Henry Morgenthau.

C: Yes, Mr. Secretary.

HMJr: Mr. Cannon, what can I do to be of assistance on that - what they did to us yesterday on the floor of the House, particularly my friend, Donald Duck?

C: Well, Mr. Secretary, if you can come down before the Committee Monday.....

HMJr: Yes.

C:and tell us briefly about the China loan.....

HMJr: Yes.

C:there are one or two members on the Committee that are very careful of the dignity of the committee, and so forth.

HMJr: Yes.

C: And they want to hold hearings, even though they know what they're going to do to Japan.

HMJr: Yes.

C: But after you give us a brief statement on that, if then you'd let me ask you.....

HMJr: You sound as though you had a bad cold.

C: I just picked up a cough.

HMJr: Oh, that's too bad.

- C: If you'd let me ask you then at the close of your testimony about this Donald Duck picture and also about the - amending the amendment by Mr. Ditter of Pennsylvania to reduce the amount for the bond campaign. This amendment was pending at the time we rose, and will come up again Monday when the Committee again sits.
- HMJr: Yeah.
- C: I'd like to ask you about the effect of those two amendments after we conclude your other testimony.
- HMJr: Well, I'll be ready. Now, let me ask you this, in answer to Ditter should I wait then and then possibly have a prepared statement to give out? What would your advice be? I'll do whatever.....
- C: Well, I was thinking if you would just let me bring it up as if it were incidental.....
- HMJr: I see.
- C:with all the Committee sitting around, and ask them what would be the effects of it.
- HMJr: Yes.
- C: And then you tell us how disastrous the effect would be upon the campaign.
- HMJr: And you don't want me to do anything before that?
- C: Well, I would leave that question, Mr. Secretary, to your judgment.
- HMJr: No, no, no, no. Yours is a thousand times better than mine.
- C: Well, if you think that it's good for the country, why, of course, all right.
- HMJr: No, no.
- C: But as far as these men are concerned, why I

think that would be the time to broach it.

- HMJr: All right. Now, let me ask you this. We have a sixteen millimeter film - that's like the amateur moving camera film, you know, of this Donald Duck; and we could have it ready - set up to show it to anybody after the meeting broke up on Monday.
- C: Why, I don't believe - you see, most of our Committee have seen it. All have seen it except those that refused to see it.
- HMJr: Right.
- C: And I doubt whether it would be of any help to us.
- HMJr: All right. Now.....
- C: All we want is the mere, matter-of-fact, straight-from-the-shoulder business, dollar-for-dollar value discussion of the effects of the picture.
- HMJr: Yes. Well.....
- C: What you expect to get out of it.
- HMJr: I'm in your hands, and I'll do whatever you advise me.
- C: Yes. Well, we'll ask you then what would be the effects of the picture if shown and what would be the effects if not shown, and especially what effect upon the bond campaign this amendment of Ditter's cutting down the amount would have.
- HMJr: Yeah. Do you think this will be on a straight party vote when you go on the floor?
- C: Well, it has been up to this time.
- HMJr: Oh.
- C: Although we've lost a few Democrats each time.

- 4 -

- HMJr: Well, would it do - any use for me to try to show the picture to Joe Martin?
- C: Well, I think that Martin would yield to Taber.....
- HMJr: I see.
- C:who is the ranking member and who's been making the fight and who's already taken a stand. I didn't think Martin would want to take it where they knew. At first intention, why then Martin might pick it up.
- HMJr: I see.
- C: But as for Taber, the ranking member on the Committee, has taken this position at this time, I don't believe that it would be of any help to talk to Martin.
- HMJr: I see. Well.....
- C: However, of course, if you think that it would be effective, why there's no harm at all.
- HMJr: No harm there.
- C: No.
- HMJr: But on our side - on the Democratic side - I'll leave that with you.
- C: Yes. I think all we need to do is to rally our men and get them together.. They've just - our men weren't there that afternoon.
- HMJr: I see. Well, I'll - you expect me up, I understand, at ten-thirty?
- C: Yes, Mr. Secretary.
- HMJr: Well, I'll be there with as good a statement as I know how to make.
- C: All right, Mr. Secretary. At ten-thirty we will have your testimony and at eleven-thirty we'll

- 5 -

go into executive session in the whole Committee, so that we'll only keep you about an hour - less than an hour.

HMJr: Well, I'm at your disposal for as long as you want.

C: Thank you, Mr. Secretary.

HMJr: Thank you.

- 7 -

MR. BUFFINGTON: Mr. Taber refused on two requests to see it. Why isn't it logical to make him refuse formally? I don't see how a man can make a judgment without seeing the picture.

H.M.JR: You don't know the man.

MR. BUFFINGTON: All right.

H.M.JR: But I don't think it would do any harm to show it to Joe Martin. I will tell you what I will try to do. Supposing I do it through Sam Rayburn? I guess he wouldn't like that though, would he?

MR. FOLEY: Well, you see he takes the position that Joe Martin can't go contrary to Taber now that Taber has made a fight on this.

MR. SCHOENEMAN: Politically?

MR. FOLEY: Yes. He, being the minority leader, has got to support the ranking member of the committee.

H.M.JR: But at least Joe could see it. He might say to Taber, "For God's sake, Taber, what are you making this fight about?"

MR. THOMPSON: Do the sound effects go along with this little picture?

MR. BUFFINGTON: Yes.

MR. THOMPSON: I was going to say it would spoil it if they were omitted.

H.M.JR: If Joe Martin sees this thing, he has got a good sense of humor, and he might say over the weekend, "For God's sake, Taber, take on something else." But I was thinking if I went to Sam over what's-his-name's head, he wouldn't like that, Sam Rayburn.

MR. SCHOENEMAN: No, you dealt pretty firmly with Cannon. Didn't Cannon express himself as being fairly

optimistic?

H.M.JR: Oh, yes.

Why don't I call up Joe Martin and just kid him along?

MR. FOLEY: Ask him if he has seen the picture.

MR. SCHOENEMAN: He might appreciate the call.

MR. BELL: I wouldn't show the picture on the Hill Monday morning, I don't think.

H.M.JR: Down here?

MR. BELL: I don't think I would use that as an argument. You can get it otherwise. The people have seen that picture.

H.M.JR: But what is the matter with Joe Martin?

MR. BELL: Well, I think he will have the feeling, possibly, that you are trying to push him into this thing.

H.M.JR: Well, I am. (Laughter)

MR. BELL: And he might not want to be pushed. It is just a hunch on my part.

H.M.JR: Joe Martin has always been very nice to me and I would like to show it to him and say, "What the hell!"

MR. SCHOENEMAN: In other words, you wouldn't beg him to see it but merely ask him if he would like to see it.

H.M.JR: No. Just say if he has got time. Have you got your portable thing?

MR. BUFFINGTON: Yes, sir.

H.M.JR: Where is it?

MR. BUFFINGTON: Down in the projection room.

H.M.JR: You have got it?

MR. BUFFINGTON: It is all set, wound and everything.

H.M.JR: Is the man on duty?

MR. BUFFINGTON: Murray is waiting there.

H.M.JR: I have done business with Martin. He will tell me straight.

MR. BELL: Was he there yesterday on the floor? You know, he was away--

H.M.JR: No, or if he was, he didn't speak.

MR. FOLEY: He was away. Michener was sitting in for him last week.

H.M.JR: I think these motion picture exhibitors, you call them up and say, "Now, can't you fellows - this is a - if there is anything you can do to help us through your Congressmen," you see?

MR. BUFFINGTON: Yes, sir. I am just thinking, the War Activities Committee has the main contact with them. I would rather not trust them. I would rather go through the Publicity Committee under them. I think they have better contact with the exhibitors than the War Activities Committee has.

H.M.JR: Well, would--

MR. BUFFINGTON: I will call them immediately.

H.M.JR: And tell them, "Now, this is kind of delicate-like, but the fellows - have you got any fellows that know - " get out the book on appropriations and get the Republican members, you see. What do you think of this?

- 10 -

MR. BUFFINGTON: You don't think we are weakening in admitting that we have to ask to--

H.M.JR: There might be a flare-back.

MR. SCHOENEMAN: Wasn't this film shown at the National Press Club last week?

MR. BUFFINGTON: Yes.

MR. SCHOENEMAN: I imagine a good many members of Congress saw it there.

MR. BUFFINGTON: They told me there were a good many members of Congress there.

H.M.JR: You remember I also told you to get a release as soon as possible in the Washington theaters so the Congressmen could see it. How many theaters have we got?

MR. FOLEY: Oh, Mark Shields says it is being shown currently now.

MR. BERNARD: There was a write up in the Star about it last night.

H.M.JR: But how many theaters, do you know?

MR. BUFFINGTON: I can't tell you offhand.

H.M.JR: Well, get busy, will you, George? I told you to get busy on this and be particular to have it in the District of Columbia.

MR. BUFFINGTON: The reason we didn't have it here sooner is that the theater owners here got word from someone else not to pull these propaganda films that were in here. We used every bit of pressure we could.

H.M.JR: I was told there are only two theaters showing it, the Earle and the Little.

- 11 -

MR. BUFFINGTON: I will get the bookings right away. There are more than that.

H.M.JR: Well, find out. The Earle and the Little is what they said. Here is the Earle advertising it in the paper.

MR. BUFFINGTON: There are forty-two films in the District, and there are many more than two films showing here right down town.

H.M.JR: I understood it was only being shown at two theaters.

MR. SCHOENEMAN: The Ambassador would also have it, because they couple up with the Earle.

H.M.JR: Over the weekend, you know, there will be a lot of people who would see it, you see, from Congress. I read it, I think it was in connection with the Star story that had your picture, it said it was being shown. That is where I got it. It was being shown at the Earle and the Little.

MR. BUFFINGTON: That was published Thursday night.

H.M.JR: Now who is going to prepare the statement for me on China for these fellows? Would you read the same statement I did before the others?

MR. FOLEY: That is a good statement. None of these fellows saw it.

H.M.JR: That is all right. Now, what about my thing that - defending the Defense Bonds?

MR. FOLEY: I should think Harold would take care of that.

MR. GRAVES: You mean you want to make a fight and get the restoration of the million two hundred fifty thousand?

- 12 -

H.M.JR: You had better read the testimony. They are knocking out five million dollars.

MR. BELL: That hasn't passed yet.

MR. SCHOENEMAN: No, it hasn't passed.

MR. FOLEY: They haven't taken it up, but it is pending.

MR. SCHOENEMAN: Ditter of Pennsylvania, after three pages of argument as to the costs, offered this amendment. That would have knocked another six million off.

MR. FOLEY: Take it from twenty-six to twenty.

MR. GRAVES: I just read it. I didn't think his statement was bad.

H.M.JR: Who is going to give me a statement to defend - how much did the Committee vote?

MR. SCHOENEMAN: Eighty-eight to--

H.M.JR: No, no, no, how much--

MR. FOLEY: Twenty-six million.

H.M.JR: How much did they vote you?

MR. FOLEY: Twenty-six.

MR. GRAVES: Twenty-six out of twenty-seven, two fifty, and if that is the way it is, I think we can do without it. I would not make any protest for that million two hundred.

H.M.JR: Nobody has asked me to come up to defend the whole program. Just now on the phone--

MR. SCHOENEMAN: Well, he mentioned Ditter, too.

H.M.JR: Yes, the twenty-six million. I am to

defend what the Committee voted.

MR. FOLEY: That is right, twenty-six million, and Ditter has got an amendment to reduce it to twenty million, to take six out of it.

H.M.JR: Well, I am to defend what the Committee voted out.

MR. FOLEY: That is right, and say what the effect of taking out the six million would have on the program to be financed by the twenty-six million dollars.

H.M.JR: That is right.

MR. BELL: Now, that all - well, I wouldn't say that either. Was that the twenty-six million - I mean, was the six million out of the twenty-six million or was it directed to the promotional--

MR. GRAVES: Oh, no, it was out of the twenty-six million. That would cut--

MR. BELL: Because the Committee action was directed to the promotional.

MR. GRAVES: That is right.

H.M.JR: Well, look, gentlemen, what I want to do is to go up and back up the Committee on the report which they made. That is all that I want to do.

MR. FOLEY: There is the provision. They increased it from nine million eight to twenty-six, and this Ditter resolution proposes to cut that from twenty-six to twenty, expenses alone.

MR. BUFFINGTON: Do you want something on Donald Duck?

MR. BELL: You have got to have something on those main items.

- 14 -

H.M.JR: Well, Dan, who should I pin this on so that I have this thing Monday morning?

MR. BELL: Well, I think probably Schoeneman and Thompson and I had better work on a statement for you.

H.M.JR: For me?

MR. BELL: Yes, and Harold, too, because he is in on it.

H.M.JR: And something on how much the Donald Duck picture cost. You see, there are two things. One is making the picture and the other is the cost of--

MR. SCHOENEMAN: It is an even split of forty thousand dollars.

H.M.JR: And you will have something for me Monday morning?

MR. BELL: Yes.

H.M.JR: Make it good and stiff.

MR. BELL: O.K.

H.M.JR: And don't forget that he has criticized the cost of doing this thing. "Well, my God, if you want me just to go to the banks and do this the inflationary route, I can do it that way, but we want to go after people's savings," and so forth and so on.

MR. BELL: That is right.

H.M.JR: I didn't know I had to go back to appropriations on this.

MR. FOLEY: We tried to do it all in one bite, you know, but they broke the legislation off the appropriation down there, and the Speaker - when we were with Wallace that day. That was what that whole thing was about.

- 15 -

H.M.JR: Are they going to have Stimson and everybody else there?

MR. FOLEY: No.

H.M.JR: Just me?

MR. FOLEY: That is right.

H.M.JR: Because it reads to me?

MR. FOLEY: That is right, what you propose to do with the money.

H.M.JR: Then Monday morning when I get here, between Bell and Schoaneman, you will have a statement for me to back up the Committee's report. Right?

MR. BELL: Yes, sir, and I will get Harry to get all the statistics together on China.

H.M.JR: And you (Buffington) will let me know what is going on in the District of Columbia and in these people's home towns, but I wouldn't start anything new. I mean, I wouldn't get these people to try to do their Congressmen. There might be a flare-back on that.

MR. BUFFINGTON: All right.

H.M.JR: I mean, nothing on that. Just find out what they have done. I wouldn't start anything new. I think it is all right, but we can't take any chances. Do you think they would have done this thing if it hadn't been for this OCD business?

MR. SCHOENEMAN: No, we got caught in the backwash of that Cheaney thing.

MR. BELL: That is what Mark thought.

MR. FOLEY: I think the President's remark about the parasites on Massachusetts Avenue got the Republicans stirred up, and they have been looking for something to

throw at the Administration ever since.

H.M.JR: Well, let me ask you a question, just looking at the worst side. Supposing I didn't get this appropriation through of eighty thousand dollars.

MR. THOMPSON: We would take it out of Guy Helvering's Internal Revenue allocation. This is simply an amendment of addition to his appropriation.

H.M.JR: Oh, you would?

MR. THOMPSON: Yes.

MR. BELL: The obligation has been incurred, hasn't it?

MR. BUFFINGTON: Yes.

MR. BELL: It has to be paid for.

MR. THOMPSON: Helvering said he didn't have any surplus to take care of it, but that would be an alternative.

H.M.JR: But you could squeeze it out?

MR. THOMPSON: Yes.

MR. BELL: Just have to absorb it.

H.M.JR: And Disney wouldn't go--

MR. THOMPSON: No.

H.M.JR: Oh, well.

MR. BELL: Unless you wanted to go the other way and let Disney commercialize it.

H.M.JR: It is too late. It is all set. I wouldn't do that anyway.

MR. BELL: I agree with you it is a bad thing.

H.M.JR: You have got to do it just on the basis on which it is.

MR. BELL: Part of this started last week on the regular Treasury bills. When Taber came back from the hospital, discussion was going on on the Executive Order and the appropriation of the Bureau's account. They just blasted the Bureau's record full of stuff on Bureau accounts last week. It was all set until Taber got out of the hospital. He raised all the fuss. This is just a continuation, I think.

MR. SCHOENEMAN: As we stand now, we could still use Guy Helvering's money if this doesn't work, because the Wigglesworth amendment says "none of the funds herein appropriated shall be used for production of motion pictures. If they should ever change that to read "no funds appropriated to the Treasury Department shall be used," then of course it would be more or less bad.

H.M.JR: So it is - I mean, it doesn't make it - doesn't shut out?

MR. SCHOENEMAN: Doesn't shut out.

MR. THOMPSON: If you used that picture in the House, you would probably want to show it to the Senators.

H.M.JR: Well, I don't think so. I just think everybody was asleep the other day.

MR. THOMPSON: I think the Senate would put it in and the House Committee would uphold it.

H.M.JR: Well--

MR. THOMPSON: I think you have only lost one percent of it so far.

H.M.JR: That isn't it, it isn't the thing. If

- 18 -

there is something which is right, it is a good thing to do - the New Yorker said that it showed a good spirit, and just because some two-by-four fellow like Wigglesworth, who never comes to the Committee - never. I have never seen him but once.

MR. SCHOENEMAN: I sent Mark Shield that New Yorker, the Time, and the News Week comment two days ago so that he would have it.

H.M.JR: I understand they are running a full page on it in the New York Times.

MR. BUFFINGTON: Next Sunday.

H.M.JR: Not this Sunday?

MR. BUFFINGTON: Next Sunday, in color.

The War Activities Committee, through Francis Harmon, said, yesterday said the only criticism, and this was general, that the publicity boys had, was that it wasn't strong enough to tell people after the picture was over, "Go to the nearest Collector of Internal Revenue and pay your income tax." They asked me to ask you this morning if you would object having a black and white put on the end of it, "Go to the nearest Collector of Internal Revenue and pay your income tax early."

H.M.JR: Don't spoil it. The picture is perfect.

MR. BUFFINGTON: All right.

H.M.JR: O.K.

TREASURY DEPARTMENT

222

INTER OFFICE COMMUNICATION

DATE February 7, 1942

TO Secretary Morgenthau
FROM George Buffington

The following is a list of theatres within the District and the play dates for the film "The New Spirit":

Metropolitan	February 6-12
Earle	February 6-12
Ambassador	February 6-12
Keith's	February 5-11
Trans Lux	February 6-12
Little	February 4-10
Lincoln (colored)	February 6-12
Republic "	February 6-12
Palace	February 5-11
Columbia	February 5-11
Pix	February 7-15
Vernon at Del Ray, Va. " "	" "

As I understand it, the Capitol Theatre is the only theatre within the District which is not now showing the film that has no booking dates. I have told the local representative of the National Screen Service to call them and tell them we are very anxious that they play it immediately.

G.B.

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G.B.

THE WHITE HOUSE
WASHINGTON

Dear Henry -

Saturday

Thanks a lot for
sending us that record
by Berlin. It was fine of you
to think of me.

I am distressed
to read this morning of the
action of the House with respect
to Donald Duck. Why should
poor Duckie have to take the
rap? I am sure that, on
reflection, they will reverse
themselves on that film - because
it can be so effective throughout

the whole country.

With kindest regards

Sincerely

Samuel Rosenman

February 7, 1942
10:46 a.m.

Guy T.

Helvering: How are you?

HWJr: I'm all right. I was calling up to find out how you were. I just got worried about your being sick.

H: Yes.

HWJr: I'm worried about you.

H: Well, I'm feeling a good deal better. I think I'll have to be here probably a week or ten days yet.

HWJr: Well, take as long as necessary to get back your old fighting spirit. If it takes three weeks, that's all right with me.

H: Yeah.

HWJr: You've earned it.

H: Well, all right. Thank you.

HWJr: Don't worry. You've earned it. You've earned it many a time.

H: Yeah. Well, the doctor told me I'd have to be here at least a week yet.

HWJr: Well, if you've got to be there two weeks or three weeks, that's all right with me.

H: Well, I'll keep you posted, Mr. Secretary.

HWJr: Well, you've done a fine job; and if you're sick, that's not your fault.

H: Yeah. Well.....

HWJr: So don't worry.

H: All right. I'm glad to hear from you.

HWJr: Don't worry. Just take care of yourself.

- 2 -

H: All right.
HMJr: When you get better, let me know.
H: All right.
HMJr: But now take plenty of time.
H: All right.
HMJr: Thank you.
H: Yes, sir.

February 7, 1942

I called Grace Tully today and told her that in answer to her memorandum in regard to Alien Property Custodian I was ready to talk to the President about the matter at any time that he was. She said that she would give the President that message.

FEB 7 1942

Dear Mr. Coe:

Thank you for your note of January 31, 1942, and for your kind remarks. I am sorry you are leaving the Treasury. Your help in a difficult period has been much appreciated. I wish you every success in your new position.

Sincerely,

(Signed) H. Wergaethan, Jr.

Secretary of the Treasury.

Mr. V. Frank Coe,
Assistant Director of
Monetary Research,
Treasury Department.

*File to Thompson
Photo file n.m.c.*

NW:dln
2-7-42.



TREASURY DEPARTMENT
WASHINGTON

January 31, 1942

Dear Secretary Morgenthau:

Will you please accept my resignation from the position of Assistant Director of the Division of Monetary Research in the Treasury Department, effective at the close of business February 1, 1942.

Mr. White, I understand, has told you the reasons for my resignation. I want to add something, now that because I am leaving, I can do it without fear of flattering. This is that though I want to make the change, I am very sorry to lose the boss. Because I admire the things you try to do and your courage in pushing for them, I would rather work under you than under anyone in Washington. I feel the same about Harry White, who, in my opinion, is the best example of how an economist should serve his chief and his Government.

Thank you for many kindnesses.

With best wishes,

Yours sincerely,

V. F. Coe

V. F. Coe

The Honorable

The Secretary of the Treasury,

Washington, D.C.

The Bond Issue

OFFICE CHIEF OF THE AIR CORPS

Vol. 2 No. 2

February 7, 1942.

"CITY OF WASHINGTON"

Many of you wish to know if the bonds you sell can be designated to purchase a Bomber for General MacArthur, therefore, the following is quoted from THE WASHINGTON POST of February 5, 1942.

"BUY A BOMBER"

"CITY OF WASHINGTON" ASSURED

Washington responded to the "Buy a Bomber" campaign with a flood of subscriptions for defense bonds and stamps. If the response today is as satisfactory as that of yesterday, the "City of Washington" is assured and will be eventually so christened and sent winging on its way.

This brief campaign was conceived by the Treasury and the cooperation of The Post, WSV, and the Junior Board of Commerce was requested.

The announcement of the "Buy a Bomber for MacArthur" project met such enthusiastic response that the Treasury, and the War Department as well, feels that a meticulous explanation should be made to the public so there will be no misunderstanding by any investor in defense bonds and stamps.

The War Department cannot guarantee that any bomber will be sent to any designated scene of action. Military necessity governs such matters. The Treasury cannot set aside any sum for a definite purpose. Defense bonds and stamps are sold to provide cash for guns, tanks, bombers and war supplies wherever needed. Every penny invested helps MacArthur on some front line.

The phrase "Buy a Bomber for MacArthur" originated with the Treasury and that magnificent department is worried lest there be some misapprehension.

The Post knows that it makes no difference to Washingtonians if a dollar invested for a Bomber for Luzon turns up as a machine gun in the hands of a Marine on Midway Island. Folks in Washington have friends in both places fighting the good fight that will lead to victory.

Your purchase of defense bonds and stamps will win this war."

READ YOUR BOND ISSUE

- 1 -

M-5099, A.C.

Name	Sales For Past Month	No. of Employees	Sold To-Date	% Sold	Pledged To-Date	% Pledged	Total Bonds and Stamps Sold To Date
Abell	\$106.50	18	18	100	18	100	\$170.50
Allen	42.50	44	38	86	44	100	47.00
Beard	158.50	27	21	78	24	89	763.00
Boehlert	109.25	33	21	64	26	79	730.00
Brown	179.00	33	23	70	23	70	880.75
Burke	112.00	22	16	73	21	95	1,120.25
Campbell	84.00	37	15	40	14	38	102.75
Ceconi	2082.75	156	94	60	111	71	11,036.50
Clarke	97.00	24	14	58	13	54	1018.00
Colquitt	317.25	40	35	88	38	95	656.25
Crandall	206.00	77	35	45	45	58	856.25
Davis	145.50	47	13	28	19	45	1,075.75
Dixon	68.00	25	7	28	14	56	603.00
Dougherty	50.00	22	13	60	15	68	56.25
Baker	1601.55	32	27	84	26	81	6,339.80
Fauntleroy	325.00	115	75	65	79	68	1,153.25
Fleischer	116.50	18	8	44	13	72	453.50
Garrett	50.50	28	10	36	28	100	261.25
Gillis	14.50	9	6	67	9	100	24.50
Gutshall	426.00	39	34	87	30	77	2,146.75
Habulin	535.75	28	20	71	25	89	893.25
Hackley	59.25	18	8	44	7	39	189.75
Hess	115.25	53	16	30	31	58	134.00
Hobley	471.40	110	100	71	112	80	2,352.15
Hoffman	84.75	35	20	57	23	66	195.50
Hyde	68.00	67	9	13	10	15	149.75
Janison	78.75	32	31	97	29	94	175.50
Kamler	68.50	25	10	40	18	72	635.75
Kennedy	303.55	38	23	61	33	87	2,012.55
Kolar & Lafferty	499.75	104	72	69	71	78	2,356.50
Kopacki	395.50	51	39	76	47	92	1,494.00
McPherson	205.60	38	24	63	6	16	270.60
Martin	275.75	59	22	37	44	75	2,419.20
Miller	132.00	27	24	89	22	82	1,648.75
Margaret Murray	0	7	5	70	0	0	208.00
Mary Murray	115.50	36	15	42	34	94	202.25
Navarro	362.75	125	76	61	66	53	1,870.75
Owens	1872.50	52	28	54	43	83	3,028.25
Price	306.25	55	15	27	20	36	1,045.00
Roskopf	338.25	37	22	59	36	97	1,010.25
Rubino	185.50	75	28	37	24	32	1,070.00
Snalfield	346.50	44	33	75	36	82	2,228.75
Sanford	57.75	31	16	51	24	77	373.00
Sikorra	187.50	20	3	15	9	45	1,390.50
Stubblefield	393.50	63	43	68	54	86	1,931.25
Sullivan	59.00	21	16	76	17	81	485.25
Talbert	1023.50	55	38	69	46	84	2,457.00
Thornton	149.50	12	11	91	12	100	483.50
Thomas	237.00	45	24	53	33	73	385.50
Tibbetts	167.50	43	38	88	43	100	220.50
Vanderwalds	40.75	15	9	60	15	100	2,749.75
Wolfe	335.00	44	21	48	15	34	1,251.00
Zahorec	726.75	34	34	100	21	62	3,121.75

WELCOME

Due to changes in personnel and moving we have several new agents. Mr. Isham Martin is replacing Mrs. Jester in Plans Section on the third floor and Miss Helen Dougherty is doing her part in Plans located on the fourth floor. Mr. Navarro is replacing Mr. Goffman in Ferrying Command (and it was in the last issue that we welcomed Mr. Goffman). By the way, Mr. Navarro has dropped 13,000 from his total sales because those bonds were purchased outside. Miss Marie Campbell is selling bonds to Communications. Mr. Kennedy has taken over for Nelson Cator who has gone to the wars. Mr. Lee is assisting Miss Zahorec in Material. Miss Roskopf has replaced Mr. Hayward in Training, and Mrs. Betty Hess is a new agent in Military Personnel. We realize that some of the office designations may not be correct but it is more appropriate to designate them by their old titles.

DID YOU KNOW

THAT.....No nation ever has reared as fast as we are! We even Germany under Hitler's whip-lash dictatorship. They have 5000 rearing for nine years. We can do it faster because America is a bigger country. We have more workers. We have more materials. We have more industrial capacity. America is the birthplace of mass production. The American automobile industry is unmatched in the entire world in its ability to make complicated machines in staggering numbers. We can and will buy more and more to pay for this production. With the record of past performance, how can anyone doubt that a united American people will more than meet the challenge that lies before us?

More than 2,000 military planes are being produced daily.

Light and medium tanks are rolling off the assembly lines by the hundreds every month.

Guns, rifles, and submachine guns are being produced at the rate of more than 2,500 a day.

968 ships are now under construction in 11 government shipyards and 110 private shipyards. Of these 968, a total of 335 are combat ships. 500 auxiliaries and small ships were completed in 1941.

Here is America's strength in major combat ships as of October, 1941

	17 on hand	15 building
Battleships	6 "	12 "
Aircraft carriers	6 "	12 "
Cruisers	37 "	34 "
Destroyers	171 "	193 "
Submarines	111 "	73 "
Total.....	344 "	347 "

SOURCE: THE TREASURY

The above figures are quoted from "Our America" published by the Treasury Dept.

IDEAS

The fairest means of financing defense expenditures, next to an equitable system of taxation, is through the sale, by the Treasury Department, of Defense Bonds. Here is a medium through which everyone, in comfortable or modest circumstances, can directly contribute his or her services to the war effort. In buying these bonds we are protecting all that our American way of living stands for. Each of you as an agent in selling the bonds has that opportunity of buying the bonds as well as the knowledge that you are aiding in an even greater way by convincing your prospects that they too should buy. It's a great privilege to be an agent in selling Defense Bonds. If we can't be soldiers in uniform we can be good Group Agents.

Secretary of the Treasury Morgenthau said that in December the Government spent about four times as much on the war effort as was subscribed in Defense Savings Bonds and "in the months to come it will spend at a far greater and ever increasing rate". The plans at the Treasury for financing the war are based upon the belief that the American people will want to assume a big share of the cost of the war of their own free will. Glance at the total sales to date made by you and judge for yourself whether the Treasury's belief in you and the people to whom you are selling has been justified.

Many of the employees allotted to you say they'd like to buy but just can't afford it. It might be that part of their inability to buy bonds lies in careless spending; hence, here's a story of a real family. The family was riding around in the car (this was in the good old days before the tire shortage) when one of the youngsters said "I wish we was home. This ridin' around in traffic in the cold is foolishness." Everybody laughed and then they got to thinking and soon turned around and went home and popped some corn and had a grand time. That same evening they started talking about the foolish ways they spend their money--not where they had fun and enjoyed themselves--but where they bought things they didn't really want or went places they wished they hadn't, so they agreed to ask themselves before they bought something or went somewhere, "Do I really want this?" And, if the honest answer was "NO" the money went into a little bank labeled "Foolishness Fund". That bank kept getting fatter and fatter. Many times they decided to crack the little bank but they didn't really need or want to. Then came Pearl Harbor and they cracked the bank and found almost one hundred dollars to buy Defense Bonds with. How about each of us having a "Foolishness Fund?"

* * * * *

Back in Minnesota a young lady stopped up to the defense bond department of the First National Bank in Minneapolis with "I'd like to purchase some defense bonds, please." "What denomination?" the clerk asked. "Lutheran" was the quick response.

LET US PROVE THAT WE ARE WORTHY OF THE MEN IN UNIFORM

-4- 7-5699,AC

HEADACHES

This is repetition but is very important. Many of you when told the Treasury will not accept checks endorsed to them say the Post Office will, but that is not the case. Neither can or will accept checks unless made payable to the Treasurer of the United States. And neither will accept checks for stamps.

A great many of you Old Timers have been forgetting that in the case of a woman, either "Miss" or "Mrs." must precede her name, and, if "Mrs.", must be followed by her maiden name such as Mrs. Mary Margaret Doe. And in the case of a man, initials alone may not be used, unless the individual has no given name. It must read "Mr. John J. Doe".

Another sore spot is the impatience of your customers in waiting for their bonds. It takes a full two weeks in case of checks, and if checks and cash purchases are of the same schedule, the cash purchase will be held up until the check clears the bank. If they must have the bond sooner than two weeks, we can always get them at once provided it is a cash deal.

It is a difficult and long, drawn-out procedure to correct errors on the bonds after they are issued; so make sure the name and address, and that of the beneficiary or co-owner are correct, and whether it is beneficiary or co-owner before the bond is issued. You will be aiding the Treasury, your bond headquarters, your customer, and yourself if you do so.

And PLEASE, remember your semi-monthly reports are due on the 15th and 27th of each and every month by noon. Most of you are extremely busy but some of your time and ours is wasted in telephoning about your reports that would take to get out several of them. Be a good fellow and get this in on time. Thanks much.

* * * * *

KINGS

Mr. Gordon of Buildings and Grounds is still at the top of the list in total sales and in sales for the past month. Mrs. Owens has climbed into second place, Miss Elser is third, and Miss Talbert is fourth. These four agents alone sold bonds in the thousands of dollars. Mr. Caioni has taken over the sales and customers of Miss Coetz, but even so he is pacing the rest of you. Come on gang, let's go! Mrs. Owens has steadily claimed that she is no agent but you take a look at her score. Mr. McPherson has gotten into the swim beautifully and from a "no sales" report has jumped to 205.60 this month. By the way, the sales calculation for this month is based on purchase price of bonds rather than maturity value.

* * * * *

GIVE BEFORE IT HITS

- 3 -

7-5699, A.O.

SACRIFICE

"If there is any complacency left in the American people now, there is no good reason for it. If we can't take pride in our foresight in war production, at least we can take pride in the fighting quality and the courage of our troops who continue to fight to the end in the Philippines, even without planes."

Wm. L. Shirer

Do you like the sound of that "even without planes"? I don't. Naturally, it is distinctly unpleasant to sacrifice to buy stamps and bonds with which to buy planes and guns and ammunition and it is unpleasant to take time from a busy day's work to go around to your customers to talk to them about bonds and to sell them and to make out reports. But it is a very small sacrifice in comparison with those made by your friends and relatives who are in our armed forces and in comparison with those we maybe forced to make if we were to lose this war. And we can lose the war; but we won't-- "if the Nation works and sweats and bleeds for victory".

The far a stir in publicity that accompanied recent restrictions on the purchase of new tires and new motor cars shows how little we know about war sacrifices. In keeping records on your customers it has been discovered that quite a number of them have been buying stamps and then cashing them in rather than buying bonds. That's not patriotic. And this bond headquarters was not set up to serve as a checking account for those individuals. It is up to you as agent to see that the stamps purchased are converted into bonds. Only the stamps purchased were converted into bonds in Cleveland for instance.

The more bonds we buy
The more planes we fly.
The more bonds we buy
The greater the weight of the
Bombs that will fall.

MORE IDEAS

One of our very busy agents, Miss Alice Childs has designated Monday of each week as Defense Bond and Savings Stamp Day for her section. In her memo to all personnel she states "Obtain information and orders for the purchase of stamps from Miss Childs at her desk, Room 280, on the above day." A line saver, are they? She also includes several remarks to stimulate sales. It is an excellent idea. We could appreciate more ideas from other agents, and the response for material for THE BOND ISSUE still holds good.

BOND—THE TIE THAT BINDS

- 6 -

446599, A. C.



"I PUT BY SHAPPING TURTLE IN THIS POKER! SO I WO'D SPEND MY DEFENSE STAMP MONEY TILL I GOT TO THE PESTOFFING."

By courtesy of Ed Reed.



FIELD ORGANIZATION *News Letter*

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



FEBRUARY 7, 1942

NUMBER 38



Shortly after March 1, the above design, in full color, will be posted on approximately 35,000 outdoor display boards contributed to the Defense Savings Program by members of the Outdoor Advertising Association of America.

This is the first 24-sheet poster to be produced by the Defense Savings Staff. Persons who wish to contribute space to display it are invited to get in touch with the Outdoor Display Section of the Defense Savings Staff, Washington, D. C.

TREASURY DEPARTMENT

1942 FEB 10 AM 8 27 3:05

OFFICE SECRETARY OF TREASURY



--Loring in Providence Evening Bulletin

IN THIS ISSUE

- NEW POSTER for 35,000 Outdoor Billboards - Page 1
- JANUARY BOND SALES Exceed Goal - Pages 3 and 4
- FIRST PAY ROLL SAVINGS FLAGS Awarded - Page 5
- MANY ELIGIBLE to Receive Treasury Flag - Page 6
- PAY ROLL SAVINGS PLAN Available to More Than 14,000,000 - Pages 7 and 8
- RCA'S Bond Campaign - Page 9
- BREWERS Provide Pattern - Page 10
- EDISON COMPANY POSTER - Page 11
- PARTICIPATION in Pay Roll Savings Plans Reported to Washington - Page 11
- FIELD ORGANIZATION NEWS - Pages 12 and 13
- IN THE SCHOOLS - Pages 14 and 15
- TO THE LADIES - Pages 16 and 17
- IMPRESSIVE DISPLAY in Theater Lobby - Page 18
- BOND FESTS to Star Lucy Monroe - Page 19
- RADIO PROGRAMS for Coming Week - Page 19

ONE BILLION DOLLARS INVESTED IN DEFENSE BONDS IN JANUARY!

Last month, sales of Defense Bonds passed the high mark established in December. More than one billion dollars was invested in these securities during January, thus surpassing the one billion a month goal set for the Defense Savings Staff at the Chicago conference in December by Harold W. Graves, Assistant to the Secretary of the Treasury.

Here are the January sales statistics:

Series E	\$ 667,411,000
Series F	77,669,000
Series G	315,577,000
Total	\$1,060,547,000

DECEMBER SALES SET RECORDS

The most recent month for which a detailed breakdown of Series E Bond sales is available is December. In that month, in every State, citizens reacted to Pearl Harbor by buying more bonds than ever before.

Here is a state by state breakdown of sales of Series E Bonds for November and December and total sales during the eight months of the year, in which they were available:

State	November	December	1941 Total May-Dec. Inc.
Alabama	\$ 710,000	\$ 3,234,000	\$ 8,741,000
Arizona	268,000	1,154,000	3,648,000
Arkansas	753,000	2,295,000	6,593,000
California	7,108,000	30,019,000	80,118,000
Colorado	1,025,000	3,213,000	3,749,000
Connecticut	2,428,000	6,685,000	25,025,000
Delaware	239,000	892,000	2,564,000
D. C.	1,336,000	3,862,000	12,901,000
Florida	987,000	4,401,000	12,659,000
Georgia	1,082,000	5,822,000	12,339,000
Ideho	329,000	1,335,000	3,358,000
Illinois	6,327,000	29,791,000	95,162,000
Indiana	2,452,000	8,302,000	23,654,000
Iowa	1,695,000	5,077,000	17,133,000
Kansas	1,167,000	3,608,000	11,777,000
Kentucky	1,071,000	3,841,000	11,010,000
Louisiana	824,000	4,340,000	11,662,000
Maine	711,000	1,855,000	5,196,000
Maryland	1,614,000	6,747,000	17,695,000
Massachusetts	4,681,000	14,870,000	48,689,000
Michigan	4,992,000	16,376,000	49,706,000

News Letter

SERIES E BOND SALES (Continued)

State	November	December	1941 Total Mar-Dec, Incl.
Minnesota	\$ 2,561,000	\$ 6,603,000	\$ 22,243,000
Mississippi	747,000	3,453,000	7,090,000
Missouri	3,226,000	12,387,000	39,011,000
Montana	883,000	2,616,000	6,755,000
Nebraska	868,000	2,387,000	7,956,000
Nevada	125,000	505,000	1,381,000
New Hampshire	367,000	1,019,000	3,536,000
New Jersey	5,807,000	21,447,000	61,199,000
New Mexico	236,000	902,000	2,302,000
New York	17,813,000	67,902,000	224,175,000
N. Carolina	1,362,000	4,962,000	13,248,000
N. Dakota	472,000	1,581,000	3,594,000
Ohio	6,173,000	21,311,000	64,481,000
Oklahoma	1,249,000	4,863,000	12,888,000
Oregon	1,425,000	3,713,000	14,318,000
Pennsylvania	8,671,000	35,124,000	97,559,000
Rhode Island	777,000	2,439,000	7,671,000
S. Carolina	578,000	1,875,000	5,795,000
S. Dakota	361,000	1,293,000	3,402,000
Tennessee	1,116,000	3,888,000	11,655,000
Texas	3,334,000	14,684,000	48,156,000
Utah	301,000	1,042,000	3,149,000
Vermont	262,000	636,000	2,590,000
Virginia	1,501,000	7,406,000	17,891,000
Washington	1,982,000	5,010,000	19,015,000
W. Virginia	832,000	3,913,000	9,136,000
Wisconsin	2,521,000	9,006,000	26,229,000
Wyoming	280,000	1,007,000	2,517,000
Alaska	70,000	128,000	441,000
Guam	1,000	-	5,000
Hawaii	350,000	* 88,000	1,993,000
Puerto Rico	53,000	309,000	504,000
Samoa	1,000	-	5,000
Virgin Islands	5,000	2,000	14,000
U. S. Navy	643,000	1,688,000	2,654,000
Total	\$111,370,000	\$402,585,000	\$1,214,727,000

* Returns incomplete.

County and city sales statistics for the month of December, as for previous months, have been furnished to State Administrators who are making these available in various ways to their local committee members.

News Letter

MICHIGAN CONCERNS AWARDED FLAGS IN RECOGNITION OF FINE RECORDS FOR PAY ROLL SAVINGS

Two Michigan concerns, the Great Lakes Steel Corporation and the Chrysler Corporation Tank Plant have the distinction of being the first in the country to receive the beautiful Treasury Department flag which symbolize that at least 90% of all employees are purchasing Defense Bonds through the Pay Roll Savings Plan.



The first Defense Savings flag is raised at the plant of the Great Lakes Steel Corporation.

Secretary Morgenthau came to Detroit on Sunday, January 25, to present these flags. At the Great Lakes Steel Corporation where 99% of the 8100 employees are saving regularly for Defense Bonds, the Secretary said:

"This sales record proves what can be accomplished by the co-operation of labor and management working together harmoniously in a common cause. . . Thirty nationalities are represented here in this plant but all are Americans. The results speak for themselves."

The Secretary presented the flag to J. E. Pastorius, assistant to the president of the Steel Corporation, who in turn presented it to a representative of the employees, Harry Maschke, veteran steel worker whose three sons are in the Army.

At noon a second flag presentation ceremony was held at the Chrysler Tank Plant where Mrs. Morgenthau represented the Secretary. The Chrysler Corporation was the first largest industrial organization in Michigan to make the Pay Roll Savings Plan available to its employees.



Secretary Morgenthau addressing the Great Lakes Steel Corporation workers.



Speakers at Chrysler Tank Plant. Left to right: R. J. Thomas, President UAW; DSS Chairman Isbey; Mrs. Morgenthau; and K. T. Keller, Chrysler President.

TREASURY FLAGS TO BE AWARDED TO MANY OTHER FIRMS

The two Detroit concerns mentioned on the preceding page are the first to receive flags for their achievement in Defense Savings but employees of hundreds of other companies throughout the country have already earned the right to display the symbol of achievement and thousands more are expected to earn this right in the immediate future.



Flag To Be Displayed by Concerns in which 90% or more of all Employees Participate in Pay Roll Savings Plans.

Roll Savings Plan providing for specific authorization by individual employees for continuing periodic allotments out of earnings."

With each certificate there will be an authorization slip which the company or organization may use to establish its eligibility to purchase the specially designed Defense Savings flag direct from manufacturers whose names will be furnished to State Administrators.

One of these flags is illustrated above. They will come in various sizes, the most popular of which will sell for about \$4.50.

STEEL WORKERS FORM BOND CLUB

Some of the members of the Defense Bond Club of the Weirton Steel Co., Weirton, West Virginia. Members of this Club have subscribed to invest more than one million dollars in Defense Bonds.



The Defense Savings Staff will present certificates to any "company or organization in which 90% or more of the employees are participating in a Pay Roll Savings Plan for the purchase of Defense Savings Bonds."

These certificates will be issued only on the recommendation of the State Administrator and/or State Chairman.

The recommendation of a State Administrator will be accepted as evidence that employee participation has reached or exceeded the 90% level in "a Pay

PAY ROLL SAVINGS PLAN AVAILABLE TO FOURTEEN MILLION WORKERS

A SUMMARY REPORT based on data submitted by State Administrators up to January 24th reveals that 16,412 firms of all sizes had up to that date installed the pay roll savings plan. These concerns employ an estimated 14,419,000 persons:

4,043 concerns, each employing 500 or more, had made plans available to 12,783,000.
5,933, employing from 100 to 500, had made plans available to an estimated 1,407,000.
And 6,419 concerns, each employing less than 100, had made the plan available to an additional 228,000.

It is not yet possible to present summary statistics on employee participation in pay roll savings plans, but many reports indicate that everywhere participation is climbing toward the 100% goal and that the average weekly or monthly allotment is also increasing tremendously.

Below is a state-by-state analysis of the number of large concerns—those employing 500 or more and those employing from 100 to 500—which had installed pay roll savings plans up to January 24, 1942.

State	Firms Employing 500 or More			Firms Employing 100 to 499		
	No. with PS Plans	Total No.	% of Total Having PSP	No. with PS Plans	Total No.	% of Total Having PSP
Ala.	23	76	30	57	285	20
Aris.	17	17	100	20	58	34
Ark.	15	18	83	29	142	20
N. Calif.	134	196	68	345	489	70
S. Calif.	141	165	85	565	1,171	48
Colo.	22	32	69	83	198	42
Conn.	125	185	68	188	622	30
Del.	2	28	7	0	84	-
D. C.	21	52	40	14	152	9
Fla.	22	66	33	68	139	49
Ga.	39	143	27	68	589	12
Idaho	8	10	80	22	50	44
Ill.	319	634	50	162	2,252	7
Ind.	41	180	23	76	586	13
Iowa	10	53	19	9	271	3
Kans.	30	30	100	258	258	100
Ky.	27	70	39	75	312	24
La.	0	85	-	0	384	-
Mo.	45	45	100	24	198	12

(Continued on next page)

PAY ROLL SAVINGS PLAN INSTALLATIONS
(Continued)

State	Firms Employing 500 or More			Firms Employing 100 to 499		
	No. with PS Plans	Total No.	% of Total Having PSP	No. with PS Plans	Total No.	% of Total Having PSP
Md.	77	154	50	50	405	12
Mass.	199	370	54	333	1,523	22
Mich.	305	333	92	179	1,022	18
Minn.	96	105	91	265	399	66
Miss.	12	28	43	35	143	24
Mo.	122	122	100	210	664	32
Mont.	4	5	80	25	39	64
Nebr.	28	41	68	27	123	22
Nev.	3	3	100	14	24	58
N. H.	26	27	96	24	145	17
N. J.	197	238	83	223	869	26
N. M.	5	5	100	19	35	54
N. Y.	607	1,350	45	922	4,239	22
N. C.	71	168	42	80	499	16
N. D.	1	1	100	5	29	17
Ohio	322	557	58	203	1,739	12
Okla.	31	62	50	63	345	18
Ore.	51	51	100	21	317	7
Pa.	348	625	56	713	2,032	35
R. I.	61	90	68	63	224	28
S. C.	32	96	33	24	174	14
S. D.	3	3	100	7	19	37
Tenn.	4	106	4	2	448	4
Tex.	43	187	23	89	1,375	7
Utah	9	14	64	18	111	16
Vt.	12	13	92	38	63	60
Va.	65	95	68	70	338	21
Wash.	47	86	55	76	406	19
W. Va.	21	67	31	13	272	5
Wis.	94	137	69	55	680	8
Wyo.	1	1	100	4	12	33
Railroads	105	-	-	-	-	-
Total . . .	<u>4,043</u>	<u>7,330</u>	<u>55</u>	<u>5,233</u>	<u>26,953</u>	<u>22</u>

LABOR AND INDUSTRY

Well Organized Bond Campaign Under Way in R. C. A. Plants

The two "thermometers" each more than four stories in height, which record the progress of R. C. A.'s Defense Bond campaign in terms of percentage of employees participating and percentage of dollar volume of quota reached are indicative of the seriousness with which this great organization is treating its Defense Bond campaign. The campaign's goal of \$2,400,000 calls for investment of nearly \$200 per year by each of the firm's employees.

The Committee which is in charge of the sales program at the firm's Camden, New Jersey Plant includes: Fred Baronne and Joseph Von Hartleben, Local 103 United Electrical Radio and Machine Workers; Elmer C. Morse, R. C. A.'s manager of personnel relations; and A. L. Pipper, E. J. Kelly, and Harry E. Le Roy, managers of major departments of the plant. These men are shown in the picture below.



Huge Thermometers Record Progress of the R. C. A. Drive.



R. C. A. Bond Committee

Specially prepared posters displayed in all departments and offices of the R. C. A. Company have done a great deal to arouse and sustain interest in the bond campaign. Two of these posters are illustrated below.



LABOR AND INDUSTRY

St. Louis Brewers Provide Pattern for Industry-Wide Defense Bond Campaign

Early in May of last year under the leadership of Joseph J. Hauser, secretary of the St. Louis Local of the Brewery Workers Union, brewery executives and union officials representing all brewery workers in the St. Louis area came together and made plans for an industry-wide Defense Bond Program.

A particularly noteworthy feature of this campaign (which resulted in purchases of more than \$1,000,000 worth of Defense Bonds during 1941 and will enlist many more fighting dollars during 1942) is the extent to which labor and management has co-operated to achieve mutually agreed upon goals. The poster reproduced at the right typifies this co-operation.

To Help You HELP AMERICA
By Buying United States Defense Bonds

FOR DEFENSE BUY UNITED STATES SAVINGS BONDS

FOR THE DEFENSE OF AMERICA - FOR YOUR OWN WELFARE

Dramatic Mural Charts Progress of Firms Bond Drive



Employees of the Marshall-Wells Company in Duluth, Minn., have set a \$100,000 goal for their current Defense Bond drive. Progress toward this goal is recorded dramatically by the mural pictured at the left, which fills one of the Company's display windows.

The display originally showed hordes of black Japanese airplanes over Pearl Harbor. However, it is changed daily and each time \$500 worth of Bonds are purchased or pledged, a Japanese plane is taken out of the sky and replaced by a white American plane.

LABOR AND INDUSTRY

Chart Fosters Inter-Departmental Competition

At the right is the poster designed by Edison Industries, West Grange, New Jersey to record progress of the Defense Bond campaign in the various divisions of this widely-known organization.

The poster, in full color, is strikingly attractive, and the chart at the bottom makes it of particular interest to every Edison employee.

Employers Asked to Report Participation in Pay Roll Savings Plan Directly to Washington

Reproduced below is one of the monthly report cards which are now being sent out directly from Washington to employers who have installed Pay Roll Savings Plans.

These cards have been sent out in duplicate with an accompanying letter of explanation signed by Secretary Morgenthau, and a return envelope addressed to the Treasury Department.

The returned cards will be analyzed by the Treasury's Division of Research & Statistics and will provide a more complete and up-to-date record of participation in the Pay Roll Savings Plan than has heretofore been available.

KEEP ON BUYING TO KEEP 'EM FLYING

Invest today for your security tomorrow!

BUY U.S. SAVINGS BONDS
FOR AS LITTLE AS 25¢ A WEEK!

Help your division make 100% of its goal!

Defense Savings Bonds Payroll Savings Plan Report December 1941		1. Total number of employees covered by the plan (1941) _____ 2. Number of employees covered by the plan during the month (1941) _____ 3. Number of employees covered by the plan during the month (1940) _____ 4. Amount of payroll savings bonds purchased during the month (1941) _____ 5. Amount of payroll savings bonds purchased during the month (1940) _____ 6. Amount of bonds (face value) outstanding on December 31, 1941 _____ 7. Amount of bonds (face value) outstanding on December 31, 1940 _____ 8. Name of your payroll savings plan (1941) _____ 9. Name of your payroll savings plan (1940) _____
DUPLICATE VSA 3006-712A		

FIELD ORGANIZATION NEWS

Missouri Scheduling Regional Meetings

The first of a series of regional meetings to inspire all Missouri committee members to even greater and more effective sales promotional activity was held in Jefferson City, January 14. All members of the state committee and all city committee chairmen were invited and more than 450 attended this session. Governor Forrest C. Donnell, State Chairman Branch Rickey, and State Administrator Dan M. Nee made inspiring talks. Similar meetings have been or soon will be held in other metropolitan centers in Missouri, including St. Louis, Kansas City, Springfield, Joplin and St. Joseph. Special conferences with leaders of labor unions have also been arranged to secure their active support and co-operation in extending and increasing participation of their members in Pay Roll Savings Plans.



Missouri Staff Holds Emergency Meeting. State Chairman Branch Rickey is shown addressing the 450 committee members.

In many other states the Pay Roll Savings Plan has been put into operation without special enabling legislation. (See News Letters Number 34 and 36.)

County Committee Uses Window Stickers

At the right is a small reproduction of the red, white and blue window sticker which Norman W. Rahn, co-chairman of the Portage County Defense Savings Staff in Stevens Point, Wisconsin reports is being used "with fine success" to swell the sales of Defense Bonds. The stickers were locally designed and contributed to the program by a local printing company.



California State & Local Governments to Have Pay Roll Savings Plan

Special legislation permitting state, county, municipal and school district employees in California to purchase Defense Bonds through the Pay Roll Savings Plan has been enacted by the current session of the California state legislature. There are approximately 150,000 public employees in this State. Similar legislation has also been enacted recently in Massachusetts.

FIELD ORGANIZATION NEWS

WPA Orchestra and Dance Bands Helping Michigan Staff

The Michigan WPA Music Project has made available to the Michigan Defense Savings Staff a dozen or more orchestras and bands which provide patriotic music and entertainment at all sorts of Defense Bond meetings, rallies and dances. The orchestras appear only at affairs for which no admission is charged, but it is of course permissible, and the Michigan Defense Savings Staff has made it customary, to require the purchase of a Defense Stamp of some denomination to gain admission to a performance of one of these units.

At the right is the front page of the four-page brochure by which the Michigan Staff has announced the availability of these music units. In addition to the seven orchestras available in the Detroit area, other WPA music units are available for Defense Bond and Stamp promotions in Grand Rapids, Flint, Ironwood, Escanaba, Iron Mountain, Calumet, Iron River and L'Anse, Michigan.

No doubt similar arrangements could be made in many other states to use WPA music units to promote Defense Savings.

New Leaders Appointed

The newly appointed chairman of the State Defense Savings Committee for Illinois is Harold H. Swift of Swift & Company of Chicago.

Chairman of the Defense Savings Committee for Metropolitan Chicago is Oscar C. Mayer and the vice-chairman of this committee is Guy E. Reed. Mr. Mayer is connected with the packing house which bears his name. Mr. Reed is the vice-president of the Harris Trust & Savings Bank.

In Oregon, Wilbur M. Carl, for a number of years general sales manager of a Portland automobile firm has been named associate administrator of the Oregon Defense Savings Staff. He will serve on a \$1-a-year basis. Ted H. Gable, Oregon State Administrator is now serving with the National Defense Savings Staff as a special consultant to the Secretary of the Treasury and Ray Conway is serving as Acting Administrator in his absence.



News Letter

IN THE SCHOOLS

Negro Teachers Active On Behalf of Defense Savings

In many parts of the country, teachers in colored schools and colleges have assumed positions of leadership in spreading information about the Defense Savings Program and encouraging regular purchase of stamps and bonds by adults as well as children.

In Polk County Florida, miniature post offices have been built by school children in all Negro schools and poster contests are being conducted with Defense Stamps as prizes. These and other Defense Savings activities were reported by F. E. Brigham, Polk County Superintendent of Public Instruction.

In Georgia, the Atlanta University School of Social Work reports that every member of its faculty and administrative staff is participating in the Pay Roll Savings Plan. In addition, a joint student-faculty committee on Defense Savings has been established and practically every student is now buying Defense Stamps regularly.

These two reports of the activities of Negro school teachers and students could be duplicated from many other states and cities according to William Pickens and Jesse C. Thomas, consultants on Negro activities of the Defense Savings Staff.

American Legion Sponsors School Poster Contest



Posters entered in Washington contest by Seattle Junior High School Students.

exhibits arranged by Legion Posts and

Art classes in schools in all parts of the State of Washington participated in the Defense Savings Poster contest sponsored by the Washington Department of the American Legion, which closed in January. More than 1,000 posters were entered in the competition and have been submitted to Mrs. Pearl Wanamaker, State Superintendent of Public Instruction, for preliminary judging.

The best 150 posters will be selected in a preliminary judging to be held soon in Olympia and these posters will then be sent on a tour of the state to be shown in local local Defense Savings Committees.

News Letter

IN THE SCHOOLS

American Legion Sponsors School Poster Contest (Continued)

After this tour, the posters will be sent to Washington, D. C. where they will be judged by a committee consisting of Harold N. Graves, Assistant to the Secretary of the Treasury; Harford Powell, Director of Information, Defense Savings Staff; and Edward Bruce, Chief of the Fine Arts Section, Public Buildings Administration.

Three Defense Bonds of \$100, \$50 and \$25 denominations contributed by the Seattle-First National Bank will be presented to the three students whose posters are judged to be the most outstanding.

Post Office Helps Rural School Children Save for Victory



Children of the W. D. Thompson School in DeKalb County, Georgia, clamor for a chance to buy Defense Stamps from Rural Mail Carrier J. A. Ashworth, who stops at the school every Monday, Wednesday and Friday. Carrier Ashworth is one of countless postal employees who are going out of their way liberally as well as figuratively to make Defense Stamps and Bonds conveniently available.

News Letter

TO THE LADIES

In the Buckeye State

The Ohio State Defense Savings Committee has prepared a special manual of instructions for local committee members. In the section of the manual prepared for committee members assigned to women's organizations, suggestions are given for enlisting the support of these groups in the Defense Savings Program.

"In most families women handle the money," these instructions point out. "Therefore, the part women are to play in assuring the success of the Defense Savings Program is vitally essential. To this end it is hoped that every local committee will place special emphasis on that part of their local program involving the enlistment of the full co-operation of women through women's organizations.

"Capable, energetic leaders willing and able to fully describe the philosophy of the Defense Savings Program should be enlisted to speak before groups of women until every mother and daughter in a community has been reached and made to understand.

"Dozens of individual activities for the various groups suggest themselves in connection with this program. For example:

1. Volunteering services to establish information headquarters in your community, to distribute literature, and to solicit pledges.
2. Giving of Stamps as prizes at meetings and social affairs.
3. Urging the inclusion of National Defense and Defense Savings as subjects for study and lecture programs."

The Ohio State Committee proposes to issue bulletins to keep its local committee members informed of the activities of the various groups in the state and over the country. The motto of the Committee is:

"TO SELL A SHARE IN AMERICA TO EVERY OHIO INCOME EARNER."

Food for Thought

In a small Southern town, the local chapter of one of the Big national women's organizations asked a national officer to come down and give a speech. The officer replied that she would be delighted - - providing that instead of buying her a corsage for the occasion and filling her hotel room with flowers, the local club would use the money to buy Defense Stamps for its own treasury. The national officer had underestimated her popularity. Instead of stamps, the club was able to buy a Defense Savings Bond with the "flower" money.

News Letter

TO THE LADIES

The Ladies are Lending

The General Federation of Women's Clubs has for the second time purchased \$50,000 worth of Defense Savings Bonds.

The Junior League of Dallas, Texas has voted unanimously to buy Defense Savings Bonds with its reserve fund of over \$5,000. The fund, which has been accumulated over a period of twenty years by gifts from members was originally intended as a nucleus for a club building.

The American Legion Auxiliary of Knoxville, Tennessee is doing its part to keep today's army equipped with tools of war. The auxiliary recently purchased \$300 worth of Defense Bonds. Mrs. George Caldwell is president.

The United States Government was the winner of a recent card party held by the Woman's Club of San Bernardino, Calif. Proceeds from the party were used to purchase a \$50 Defense Savings Bond.

The Women's auxiliary of the San Diego County Dental Society, at its annual business meeting, voted to buy a \$50 Defense Bond as part of its contribution to the Victory Campaign.

Alumnae funds amounting to \$1,500 were invested in Defense Savings Bonds by the Alumnae Association of Stephens College, Columbia, Missouri.

Acting upon the suggestion of its loan committee, the Dallas (Texas) Pan Women voted to buy \$100 worth of Defense Bonds with money from a loan fund.

A Real "V" for Victory



Board members of the Washington State Federation of Business and Professional Women's Clubs holding a total of \$9,490 worth of Defense Savings Bonds purchased by individual clubs in the State Federation.

News Letter

MAGNIFICENT THEATER LOBBY DISPLAY BOOSTS DEFENSE BONDS



One of the most impressive Defense Bond displays produced anywhere in the country may now be seen in the lobby of the Fox Theater in Atlanta, Georgia.

At the left is a general view of the lobby showing the booth for the sale of Defense Bonds and Stamps. State Administrator Marion Allen is the fourth from the left.

Arthur Lucas, head of the Lucas & Jenkins Theater Chain of which the Fox Theater is a part, is the Chairman of the Georgia State Defense Savings Committee.

California Theater Mobilizes Children

Shown at the right is the Junior Defense Headquarters of the Glendale Theater in Glendale, California. This theater is one of the many throughout the country which presents patriotic matinees to which all children who purchase Defense Stamps are admitted free of charge.



More than 10,000 Glendale children have signed the "Victory Pledge" drafted by this theater which reads:

Dear President Roosevelt:

I want to help, like Mom and Pop, so I'm making a New Years Pledge, to save my Pennies and buy "U. S. DEFENSE STAMPS."

Signed.....

Age.....

JUNIOR DEFENSE HEADQUARTERS—GLENDALE THEATRE

News Letter

"MINUTE MEN SING FOR VICTORY"

Defense Savings "song fests" at which Lucy Monroe, a star of the concert stage and radio, will be the featured attraction, are now being arranged by the Special Activities Section of the Defense Savings Staff.

Miss Monroe, will begin the series of "Minute Men for Victory" song fests in Washington, D. C. on February 27th. Her itinerary will take her from there to Miami, Tampa, and Pensacola, Florida; and elsewhere throughout the South during the next two months. Other sections of the country will be visited later in the year.

Plans for the concerts, which will be sponsored jointly by the Treasury Department and RCA Victor, will be worked out by an advance representative of the Special Activities Section in consultation with State Administrators and leaders of local Defense Savings Committees. Arrangements will be made which are particularly appropriate for local situations and which take advantage of local talent. These song fests will be memorable community events.

MOVIE STAR SELLS BONDS

Miss Ruth Hussey, star of the picture "The Vanishing Virginian," takes time out during the movie's premier in Lynchburg, Va., to sell a Defense Bond to James Easley Edmunds, Sr. Miss Hussey is one of many movie stars who are now helping to promote the sale of Defense Bonds. From left to right: Mrs. Kermit Roosevelt, James Easley Edmunds, Sr.; Mrs. Rebecca Yancy Williams, Miss Ruth Hussey, and Bill Dudley.



RADIO PROGRAMS FOR THE COMING WEEK

Monday, February 9. "FOR AMERICA WE SING," Dr. Frank Black's Orchestra and Chorus; Guest stars: Arthur Carron, Metropolitan Opera Company, and Lydia Summers, New Opera Company. 9:30-10:00 P.M. (EST) Blue Network.

Saturday, February 14. "AMERICA PREFERRED," Alfred Mollenstein's Orchestra; Deems Taylor, commentator. 8:00-8:30 P.M. (EST) Mutual Network.

News Letter

FIRST FAMILY OF KANSAS SAVE FOR BONDS



In Kansas, Governor Ratner and his family are buying Defense Bonds and Stamps regularly. From left to right: State Administrator Evan Griffith, Mrs. Ratner, Governor Ratner, "Darb," Jurie and Tino.

"SOUNDIES" SELL DEFENSE STAMPS



In Chicago's City Hall Mayor Edward J. Kelly inaugurates the "soundie" machine's campaign to sell Defense Stamps. In a very few hours, more than \$1000 worth of stamps were sold, each purchase of a \$1 stamp placing into operation the interesting new machine which entertains with patriotic music and movies. From left to right: Deputy Administrator John J. Gallaher, Joy Hodges, singer, Mayor Kelly, and Mrs. Gilbert Barnhart.

TREASURY DEPARTMENT
DEFENSE SAVINGS STAFF
WASHINGTON, D. C.
OFFICIAL BUSINESS

PENALTY FOR PRIVATE USE TO EXCEED
PAYMENT OF POSTAGE, \$3000

THE WHITE HOUSE
WASHINGTON

231

February 7, 1942

Dear Henry:

I am so glad that a place has been found
for Mrs. McAdoo on the Defense Savings Staff.
Thank you so much for your interest and for
letting me know about the appointment.

Affectionately,



February 7, 1942

TO: HAROLD K. GRAVES

SUBJECT: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

SALE OF BONDS

Actual cash receipts for the sale of E, F and J Bonds for the first three business days of February totaled \$146,223,000, an increase of 109.2 per cent over sales for the corresponding three days in January. January sales, in the first three business days were \$69,900,000, while sales for the first three business days of December 1941 (before Pearl Harbor) were \$36,030,000.

Series E Bond sales for the first three days of February were \$74,474,000, an increase of 72.5 per cent over January sales for the same period. During the first three days of January Series E Bond sales totaled \$43,764,000.

PLEDGE CAMPAIGN

Advance pledge campaigns have been conducted in the state of Oregon and in Pittsburg County, Oklahoma.

In Oregon, pledges totaled 116,000 through February 2, with state total expected to reach 200,000. These pledges averaged from 20 to 25 percent of each county's population and represent approximately 90 per cent of all families.

Average annual pledge of first 100,000 was \$100, with Multnomah County average \$131.

In Pittsburg County, Oklahoma, 10,000 pledges were received out of the population of 48,000.

Detailed study and discussion of the Pledge Campaign and Payroll Savings Plan will be held at eight regional meetings to be held February 9 to February 24, to be conducted by the Office of the Field Director.

Pledge Campaign handbooks have been issued -- one for Committee Chairmen and Administrators, the other for Canvassers. (Copies attached) Canvassers will be provided with schedule of approximate amounts expected from those on whom they call. Window stickers indicating participation will be given to signers.

No Pledge Campaigns will start until local committees are completely organized; therefore, no uniform starting date is contemplated.

PAYROLL SAVINGS

Reports as of February 5 show that 16,307 industrial and commercial companies, employing a total of 12,986,248 workers, have installed Payroll Savings Plans.

Of these, 3,941 firms employ 500 or more and have a total of 11,350,045 workers; 5,947 firms employ from 100 to 500 workers and have a total of 1,407,282 workers; and 6,419 firms employ less than 100 workers and have a total of 228,957 workers.

SALES OUTLETS

The estimated number of outlets now selling Defense Bonds and Stamps is 1,508,974. A chart, showing the complete breakdown on this estimate, and the increase since the early days of the Defense Savings Program is attached.

Among the new outlets selling Stamps are all the offices of both the Western Union and Postal-Telegraph Companies throughout the nation. Jumbo Telegram blanks announcing these outlets are being placed in all offices of both companies. (Copies attached.)

DECEMBER STAMP SALES

New York led all states in total stamp sales in December. Illinois was second, Pennsylvania third, and California fourth. Montana was the last state.

Arizona Stamp sales in December increased 650 per cent over November. Montana's increase was only 24 per cent.

District of Columbia led in per capita sales followed by Rhode Island, Connecticut and Illinois. South Dakota and Arkansas were at the bottom.

Newspaper carrier boys in Rhode Island and Kentucky sold almost one-third of all Stamps sold in their respective states in December; in Alabama, almost one-half; in Pennsylvania and Tennessee, about one-fifth; in Michigan about one-sixth; in the nation about one-tenth of all Stamp sales-- and this on the basis of less than a month's sale for many newspapers.

(Photostatic copy of complete analysis of December Stamp sales is attached.)

SPECIAL

The National Cash Register Company has completed plans to cooperate in the Defense Savings Program by placing stickers on all cash registers, reading:

"Take Part of Your Change in Defense Savings Stamps."

They also will supply stores with small counter cards carrying the same message. The stickers and cards are to be distributed and placed by National Cash Register's 1,600 field representatives.

HOTELS

Marked copy of the Bulletin of the American Hotel Association of the United States and Canada, (attached) indicates various methods which hotels are employing to increase Bond and Stamp sales.

DIRECT MAIL

Total sales through the medium of Direct Mail were \$20,461,211 as of February 5. Sales for the last seven days amounted to \$2,415,591. The latest mailing -- the Third Customer Mailing to 2,554,000 names -- has produced \$1,507,817 in sixteen days of pulling.

DISTRICT OF COLUMBIA

Reproduction of the Minute Man and slogan "Buy Defense Bonds and Stamps," was printed on all weekly street car and bus passes of the Capital Transit Company in Washington, D. C., for the week of February 1 - 7.

RADIO

Reports from 823 radio stations show that 4,011 Minute Men have broadcast in English and eleven foreign languages.

Recorded appeals for Defense Savings have been made by 48 of the 96 U. S. Senators, and the remainder are scheduled for similar recordings shortly. The recordings are to be distributed to radio stations in the home states of the Senators.

Payroll Savings Plans for employees have been installed by 283 radio stations, and 207 report 100 per cent participation by employees.

Use of 168,340 one minute Defense Savings Announcements during the month of December reported by radio stations.

Beginning February 3, Station WHOM, New York, launched a series of talks on National Defense, with emphasis on Bonds and Stamps, by outstanding personalities in foreign language field.

CHILD STAMP SURVEY

Approximately 60 per cent of American children own Defense Savings Stamps or Bonds, according to a survey made by the Reed Poll. The poll reports that Stamps and Bond ownership with boys averages 63 per cent, and with girls 54 per cent.

The Reed Poll, conducted by William Reed, Chicago candy manufacturer, is designed to analyze tastes and opinions of children between the ages of eight and thirteen. The Bond and Stamps poll was based on four questionnaires; three mailed to children of all income brackets, the fourth by personal queries at schools, Sunday schools and YMCA's.

PRESS

First in a continuing series of a Special Women's page feature, "Penny Wise," was mailed to all weekly and daily newspapers. (Proof attached.)

One column box in mat form was sent to all daily newspapers for use in connection with St. Valentine's Day. (Proof Attached.)

Next set of comic cartoons, (Jane Arden, Dick Tracy, Superman and Hap Hopper) are ready for mailing to all daily newspapers. (Proof attached.)

Photographs of U. S. Senators at microphone, recording Defense Savings appeals, are being taken for distribution to all daily newspapers in their home states.

SPORTS

Adoption of the Payroll Savings Plan for all Major League Baseball players at the annual meeting of club owners in New York resulted in widespread national publicity. (Clippings attached.) The clubs also voted to display Defense Savings banners at ball parks and to have ushers and attendants wear Minute Man emblems on their uniforms. Also attached, are clippings of photograph of Freddy Fitzsimmons, first ball player to sign up under the Defense Savings Plan.

Baseball cooperation was arranged by Joe Williams, chairman for the Treasury of a Defense Sports Committee.

EDITORIAL CARTOON SUMMARY

(See Scrapbook attached.)

NEWSREELS

The Defense Savings Staff's two newsreel crews made shots of citizens participating in the Defense Savings Program this week at Buffalo, Pittsburgh, Cleveland, San Francisco, New Orleans, Dallas and Oklahoma City.

MGM's News of the Day and Paramount Newsreel are showing currently news pictures emphasizing the Defense Savings Program. (See Newsreel Content Sheets attached.)

MOTION PICTURES

Advertising by picture producers including Bond and Stamp copy began making appearances in motion picture trade publications. (Magazine tear sheets attached.)

MAGAZINES

Popular Mechanics Magazine is currently using Defense Savings Shield on cover. (Copy attached.)

Marked copies, showing use of Defense Savings material, are attached of the following magazines: Vogue, Jack & Jill, Wallace's Farmer, Mademoiselle, and Woman's Home Companion.

COMIC CARTOON BOOKS

Meeting of leading editors and publishers of this media with Defense Savings Staff is scheduled for the coming week to work out detailed plans for complete coverage. (Copy of "Remember Pearl Harbor," picture story of the battle of the Pacific, published by Street and Smith, is attached.)

VICTORY HOUSES

Bond and Stamp sales at the Victory House in Los Angeles, since the opening in December through the end of January, totaled \$732,623. Bond sales amounted to \$614,210 and Stamps sales \$118,413. In all, 30,310 Stamp Albums were issued.

STAGE AND SCREEN STARS

Sabu, the "Elephant Boy," made appearances this week in Pittsburgh, Chicago and Detroit.

Dorothy Lamour, enroute to the West Coast, stopped in Chicago where, in the interest of Defense Savings, she made a radio broadcast and appearances in two factories and the Marshall Field Department Store.

Edward G. Robinson, enroute from Los Angeles to New York, has scheduled stops at Albuquerque, N. M., and at Chicago, to make appeals for increased Bond and Stamp purchases, and will make additional personal appearances in New York.

Bonita Granville is scheduled to appear at the Lincoln's Birthday Bond and Stamp rally in Chicago, February 12.

LEGITIMATE THEATER

The Emergency Council of the Legitimate Theater reports it has outlined the following program to boost sale of Defense Bonds and Stamps in New York City theaters:

- (1) Fit in lines wherever possible boosting Defense Savings in all revues and musical comedies.
- (2) Place posters in lobbies; insert appeals in theater programs; and place tables "Stamps for Sale Here" in lobbies services by women of the American Theater Wing.
- (3) Play recorded messages during intermissions.
- (4) Schedule Minute Men speakers in theaters.

BUSINESS PUBLICATIONS

Requests for complete information about the Payroll Savings Plan, directly traceable to the first Payroll Savings advertisement in Business Publications, now total 3,189.

To date, 537 business publications report they will publish the second Payroll Savings Advertisement in their February or March issues.

LABOR PRESS ADVERTISING

Copy of the second advertising release for Labor Papers is attached. It is to be mailed the first of next week.

The final count of Labor Papers using the first advertisement was 265, representing a circulation of approximately 4,500,000.

COMPANY PUBLICATIONS

Numerous companies are using the front covers of their employee publications to feature Bonds and Stamps. Typical examples are attached. Also attached is copy of the current issue of GM Folks (General Motors publication with 350,000 circulation) showing how large companies are featuring Bonds and Stamps through entire issues.

NEWSPAPER CARRIER SALES

(See chart attached.)

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Five Business Days of February and January 1942 and December 1941
 (February 1-5, January 1-5, December 1-5)
 On Basis of Issue Price
 (Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	February 1942	January 1942	December 1941	February over January	January over December	February over January	January over December
Series E - Post Offices	\$ 25,467	\$ 29,636	\$ 10,141	-\$ 4,169	\$19,495	- 14.1%	192.2%
Series E - Banks	<u>98,234</u>	<u>64,904</u>	<u>18,071</u>	<u>33,330</u>	<u>46,833</u>	<u>51.4</u>	<u>259.2</u>
Series E - Total	123,701	94,541	28,212	29,160	66,329	30.8	235.1
Series F - Banks	19,116	9,881	4,704	9,235	5,177	93.5	110.1
Series G - Banks	<u>91,087</u>	<u>41,319</u>	<u>38,146</u>	<u>49,768</u>	<u>3,173</u>	<u>120.4</u>	<u>8.3</u>
Total	<u>\$233,904</u>	<u>\$145,740</u>	<u>\$ 71,062</u>	<u>\$88,164</u>	<u>\$74,578</u>	<u>60.5%</u>	<u>105.1%</u>

Office of the Secretary of the Treasury, Division of Research and Statistics.

February 7, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

UNITED STATES SAVINGS BONDS

Daily Sales - February 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
February 1942									
2	\$ 8,435	\$ 34,150	\$ 6,191	\$ 19,795	\$ 60,136	\$ 42,585	\$ 6,191	\$ 19,795	\$ 68,571
3	3,572	7,887	2,793	19,518	30,199	11,459	2,793	19,518	33,770
4	4,893	16,537	3,937	18,515	38,989	21,430	3,937	18,515	43,882
5	4,257	16,149	2,367	14,640	33,156	20,406	2,367	14,640	37,413
6	4,310	23,510	3,829	18,620	45,958	27,820	3,829	18,620	50,269
Total	\$ 25,467	\$ 98,234	\$ 19,116	\$ 91,087	\$ 208,438	\$ 123,701	\$ 19,116	\$ 91,087	\$ 233,904

Office of the Secretary of the Treasury, Division of Research and Statistics.

February 7, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

Unfilled Orders for Savings Bonds at the
Federal Reserve Banks and the Post Office Department
January 20 to date

CONFIDENTIAL

(In thousands of pieces)

	: Unfilled : : orders at : : opening of : : business :	New orders : received : this day :	Bonds : manufactured : this day :	Unfilled : orders at : close of : business :	Stock of : bonds : on hand* :	IBM : deliveries : this day :
Jan.						
20	202	204	800	86	1,184	1,000
21	86	411	800	59	1,546	875
22	59	697	800	86	1,676	1,000
23	86	569	800	50	1,871	1,000
24	50	727	800	28	1,922	1,000
25	28	none-no mail	none-closed	28	1,922	-
26	28	490	1,000 $\frac{1}{2}$	7	2,011	2,000
27	7	434	1,000 $\frac{1}{2}$	7	2,177	-
28	7	474	1,000 $\frac{2}{2}$	6	2,102	2,000
29	6	407	1,000 $\frac{2}{2}$	8	2,097	-
30	8	426	800 $\frac{2}{2}$	6	1,869	2,000
31	6	404	800 $\frac{1}{2}$	9	1,868	-
Feb.						
1	9	none-no mail	none-closed	9	1,868	-
2	9	402	800 $\frac{2}{2}$	11	1,668	-
3	11	428	800 $\frac{2}{2}$	6	1,435	-
4	6	441	800 $\frac{2}{2}$	0	1,188	2,500
5	0	344	800 $\frac{2}{2}$	0	1,044	-
6	0	346	800 $\frac{1}{2}$	0	1,098	2,500

Office of the Secretary of the Treasury,
Division of Research and Statistics.

February 7, 1942

* Bonds in Washington vaults only.

$\frac{1}{2}$ Includes 400 thousand pieces manufactured for inventory in the field.

$\frac{2}{2}$ Includes 600 thousand pieces manufactured for inventory in the field.

Stock of Series E Savings Bonds on Hand ^{1/}
January 20, 1942 to date

(In thousands of pieces)

	: Stock on hand : beginning : of day	: Sales : this day	: Bonds : manufactured : this day	Stock on hand close of day	IBM deliveries this day
Jan.					
20	8,101	218	800	8,683	1,000
21	8,683	337	800	9,146	875
22	9,146	381	800	9,565	1,000
23	9,565	377	800	9,988	1,000
24	9,988	263	800	10,525	1,000
25	10,525	none-closed	none-closed	10,525	-
26	10,525	487	1,000	11,038	2,000
27	11,038	186	1,000	11,852	-
28	11,852	251	1,000	12,601	2,000
29	12,601	265	1,000	13,336	-
30	13,336	283	800	13,853	2,000
31	13,853	139	800	14,514	-
Feb.					
1	14,514	none-closed	none-closed	14,514	-
2	14,514	505	800	14,809	-
3	14,809	158	800	15,451	-
4	15,451	262	800	15,989	2,500
5	15,989	250	800	16,539	-
6	16,539	341	800	16,998	2,500

Office of the Secretary of the Treasury,
Division of Research and Statistics.

February 7, 1942

^{1/} Includes stock in hands of (1) Federal Reserve Banks and branches, (2) Post offices, (3) Federal Reserve Bank issuing agents, and (4) Treasury vaults in Washington.

Treasury Department 246
Division of Monetary Research

Date... Feb. 18 19⁴²

To: Miss Chauncey

This should be called to the
Secretary's attention and unless I
hear to the contrary will send him a
report every month. *yes*

A copy of this report goes
to Mr. D. W. Bell.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE February 7, 1942

TO Secretary Morgenthau

FROM Mr. White

I am giving you herewith a comparative statement of the approximate earnings of the Stabilization Fund for the months of December 1941 and January 1942.

<u>Earnings</u>	<u>December 1941</u>	<u>January 1942</u>
Interest earned on investments	\$ 20,187.21	\$ 20,220.69
Interest earned on Yuan	24,394.03	24,359.81
Interest earned on Milreis	10,202.25	9,804.29
Total	\$ 54,783.49	\$ 54,384.79
Profits on handling charges on gold	311,759.06	208,470.06
Grand Total	\$366,542.55	\$262,854.87
<u>Expenses</u>		
Salaries	\$ 21,189.09	\$ 19,659.23
Travel	961.80	683.06
Subsistence	1,956.38	123.17
Telephone and Telegraph	1,316.63	1,523.37
Stationery	170.09	21.88
All others	1,087.03	730.34
Total	\$ 27,681.87	\$ 22,734.06
Net Earnings	\$338,860.68	\$240,120.82

The decrease in the earnings for January 1942 resulted from a reduced turnover in gold transactions with foreign countries on which the handling charge of 1/4 of 1% was collected. The various expense items fluctuate from month to

- 2 -

month. In November they totaled \$23,969.27.

This report was completed from figures supplied by Mr. O'Daniel.



FEB 7 1942

My dear Mr. Secretary:

I understand that Colonel Lemuel Bolles, Executive Director of Civilian Defense for the Metropolitan Area of Washington, D. C., is experiencing much difficulty in obtaining the necessary sirens for air raid warning purposes.

Conferences have been had with the District Commissioners and engineers and at our request they have conferred with Mr. Landis, Executive of the Office of Civilian Defense. I am attaching hereto a copy of a memorandum on this subject from him.

I join with him in the request of securing your approval to the assignment of eleven sirens for use in the District of Columbia.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable

The Secretary of Navy.

Enclosure
GS:WNT:cf

By Messenger *George 245*

*cc Col Bolles via Mr. Harp
J Feb 7, 1942*

C O P Y

250

OFFICE OF CIVILIAN DEFENSE
Washington, D. C.

February 6, 1942

Dear Mr. Swope:

I have taken the occasion to examine into the siren situation in the light of the specific problem confronting the District of Columbia. The results of that examination disclose that some 500 requests from municipalities for some type of priority are now pending. These requests, however, are frequently in the form of simply general requests and have rarely been bottomed upon a thorough, sound survey of the municipality involved and the type of instrument desired.

A contrary situation prevails in the District of Columbia. The District has made tests of the siren that it seeks to purchase from the Gamewell Company and has made a survey in the light of the performance of that siren. To force it to shift at this late date to an untested instrument made by the Westinghouse Air Brake Company would delay the installation of sirens in this city for at least two months and would call for a new sound survey and a new series of tests of the proposed instrument.

The potentiality of danger to the Atlantic coast of an air attack is, of course, difficult to estimate but every preparation is being made by the Army and Navy and being urged by the Office of Civilian Defense, in the belief that that potentiality is a real one and a present one. Obviously the city of Washington would be a likely target. Consequently the installation of devices to protect the city ought to be pressed as rapidly as is consistent with the general policy of the government. I would therefore urge you to take every reasonable means possible for the fulfillment of the contracts already entered into or definitely contemplated for the District with the Gamewell Company.

Faithfully yours,

/s/ James M. Landis,
Executive

Mr. Gerard Swope
Treasury Department
Washington, D. C.


TO:

251

Miss Chauncey

D

Sect; wants a
copy of his
letter to go to
Balle.


From: Lieut. Stephens

TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE February 7, 1942

TO The Secretary
FROM Mr. Thompson

With respect to sirens for the District of Columbia, the War Production Board is willing to clear priority but they have put this question now up to the Army and Navy Munitions Board for decision as to whether present Naval orders may be deferred by granting the District the rating necessary for them to secure the sirens. Mr. Swope has prepared the attached letter to Secretary Knox to enlist his aid in the matter in case you wish to go that far.

JK

Attachment

Feb 7 1942

Dear Jesse:

I have your letter of February 6, 1942, outlining the contemplated arrangements by the Defense Supplies Corporation for financing the molasses portion of the sugar purchases by using the facilities of the Cuban branches of American banks which normally finance the sugar movement.

It is noted that under this arrangement funds of commercial banks will be utilized up to an aggregate of approximately \$75,000,000, with a maximum amount outstanding at any one time of probably not more than \$25,000,000, at an interest cost of somewhere between one-half of one per cent to three-quarters of one per cent. In view of the fact that you consider it advisable to adopt this arrangement for financing the purchases by the Defense Supplies Corporation, the Treasury will interpose no objection.

It is also noted that arrangements will be made with the American banks to ship large amounts of United States currency to Cuba and later return it to the United States, for which service the banks will be paid a charge to be agreed upon. This matter has been discussed with Mr. Mulligan by members of the Treasury staff from the standpoint of utilizing Treasury depository facilities for shipping currency to and from Cuba. Under these arrangements it would be possible to avoid heavy insurance charges while such currency is in course of shipment. We shall be glad to explore this situation further with your staff to determine whether it may be more practicable to handle the currency shipments in this manner, at a substantial saving in cost to your organization.

Very truly yours,

(Signed) E. A. Tamm

Secretary of the Treasury.

Honorable Jesse E. Jones,
Administrator,
Federal Loan Agency,
Washington, D. C.

WJH:alb 2-7-42

Mr. Tamm
Feb 6 1942
10:15 AM
- 2 -

FEDERAL LOAN AGENCY
WASHINGTON

February 6, 1942.

Dear Henry:

Defense Supplies Corporation contemplates financing the molasses portion of the sugar purchase by using the facilities of three banks which have branches in Cuba and which normally finance the Cuban sugar movement.

The banks will transmit the necessary funds to Cuba and pay the contract price against receipts validated by the Stabilization Institute and an agent of the Corporation. We are advised that in this operation it will be necessary for the banks to ship large amounts of United States currency to Cuba and later return it to the United States. For their service the banks will be paid a charge to be agreed upon.

During the period of time the funds of the banks are outstanding they will be allowed interest at a rate to be agreed upon which it is expected will be not more than $3/4$ of 1% and possibly $1/2$ of 1%. The period the money is outstanding will depend upon how fast the molasses can be disposed of for conversion into alcohol, a matter of perhaps only a few weeks.

While the total molasses financing will aggregate approximately \$75,000,000, it is expected that the amount outstanding at any one time will be substantially less than this amount, probably not more than \$25,000,000.

We would be glad to have you advise at your early convenience whether you have any objection to the procedure outlined.

Sincerely yours,

Administrator.

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

Henry

FILE COPY



TREASURY DEPARTMENT

WASHINGTON

February 7, 1942.

TO MR. BELL:

The program for purchasing molasses is tied in with the program for purchasing the Cuban sugar crop. The sugar will be moved by the refineries pursuant to quotas fixed by the OPW and will not require the use of any funds by Defense Supplies Corporation.

The molasses will be handled by three companies which ordinarily take care of 90 per cent of all molasses moving out of Cuba. These companies have tanker and shore facilities for handling the molasses. They are the North American Trading Company, the Commercial Molasses Company and the Cuba Distilling Company. These companies will act as agents for Defense Supplies Corporation and will be paid a fixed fee for their services in Cuba and in transporting molasses to the United States.

The molasses will be paid for in Cuba against warrants which in effect will be terminal receipts and sight drafts. The banks will pay the Cuban producers for the molasses for account of the Defense Supplies Corporation. The molasses will be moved to the United States and sold either to the companies acting as agents for Defense Supplies Corporation or to other companies. The proceeds from the sales in the United States will be used to pay off money advanced by the American banks.

With respect to the movement of currency to Cuba, I suggested to Mr. Mulligan and Mr. Goodwin that we might be able to make some arrangements by utilizing the American banks as our depositories so that we could ship the currency to them without the payment of all the war risk and marine insurance charges. They could reimburse us for ordinary shipping expenses. Mr. Mulligan said they would be interested in this and that the Chase National Bank had indicated they would expect one-quarter per cent for this service covering both the shipment down and return. The war risk insurance on the trip one way is \$375 per \$100,000 and the marine insurance is \$60 per \$100,000, making an insurance cost of \$435 per \$100,000. Defense Supplies Corporation is to have further negotiations with the banks and I told Mr. Mulligan we would be glad to have Mr. Batchelder come over and talk with them in connection with the currency arrangements. He said he would be very glad if this could be done. He thought that even though they might not utilize Treasury facilities, it would at least give the Defense Supplies Corporation a basis for keeping down the price of the banks. He did not have any idea at this time as to the volume of currency that would be involved.

WJK



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
 PROCUREMENT DIVISION
 WASHINGTON

February 7, 1942

REPORT OF THE DIRECTOR

There is submitted herewith the quarterly report of Lease-Lendee purchases for the week ended January 31, 1942.

The final lists have been prepared for the third Lease-Lendee budget, and the total is \$2,010,000,000 for these purchases in the case of this division from March 1, to December 31 of 1942 year.

A tentative date has been set for a public hearing the House committee on appropriations the morning of this week, February 10.

Cliff. Moore
 Director of Procurement

Ch.

FOR DEFENSE



BUY
 UNITED
 STATES
 SAVINGS
 BONDS
 THROUGH

LEND-LEASE

TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF FEBRUARY 7, 1942

(In millions of dollars)

	<u>Total</u>	<u>U.K.</u>	<u>RUSSIA</u>	<u>CHINA</u>	<u>ADMINISTRATIVE EXPENSES</u>	<u>UNDISTRIBUTED & MISCELLANEOUS</u>
Allocations	\$826	\$585	\$90	\$60	\$.9	\$90.1
Purchase Authorization (Requisitions)	653	511	99	42	-	1.0
Requisitions cleared for purchase	598	487	76	34	-	1.0
Obligations (Purchase)	515	423	63	27	-	2.0
Deliveries to Foreign Governments at U.S. Ports	179	164	4.4	10.6	-	-

FEB 7 1942

Dear Mr. Stettinius:

In answer to your letter of the 4th instant, Mr. Mack has prepared a memorandum in regard thereto, which I am transmitting herewith.

If there is anything further on the matter that you wish from us, we shall be glad to hear from you.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. E. R. Stettinius, Jr.
Administrator
Office of Lend-Lease Administration
515 22nd Street, Northwest
Washington, D. C.

Enclosure

GS:ELS



By Messenger

Stungo 12:15
Feb 12 M. C.

TREASURY DEPARTMENT
Procurement Div.Office of the
Director

February 6, 1942

MEMORANDUM TO MR. SWOPE:

With reference to a communication addressed to the Secretary by Mr. Stettinius dated February 4th, transmitting a copy of a letter from Mr. Robson to Mr. Stettinius relative to a proposed change in the forwarding of lend-lease material as authorized under H.R. Bill 8291 submitted to the House, it is our opinion that there are three primary considerations.

At the present time the forwarding of shipments to the United Kingdom are being handled by the British Ministry of War Transport at New York; the forwarding of lend-lease supplies for China are being handled by the Premier Shipping Company at the Newport News port, and Moore & McCormick are doing the forwarding for the Russians.

First, it is our opinion that it would be decidedly advantageous to the Government to have the Maritime Commission control the forwarding of our lend-lease shipments at all ports.

Second, it is my understanding that payments to Moore & McCormick and to the Premier Shipping Company and administrative expenses for the British Ministry of War Transport personnel are being paid by the respective governments. This bill proposes that the Government assume those expenses.

A figure of 10% per manifest ton as a forwarding fee is referred to in Mr. Robson's letter but there is no indication as to the services which will be furnished for this fee. Normally a forwarding agent is responsible for the forwarding of goods from the supplier at the point of origin to on board ship, but as you know our personnel performs the services of arranging for the shipping from suppliers, preparation of bills of lading, tracing shipments, expediting, and related services up to ship side, excluding the procurement of vessels, at which point the British Ministry of War Transport, the Premier Shipping Company, and Moore & McCormick assume responsibility. Consequently, it would seem advisable to have information as to the services to be performed for the proposed 10% fee per ton in order to determine the adequacy.

The present services now being performed by the forwarding agents used by the respective governments consists of making up proper cargo for vessels allocated to them by the Maritime Commission, in cases of American controlled ships and the controlling agencies of other countries as to foreign flag ships; requisitioning from various lend-lease purchasing agencies sufficient quantities of various types of cargo; receiving for account of their respective principals cargoes shipped in response to requisitions; ordering of cars from lend-lease terminals to ship side; ordering of cars; stevedoring and storage of cargo aboard ships.

We do not have the information as to the expenses incurred by the forwarding agencies in performing this service because their bills are paid by the foreign governments. Consequently, it is not known whether the proposed 10% per ton is comparable.

In Mr. Robson's letter to Mr. Stettinius he has specifically asked for an opinion as to whether Lend-Lease Administration can accept these charges against lend-lease. It is presumed that this question will be answered by Mr. Stettinius, and the request from Mr. Stettinius to the Secretary calls only for comment and the views outlined above.

One further consideration which may be outside of the scope of the inquiry is the question of the personnel situation. It is assumed that the employees of the British Ministry of War Transport will be Federal employees and under the supervision of the Maritime Commission, but it is indicated in the letter that at other ports cooperative organizations of existing forwarders will be established to handle lend-lease cargo. This, however, is a matter for determination by the Maritime Commission.

The one point which stands out in consideration of this proposal by the Procurement Division is the question of the proposed fee, whether a service will be rendered that is commensurate with the fee imposed.

/s/ Clifton E. Mack
Director of Procurement

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

February 4, 1942

My dear Secretary Morgenthau:

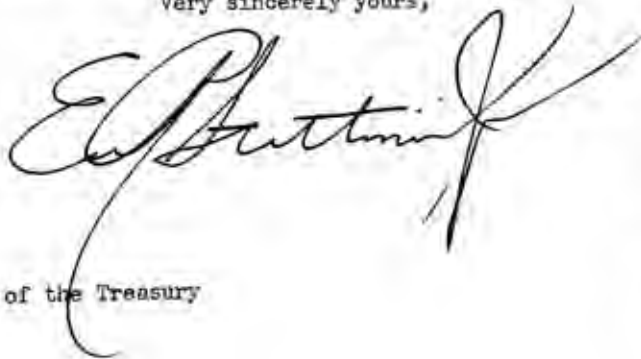
I have just received a letter from Harris Robson, General Director of Shipping of the Maritime Commission, on a proposed solution of the freight forwarding problem. Attached is a copy of this letter of February 3, 1942.

Since the Treasury handles, with Lend-Lease funds, the bulk of the materials which gave rise to this forwarding problem, I would appreciate your comments and views on Mr. Robson's proposal.

I have taken the liberty of sending a copy of this letter to Clifton Mack, your Director of Procurement.

Since Mr. Robson is very anxious to get a quick response to this proposal, I would appreciate your letting me have your views as soon as you reasonably can.

Very sincerely yours,



The Honorable

The Secretary of the Treasury

Enclosure

Handwritten note:
 Enclosure in
 receipt
 - Mack
 7

Handwritten note:
 OK 2/11/42

262

To be attached to letter
addressed to Secretary
Morgenthau on February 4 by
Mr. E. R. Stettinius Jr.

rec'd. 2/5/42
12:00
H.P.

UNITED STATES MARITIME COMMISSION

WASHINGTON

February 3, 1942

Mr. S. W. Stettinius, Jr.
Lend-Lease Administration
415 Third Street, N. W.
Washington, D. C.

Dear Mr. Stettinius:

Bill H. R. 6291 has now been submitted to the House. This is a bill

"to provide for the coordination of forwarding of waterborne exports from the United States, etc."

This bill was the outcome of participants of Lease-Lend forwarding material out through their own forwarding agencies, which was presumably at the expense of the United States forwarding houses.

To overcome this objection and meet the requirements of the bill, the Maritime Commission has created the position and appointed Captain H. L. McKay, Director of Forwarding. Under his supervision we are setting up, at each port excepting the port of New York, a cooperative organization of existing forwarders to handle Lease-Lend cargo. In New York, where the British Ministry of War Transport have their own forwarding organization of approximately 350 men, we propose to take this organization over and operate it under the supervision of the Maritime Commission as the Allied Lease-Lend Forwarding Agency.

We propose to assess Lease-Lend ten cents (10¢) per manifest ton as a forwarding fee. In the case of the Outports, the ten cents (10¢) will be paid to the cooperative forwarding agencies and in New York will be used to defray the expenses of the staff taken over from the British Ministry of War Transport.

We are submitting this to you for an opinion as to whether you can accept these charges against Lease-Lend.

Yours very truly,

H. Harris Robson
General Director of Shipping

Treasury Department 264 *es*
Division of Monetary Research

Date... Feb. 7 19 42

To: Secretary Morgenthau

In view of the discussions now going forward on the Lend-Lease matter, you may be interested in glancing at the appended summary.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

265

INTER OFFICE COMMUNICATION

DATE February 7, 1942

TO Secretary Morgenthau
FROM Mr. White
Subject: British Reports on Alleged U.S. - British Treasury
Negotiations.

Mr. Casaday advises us by cable that the two leading financial papers in London, in almost identically worded articles on January 31, 1942, reported that negotiations are now being carried on in Washington, between British and United States Treasury representatives, looking forward to "some system of financial pooling" between Britain and the United States.

According to these sources:

1. Under such a system, favored by British Treasury officials, anything Great Britain required from a dollar country would be bought by the United States and handed over to Britain. Similarly, Britain would purchase in the sterling area supplies needed by the United States.
2. The proposed pooling arrangement would not solve Britain's dollar problems, but it would represent "a considerable advance on the out-moded Lend-Lease principle".
3. An interesting question is raised: Should the sterling area continue to employ resources in exporting to America when these might be used for actual war purposes? An example cited is the use of labor and resources in producing gold in South Africa.
4. The British Treasury does not seek an agreement with the United States setting up a common currency unit.

WJL

PLAIN

London

Dated February 2, 1942

Rec'd 1:05 p.m.; Grd

Secretary of State,
Washington.

497, second.

FOR SECRETARY OF THE TREASURY FROM CASADAY.

On Saturday January 31 the FINANCIAL NEWS and the FINANCIAL TIMES in undated but almost identically worded articles prominently reported negotiations now being carried on in Washington between British and United States Treasury representatives looking toward the establishment of "some system financial pooling" between Britain and the United States.

Following is an excerpt carried by both papers:

"The policy which is at present being pursued by British treasury officials negotiating in Washington is to reach some system of financial pooling under which supplies from dollar countries would be looked after by the United States and those in sterling countries by Great Britain and our allies in the sterling area. Thus anything Great Britain required from a dollar

-2- #497, February 2, from London.

from a dollar country would be bought by the United States and handed over to us and vice versa. This would have the effect of ending Lease-Lend procedure which with the full entry of the United States into the War has become an anachronism. There is no present intention it is learned in city circles to endeavour to secure agreement with the United States to set up a common unit of currency to facilitate the financing of the War. It is clear however that the adoption of some measure to minimize the effects of currency difficulties is of the highest importance."

The FINANCIAL TIMES goes on to say:

"The adoption of some international currency unit by the allies is now however entirely ruled out as a future possibility. News of the Washington negotiations follows the circulation of many rumours in London of forthcoming currency changes as between this country and the United States. Reports of this kind which have been current for many weeks were given a fresh complexion during the recent Pan American conference at Rio de Janeiro. It was then stated that a more ambitious plan would be produced. This plan it was stated was to include the abolition of all trade barriers between anti-Axis nations, the establishment

-3- #497, February 2 from London.

the establishment of a common form of currency and the pooling of gold resources. Reports of this kind have so far received no official confirmation.

It is understood that the United States is exploring the possibility of an international unit of currency to be tried out first in the Western Hemisphere. Mr. Morgenthau, the Secretary of the Treasury, gave a sketchy outline of the plan at his press conference on Monday. He spoke of it as a 'method of settling balances between the various American republics' which might eventually be extended to the rest of the world. Undoubtedly discussions along these lines occurred in Rio de Janeiro as Mr. Harry D. White, Director of Monetary Research of the Treasury Department, was one of Mr. Sumner Welles's advisers. Mr. Morgenthau emphasized that what he had in mind was an international, not a domestic, unit of currency backed by gold or silver. It would be aimed at the restoration of peace time trade. 'I am not prepared to be too definite about it yet as the other Republics may have their own ideas' Mr. Morgenthau said."

The FINANCIAL

-4- #497, February 2 from London.

The FINANCIAL NEWS in addition to the above references to Secretary Morgenthau and Mr. White, states:

"While the proposed pooling arrangement will clearly represent a considerable advance on the out-moded Lend-Lease principle, it is not clear that it would solve our dollar problem as a whole. With regard to actual war supplies it would apparently mean that the United States would be prepared to import from Latin American countries on behalf of sterling area allies against payment in gold or dollars. In this respect the suggested arrangement would be very similar to the expansion of dollar credits of those countries or alternatively the use of America's enormous gold surplus as a common currency reserve. On the other hand if this country is to take care of supplies from sterling area countries it would seem that we should lose the dollar income hitherto secured from sterling area exports. The arrangement would seem to imply for example that South Africa should dispose of her exports (including presumably her gold production) in exchange for sterling and that this country

-5- #497, February 2 from London.

that this country should arrange for the import into South Africa of any supplies required from the United States.

If the pooling arrangement did have this fundamental effect on sterling area dollar income from exports it would clearly necessitate some more far reaching arrangement extending beyond actual war supplies. In view of present developments in the Far East and the prospective loss of a large part of our dollar receipts from rubber and tin exports, some arrangement of this kind seems to be required in any case, as it will be increasingly difficult to cover our needs for dollars outside Lend-Lease arrangements. The suggested pooling for example would seem to make no provision for such items as the \$85 millions which this country requires in the current half year in payment for services from the United States such as shipping, interest or film remittances, from the \$280 millions of payments to the United States by the remainder of the sterling area.

Over and above the question whether it would be possible by means of gold and merchandise exports to obtain dollars to meet this kind of payment

there is

-6- #497, February 2 from London

there is a still more fundamental question whether it is desirable (now that the United States is fully in the war) that the sterling area should continue to employ resources in exporting to America when these might be used for actual war purposes. This applies particularly to the labour and other resources in South Africa and elsewhere in the British Empire devoted to the current production of gold and it arises also in respect of any merchandise exports which cannot be classed as war necessities."

WINANT

RR

272

2/7/42

EXECUTIVE ORDER

9054

2169

ESTABLISHING A WAR SHIPPING ADMINISTRATION
IN THE EXECUTIVE OFFICE OF THE PRESIDENT
AND DEFINING ITS FUNCTIONS AND DUTIES

By virtue of the authority vested in me by the Constitution and Statutes of the United States, including the First War Powers Act, 1941, approved December 18, 1941, as President of the United States and Commander in Chief of the Army and Navy, and in order to assure the most effective utilization of the shipping of the United States for the successful prosecution of the war, it is hereby ordered:

1. There is established within the Office for Emergency Management of the Executive Office of the President a War Shipping Administration under the direction of an Administrator who shall be appointed by and responsible to the President.

2. The Administrator shall perform the following functions and duties:

- a. Control the operation, purchase, charter, requisition, and use of all ocean vessels under the flag or control of the United States, except (1) combatant vessels of the Army, Navy, and Coast Guard; fleet auxiliaries of the Navy; and transports owned by the Army and Navy; and (2) vessels engaged in coastwise, intercoastal, and inland transportation under the control of the Director of the Office of Defense Transportation.

- b. Allocate vessels under the flag or control of the United States for use by the Army, Navy, other Federal departments and agencies, and the governments of the United Nations.
- c. Provide marine insurance and reinsurance against loss or damage by the risks of war as authorized by Title II of the Merchant Marine Act, 1936, as amended.
- d. Establish the conditions to be complied with as a condition to receiving priorities and other advantages as provided in Public Law 173, Seventy-Seventh Congress, approved July 14, 1941.
- e. Represent the United States Government in dealing with the British Ministry of War Transport and with similar shipping agencies of nations allied with the United States in the prosecution of the war, in matters related to the use of shipping.
- f. Maintain current data on the availability of shipping in being and under construction and furnish such data on request to the Departments of War and the Navy, and other Federal departments and agencies concerned with the import or export of war materials and commodities.
- g. Keep the President informed with regard to the progress made in carrying out this Order and perform such related duties as the President shall from time to time assign or delegate to him.

3. The functions, duties, and powers conferred by law upon the United States Maritime Commission with respect to the operation, purchase, charter, insurance, repair, maintenance, and requisition of vessels, and the issuance of warrants with respect thereto, under the Merchant Marine Act of 1936 as amended, 49 Stat. 1985, Public Law 101 Seventy-Seventh Congress, approved June 6, 1941, and Executive Order 8771 issued pursuant thereto, Public Law 175, Seventy-Seventh Congress, approved July 14, 1941, are hereby transferred to the Administrator; and such part of existing personnel of the United States Maritime Commission together with such records and public property as the Administrator may deem necessary to the full exercise of his functions and duties prescribed by this Order are hereby assigned to the War Shipping Administration.

4. Vessels under the control of the War Shipping Administration shall constitute a pool to be allocated by the Administrator for use by the Army, Navy, other Federal departments and agencies, and the governments of the United Nations. In allocating the use of such vessels, the Administrator shall comply with strategic military requirements.

5. For the purpose of carrying out the provisions of this Order, the Administrator is authorized to utilize the services of available and appropriate personnel of the United States Maritime Commission, the War and Navy Departments, the Bureau of Marine Inspection and Navigation of the Department of Commerce, and other government departments and agencies which are engaged in activities related to the operation of shipping.

6. In the discharge of his responsibilities the Administrator shall collaborate with existing military, naval, and civil departments and agencies of the government which perform wartime functions connected with transportation overseas, in order to secure the most effective utilization of shipping in the prosecution of the war. The Administrator particularly shall maintain close liaison with the Departments of War and the Navy through the Assistant Chief of Staff for Transportation and Supply and the Director, Naval Transportation Service, respectively, with respect to the movement of military and naval personnel and supplies; and with the Director of the Office of Defense Transportation with respect to the relation of overseas transportation to coast-wise and intercoastal shipping and inland transportation. With respect to the overseas transportation of cargoes essential to the war production effort and the civilian economy the Administrator shall be guided by schedules transmitted to him by the Chairman of the War Production Board prescribing the priority of movement of such commodities and materials.

7. The Administrator may establish committees or groups of advisors representing two or more departments of the Federal government, or agencies or missions of governments allied with the United States in the prosecution of the war, as the case may require to carry out the purposes of this Order. Further, he may appoint representatives to such joint missions or boards dealing with matters within the scope of this Order as

may be established with governments associated with the United States in the prosecution of the war.

8. Within the purposes of this Order, the Administrator is authorized to issue such directives concerning shipping operations as he may deem necessary or appropriate, and his decisions shall be final with respect to the functions and authorities so vested in him. The Administrator may exercise the powers, authority and discretion conferred upon him by this Order through such officials or agencies and in such manner as he may determine.

9. The Administrator is further authorized within the limits of such funds as may be allocated, transferred, or appropriated to the War Shipping Administration to employ necessary personnel and make provisions for necessary supplies, facilities, and services. So much of the unexpended balances of appropriations, allocations, or other funds available (including funds and contract authority available for the fiscal year ending June 30, 1942) for the use of the United States Maritime Commission in the exercise of the functions transferred to the Administrator and the War Shipping Administration, as the Director of the Bureau of the Budget with the approval of the President shall determine, shall be transferred to the War Shipping Administration for use in carrying out the functions and authority transferred to the Administrator and the War Shipping Administration pursuant to the provisions of this Order. In determining the amounts to be transferred from

- 6 -

the United States Maritime Commission, the Director of the Bureau of the Budget may include amounts necessary to provide for the liquidation of obligations previously incurred by the United States Maritime Commission against such appropriations, allocations or other funds prior to the transfer; Provided, that the use of the unexpended appropriations, allocations or other funds transferred by this Section shall be subject to the provisions of Section 3 of the First War Powers Act, 1941.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

February 7, 1942

FOR THE PRESS

IMMEDIATE RELEASE

FEBRUARY 7, 1942

The following is the text of a message sent by the President to General Chiang Kai-Shek, President of the Executive Yuan and Chairman of the Military Affairs Committee, Chungking, (China):

"It is a source of great gratification to me and to the Government and people of the United States that the proposal which I made to the Congress that there be authorized for the purpose of rendering financial aid to China in the sum of \$500,000,000 was passed unanimately by both the Senate and the House of Representatives and has now become law.

"The unusual speed and unanimity with which this measure was acted upon by the Congress and the enthusiastic support which it received throughout the United States testify to the wholehearted respect and admiration which the Government and people of this country have for China. They testify also to our earnest desire and determination to be concretely helpful to our partners in the great battle for freedom. The gallant resistance of the Chinese armies against the ruthless invaders of your country has called forth the highest praise from the American and all other freedom loving peoples. The tenacity of the Chinese people, both armed and unarmed, in the face of tremendous odds in carrying on for almost five years a resolute defense against an enemy far superior in equipment is an inspiration to the fighting men and all the peoples of the other United Nations. The great sacrifices of the Chinese people in destroying the fruits of their toil so that they could not be used by the predatory armies of Japan exemplify in high degree the spirit of sacrifice which is necessary on the part of all to gain the victory toward which we are confidently striving. It is my hope and belief that use which will be made of the funds now authorized by the Congress of the United States will contribute substantially toward facilitating the efforts of the Chinese Government and people to meet the economic and financial burdens which have been thrust upon them by an armed invasion and toward solution of problems of production and procurement which are essential for the success of their armed resistance to what are now our common enemies.

"I send you my personal greetings and best wishes. I extend to you across land and sea the hand of comradeship for the common good, the common goal, the common victory that shall be ours."

TREASURY DEPARTMENT

379

INTER OFFICE COMMUNICATION

DATE February 7, 1942

TO Secretary Morgenthau
 FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	\$9,000
Purchased from commercial concerns	\$1,000

Open market sterling held at 4.03-3/4, with no reported transactions.

In New York, closing quotations for the foreign currencies listed below were as follows:

Canadian dollar	11-3/4% discount
Argentine peso (free)	.2365
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5325
Venezuelan bolivar	.2770
Cuban peso	7/8% premium

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported the following gold engagements, both of which are being consigned to it:

\$2,436,000	from Canada, shipped by the Bank of Canada for account of the Government of Canada, for sale to the New York Assay Office.
<u>370,000</u>	from Peru, shipped by the Central Reserve Bank of Peru for its account, disposition unknown.
\$3,306,000	Total

INCOMING CABLEGRAM

REC'D: February 7, 1942
FROM: Buenos Aires
DATED: February 6, 1942

Federal Reserve Bank of New York,
New York, New York.

No. 34

In order to increase our gold reserves please buy for our account gold bars for the equivalent of U.S. \$4,000,000 keeping the gold bars earmarked for our account. Cable execution.

(Signed) Banco Central de la Republica Argentina

(Received by telephone from Federal Reserve Bank of New York, New York, - 10:40 a.m. - 2-7-42)

Treasury Department
Division of Monetary Research

Date.....19

To: ~~Mrs. Keith~~ ~~EX~~

- Miss Chauncey

For Miss Chauncey's files.

MR. WHITE
Branch 2058 - Room 214½

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Habana, Cuba

DATE: February 7, 1942, 2 p.m.

NO.: 47

This telegram is confidential in nature and should be read in connection with the embassy's financial report no. 139 dated February 4, 1942.

The peso is now at a premium of one per cent over the dollar. It seems hard to escape the belief that manipulation by banks may have occurred and contributed to the bringing about of this situation, although the fact that the bankers give several explanations for the development including the alleged high cost to transport to Cuba small American bills.

This morning I called in members of three American banks to talk over the situation with particular reference to the possibility of impairing confidence in the dollar. Concurrence regarding the unsatisfactory nature of the present developments was expressed by all three representatives, although they did not (repeat not) agree among themselves concerning specific causes.

I was informed by the Minister of Finance that definite instructions to all agencies collecting taxes have been issued that they are to accept dollars as par. (In fact the law requires them to do this since regardless of the

the reports which have been received of Collectors of Customs and others attempting to insist on pesos.) He concurred in the opinion that at this time it would not be desirable to issue an official statement concerning the currency situation. The Embassy was assured by the Minister of Finance that starting next week the Government's accumulated dollar holdings in the Treasury would be used in paying salaries and other expenses of the Government.

He also stated that Congress would be sent a Presidential message which would ask for authority to issue more silver certificates, so that the available supply of Cuban currency might be increased. These additional certificates would be backed by gold according to the plan which the Financial Mission suggested.

Please see that Harry White receives this information.

MESSERSMITH

Treasury Department 283
Division of Monetary Research

Date..... Feb. 20 19⁴²

To: Miss Chauncey

For your files. This matter
was mentioned to the Secretary orally.

H.D.W.

MR. WHITE
Branch 2058 - Room 214 $\frac{1}{2}$

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284

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD

February 7, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram No. 91, dated February 5, 1942, from the American Legation, Quito, Ecuador, transmitting a message for the Under Secretary of State concerning the reaction at Quito toward financial and other developments at the recent conference of Foreign ministers at Rio de Janeiro.

The paraphrase is also being forwarded to the Export-Import Bank.

Enclosure:

From Legation, Quito,
No. 91, February 5, 1942.

Copy:bj:2-9-42

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Quito, Ecuador.

DATE: February 5, 1942, 2 p.m.

NO.: 91.

RUSH

This telegram is for the Under Secretary of State.

Having conferred with Tobar and other well-informed persons, I judge that reports of increased bitterness among certain groups are true. These groups are not thought to be immediately dangerous but it is hard to tell just how much power they may develop. I am following the situation closely and shall make daily reports. It is said that the President controls votes enough in Congress to assure ratification of the Rio protocol.

The memorandum of assurances was shown to me this morning by Tobar, who suggests that it would be helpful to receive soon at Quito the draft contracts which are being worked up with Salazar covering a loan wherewith the Government can repay the Central Bank and a loan for the purpose of stabilizing the sucre.

I shall probably submit additional suggestions in the near future.

LONG.

Copy:ec:2-9-42

286

BRITISH EMBASSY
WASHINGTON, D.C.

February 7th, 1942

PERSONAL AND SECRET

Dear Mr. Secretary,

I enclose herein for your
personal and secret information a copy
of the latest report received from
London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

BRITISH MOST SECRET

(U.S. SECRET)

CFTEL No. 44

Information received up to 7 A.M., 6th February, 1942.

1. NAVAL

One of H.M. Corvettes, escorting an outward convoy, was torpedoed on night 5th/6th North West of IRELAND, 39 survivors have been picked up. An enemy aircraft was destroyed by a small British merchant ship off the HUMBUR yesterday. Aircraft attacks on shipping off SINGAPORE on the 2nd and 3rd results in four ships, totalling about 25,000 tons and including one tanker, being set on fire. One of them had to be abandoned and another beached. In addition, a small ship was sunk. A 5,000 ton British ship, on convoy to RUSSIA, is overdue and must be considered lost.

2. MILITARY

LIBYA. 5th. There was slight enemy movement eastwards along road from DERNA and CARMUSA and in the area midway between IMIMI and MEXILI.

SINGAPORE. Exchanges of artillery fire continue.

BURMA. 4th. Situation generally satisfactory. Enemy activity at PAAN is increasing. Our troops in this area are now west of the River SALWEEN. Several parties of our troops which were cut off at MOULMEIN have now rejoined.

3. AIR OPERATIONS

LIBYA. On the 3rd/4th and 4th enemy mechanical transport was bombed and machine gunned on the BENGHAZI-BARCE Road and in the MARTUPT area. On the 4th/5th, seven Wellingtons attacked a mechanical transport park south of TRIPOLI starting many fires which developed into a large blaze.

MALTA. 5th. 88 enemy fighters and bombers operated, their chief objective being delivery aircraft.

BURMA. 4th. 12 bombers, escorted by 15 fighters, attacked TOUNGOO aerodrome and damaged one Blenheim and three Lysanders. Two Hurricanes were also slightly damaged. Two of our Blenheims bombed PAAN.

SINGAPORE. 3rd. Civilian casualties 22 killed. 4th. Our troops and patrol craft in the northern part of the island were dive bombed and shipping south east of SINGAPORE was attacked. On the 5th, enemy bombing caused considerable damage to civilian property in various districts.

PACIFIC AREA. 3rd/4th. Five R.A.A.F. Catalinas attacked shipping at RABAU. One large vessel was probably hit. 4th. Enemy flying boats attacked PORT MORESBY and damaged the power station and telephone systems.

United States Government

289



NOTES ON JAPANESE WAR

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MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, February 7, 1942

INFORMATION BULLETIN
No. 8
MID 461

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed.

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction, see letter TAG SEC.02 (9-26-40) L-3-1.

NOTES ON JAPANESE TANKS

REMOVED

The information in this bulletin, other than photographs, has been extracted from reports submitted by official American observers. The photographs are reproductions chiefly from an album recently published by the Tokyo Asahi ("Morning Sun"), one of the leading vernacular newspapers in Japan, showing Japanese troops in their operations against the Chinese. These photographs should be accepted with reserve, because they were published as propaganda. Some of the tanks depicted in this bulletin are shown without weapons, which were probably removed intentionally by the Japanese. The photographs nevertheless give a general idea of Japan's armored forces. In order that our troops may familiarize themselves with the appearance of their enemy, it is suggested that these photographs, which are themselves not classified as restricted, be removed and placed on bulletin boards.

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CONTENTS

- Section I. JAPANESE ARMORED WARFARE ON THE MALAYAN FRONT
1. INTRODUCTION
 2. JAPANESE TANKS ENCOUNTERED BY THE BRITISH IN MALAYA
 3. ANTITANK GRENADES
- Section II. SPECIAL REPORT FROM MALAYA
1. JAPANESE TACTICS
 2. FIFTH COLUMN
- Section III. OTHER INFORMATION UPON THE JAPANESE FORCES
1. COMMUNICATIONS
 2. JAPANESE BOMBINGS
 3. JAPANESE ARTILLERY IN USE IN THE PHILIPPINES
 4. JAPANESE TACTICS REPORTED FROM MENADO, CELEBES
 5. EQUIPMENT CARRIED BY JAPANESE SNIPERS
 6. QUESTIONS AND ANSWERS ON JAPANESE LANDING OPERATIONS

ILLUSTRATIONS
(at end of text)

- | | |
|---------------|--------------------------------------|
| Cover Design. | Japanese Radio Communication |
| Figure 1. | Japanese Tankette |
| Figure 2. | Japanese Tankette |
| Figure 3. | Japanese Medium Tanks, M2594 (1934) |
| Figure 4. | Japanese Medium Tank, M2594 (1934) |
| Figure 5. | Japanese Cruiser Tank |
| Figure 6. | Japanese Tanks Fording Shallow Water |
| Figure 7. | Japanese Light Tank |

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Section I

JAPANESE ARMORED VEHICLE

ON THE MALAYAN FRONT

1. INTRODUCTION

a. Organization*

(1) The Regiment. In the spring of 1941 the Japanese had 4 tank regiments normally located as follows:

<u>Unit</u>	<u>Place</u>
1st Tank Regiment	Furuse, Kyushu
2d Tank Regiment	Marashino, Chiba
3d Tank Regiment	Yanchouku
4th Tank Regiment	Yanchouku

The 1st and 2d Regiments, in Japan proper, had up to that time functioned more as schools than as tactical units, organizing and training units to send to the 3d and 4th Regiments, which by May 1941 had been fully activated. With the completion of the Tank School at Himeji, and the incorporation in 1937 of tank courses, which probably covered only light tanks, in the Infantry and Cavalry Schools, it appeared likely that the 1st and 2d Regiments would assume the normal role of tactical units and be expanded considerably as equipment and trained personnel became available.

(2) The Light Tank Company. The company consisted of 13 fighting tanks divided into 4 platoons of 3 tanks each, and the company commander's command tank. Mention was made of an extra command tank. The company had, in addition, motorcycles and one work tank as part of its equipment. The company and platoon commanders' tanks were equipped with radios.

(3) The Medium Tank Company. The company had 4 platoons of 3 tanks each. Each tank carried 4 men: a tank commander, a machine-gunner, a tank cannon-gunner, and a driver. The company also had 5 tankettes, some motorcycles, and some light passenger or armored cars. There was also a supply train of unknown composition which definitely included a maintenance section.

*See the Handbook on Japanese Military Forces (WD T 30-480, May 14, 1941.)

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(4) The Divisional Tank Company (Bensha Tai). The activation of the divisional tank companies in Japan proper had been progressing for some time. It was not known for certain how many companies had been completed, but it was thought probable that the necessary equipment had become available for the organization of these new units. It was also probable at that time that divisions in Manchuria already had war-strength tank companies.

b. Tank Strength

(1) Field Activation of Tank Units. Indications are that tank units were formed as fast as material became available, and in May 1941 there was presumably no surplus of tanks in the hands of organizations to form a reserve. There was a tank company consisting of 12 tankettes or light tanks plus reserve tanks in the proposed Japanese Infantry Division. Tanks were doubtless available for the 17 regular divisions, in addition to the 4 tank regiments, the tank companies of the 4 cavalry brigades, and the 1 tank company each at the Tank School, the Infantry School, and the Cavalry School.

(2) Provisional Mechanized Units. At the opening of 1942 the Japanese are known to have in China provisional mechanized units of various sizes and composition. In general, these units have a strong nucleus of tanks supported by motorized infantry, engineer, field and anti-aircraft artillery, anti-gas, and signal detachments. The whole force is supplied by a truck train from line of communication (heiban) supply units. Observation aviation also is usually attached.

(3) Tank Types

There are more than a dozen models of tanks, some not greatly differing from others, in the Japanese Army. Many of the models are described in IM III 30-490. Reports indicate that Japan appears to be concentrating on five main tank types, namely:

- Tankette, or small reconnaissance tank;
- Light tank;
- Cruiser tank;
- Heavy medium tank;
- Light amphibian tank.

These main types are modifications or developments of earlier models and seem to incorporate features from British, French, American, and Russian models.

The Victoria Garden-Clay type of suspension is retained in the light tanks. The Christie, with large hole wheels, has been adopted for the cruiser type, and probably the French adze type of suspension for the heavier tanks. Skirting or suspension protection

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appears to have been abandoned, as also the "tail" fixture which was common to earlier Japanese tanks.

Airplane engines are said to be fitted to some tanks, giving a high power-weight ratio.

The armor, judged by present-day requirements, appears to be on the light side, but no doubt this will be remedied in the near future. The turrets are not streamlined and consequently offer a good target.

The practice of mounting guns fore and aft in a revolving turret has been retained in the later models. This may mean that the turret revolves only through 180 degrees. The reported armament seems to conform to modern practice. The heavier types of tanks have subsidiary turrets forward.

The cruiser and medium tanks have a strong circular rail surrounding the top of the main turret (see figure 3).

The purpose of this is said to be either:

- (a) A radio aerial, or
- (b) A base rail for emergency transport of troops over short distances, the men standing on the deck of the tank in the corner of a fire-angle crew.

Table 1 below shows the particulars of the probable standard types of tanks that may in the future be seen in Japanese armored formations. The other models will no doubt be transferred to these units and should therefore not be regarded as obsolete.

An example of one of the tanks not listed in Table 1 is the Japanese medium tank, Type 1939, which is pictured in figures 3 and 4. This 14-ton tank has a crew of five men and is armed with a 75-mm. gun and two machine guns. It is said to carry a mortar and bowser inside.

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	Tankette Shown in WD TM 30-480 as Ishikawajima Tankette 12552 (1932)	Light Tank (See Figure 7) Shown in SD TM 30-480 as Tankette #2595	
1	WEIGHT (tons)	3	7
2	CREW (men)	2	3-4
3	ARMOE	14-mm	Front 12-mm Sides 10-12-mm
4	WEAPONS	1 or 2 MG	1 37-mm gun in turret 1 MG in turret aft 1 MG in hull fore
5	LENGTH	10' 0"	14' 8" - 15' 0"
6	WIDTH	5' 9"	7' 0"
7	HEIGHT	5' 4"	7' 2"
8	ENGINE (hp)	30-45 Gasoline	110 Diesel
9	SPEED (mph)	20	22
10	SUSPENSION	Carden Lloyd, 2 pairs of 2 wheels each	Carden Lloyd, 2 bogies of 2 wheels each
11	TRENCH CROSSING	4' 6"	6' 8"
12	VERTICAL STEP NEGOTIATION	2' 0"	2' 3"
13	FORDING DEPTH	2' 6"	3' 3"
14	MAXIMUM GRADIENT	34°	40°
15	RADIUS OF ACTION	75 miles	124 miles
16	REMARKS	With an armored trailer may be used for carrying ammunition in the field.	Comparatively large turret set only slightly forward of center, with a high en- gine compartment cover at the rear.

Table 1.

RESTRICTED

- 4 -

RESTRICTED

	Amphibian Tank	Cruiser Tank (See Figure 5) Shown in WD TM 30-480 as Medium Tank 97	Heavy Medium Tank
1	6-7	15-18	25-30
2	3	5	6-8
3	Front 20-mm Sides 25-mm	30-mm	Front 30-40-mm Sides 25-mm
4	1 37-mm gun in turret 1 MG in hull	1 37-mm or 67-mm gun in turret 1 MG in rear of turret 1 MG in hull fore	1 75-mm gun in main turret 2 MG's in rear of main turret 2 37-mm guns in 2 small turret turrets fore
5	14' 10"	17' 6"	27' 2"
6	7' 11"	6' 6"	10' 6"
7	9' 10"	8' 10"	9' 2"
8	220 Gasoline	280 Gasoline, aero V-12	350 Gasoline
9	25	20	25
10	3 pairs of 2 wheels each	Christie, 6 large wheels evenly spaced	French scissor, 3 bogies of 2 wheels each
11	3' 7½"	5' 0"	12' 10"
12	1' 7"	2' 9"	3' 11"
13		3' 3"	3' 11"
14	40°	40°	40°
15	137 miles	---	---
16	Maximum speed on water not definitely known.	Low wide hull giving the effect of great stabili- ty; turret well for- ward, leaving long flat space to the rear.	

Several Types of Japanese Tanks.

RESTRICTED

- 5 -

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2. JAPANESE TANKS ENCOUNTERED BY THE BRITISH IN MALAYA

a. Types of Japanese Tanks in Use in Malaya in Mid-January 1942

The types of Japanese tanks in use in Malaya in mid-January 1942 were the following:

(1) The medium 18-ton tank has half-inch armor on the sides and two-inch armor on the front plate and on the turret. There is a five-man crew. The armament consists of a 57-mm. gun, a medium machine gun, and a light machine gun. The latter is on the rear of the tank. To bring the fire of the medium machine gun onto a flank target necessitates the turning of the tank because of the small traverse.

(2) The Japanese light 10-ton tank carries one 37-mm. gun, one or two mortars, and two machine guns.

(3) The Japanese light tracked armored vehicle has one machine gun mounted in a turret. Presumably this vehicle is a tankette.

b. Japanese Flame-Throwing Tank. During the Malayan campaign, Japanese flame-throwing tanks have been vaguely reported as being moved to Saigon. During the first month of the campaign the only Japanese tank equipped with a flame thrower, upon one source of information, was the Ichi-108, said to be a 38-ton tank armed with a flame thrower, two machine guns, and two 37-mm. guns. The Ichi-108 may be a heavy medium tank of no more than 25 to 30 tons.

c. Effectiveness of the British Antitank Gun. The British have found by experience that the armor-piercing shell of their antitank gun will penetrate any of the three types of Japanese tanks thus far used on the Malayan front. The high-explosive shell with percussion fuse, on the other hand, will penetrate only very thin armor.

d. The British Antitank Rifle. The British antitank rifle has been found to be effective against the tracks of any Japanese tanks used in Malaya. Since the fire of this rifle has proved effective against the sides of the Japanese medium tank, it is presumed that such fire will penetrate the light tank and the light-tracked armored vehicle mentioned above.

e. Aggressiveness of Small Groups of Tanks. The Japanese are using their tanks in small groups usually made up of not more than five or less than three armored vehicles. A medium tank is always the leading vehicle in the group. Since so far the tank groups have kept to the main roads, the most effective counter-measures to these small groups of tanks are road blocks supported by antitank guns, and

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ambush tactics including maximum utilization of antitank mines and grenades of all types.

3. ANTITANK GRENADES

a. Japanese Hydrocyanic Acid Gas Grenade

Information has been received that the Japanese in Malaya are provided with round flask-like glass grenades holding about 1 pint of liquid hydrocyanic acid. Upon impact the spherical bottle breaks and the fluid hydrocyanic acid vaporizes quickly. Instructions found on prisoners indicate that these grenades are to be used for attacking tanks and pillboxes. So far as is known, none of these grenades has yet been actually employed.

Tests conducted at Edgewood Arsenal with duplicates of these Japanese grenades against both light and medium-type tanks indicate that in a tank struck by one of these grenades any occupants not wearing a proper gas mask would be killed. In the tests, where vulnerable openings were hit, concentrations twenty times that necessary to cause death were produced within the tanks. Flame throwers can also be used to throw hydrocyanic acid on tanks or pillboxes.

The M4, M8, and M9A1 canisters of service masks issued to American troops give protection if the mask has been properly fitted to the wearer and is worn at the time a grenade of this type breaks.

Hydrocyanic acid gas can be identified by its characteristic odor, which is generally described as being like that of bitter almonds. The gas is classified as a casualty agent.

When the use of hydrocyanic acid gas is likely, troops may protect themselves by wearing properly adjusted gas masks and by replacing their used canisters with new ones as soon as practicable after the attack.

b. Types of Japanese Antitank Bombs. Three types of antitank bombs used by the Japanese have been disclosed from notebooks and statements gathered from prisoners. Up to January 8 none of these had yet been seen in Malaya:

(1) Soda pop bottle filled with gasoline and having a fuse and safety stopper.

(2) Hemisphere of magnetized metal which explodes after a time interval when the pin is removed. This hemisphere bomb sticks to a metal surface.

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(3) Bomb much like the type just above. It consists of a metal disk, to the outer edges of which small magnetized explosive charges adhere. These charges can be utilized individually in much the same fashion as hand grenades are used.

c. Possible Use in Booby Traps. Any of the foregoing types of Japanese bombs may be employed in booby traps.

RESTRICTED

- 3 -

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Section II

SPECIAL REPORT FROM MALAYA*

1. JAPANESE TACTICS

a. Landings. Landings have been directed on one fixed objective, for example, on Kota Baru airdrome, or have been made with a view of turning the British flank. They have been carried out regardless of losses, the object being to get in behind the defenders. Once penetration has been achieved, it has been quickly reinforced by reserves ferried in landing craft from the main body, which, in the case of the Kota Baru landing, stood out about 20 miles from the beaches during the initial stages.

b. Infiltration. The Japanese have shown great ingenuity in their methods. Disguise, silent movement by night, jungle paths and waterways—the Japanese skillfully use any of these when they wish to get between and behind the defenses. The vigorous advance of the enemy and his ability to traverse all types of country has been most marked. In this too fact that the invaders can and do live off the country has assisted them. They are lightly equipped and are well guided by fifth columnists. They are, moreover, quick to seize local river craft and bicycles to increase their mobility. In this way isolated parties have frequently arrived in the rear or on the flanks of the British troops and have threatened British communications. In one instance a small party worked its way to and destroyed an entire brigade headquarters.

c. Noise. It has been a feature of Japanese tactics to hold the attention of the British troops by bringing the majority of attacking firepower to bear frontally on a position while more lightly armed troops work around the flanks. The Japanese soldier has been assisted in this, not by the accuracy of his fire, which is universally poor, but by the noise produced. He has definitely aimed at focusing the attention of the British to their front during the process of out-flanking. To produce this noise, he has made use of concentrations of his grenade dischargers and mortars (see Information Bulletin 6 for pictures of some of these weapons) and may also have employed fire crackers.

d. Use of Bicycles. The Japanese have been making great use of the innumerable bicycles which exist in Malaya in addition to those they have probably brought with them. Tactically their use of bicycles

*Such information in the original report as has already been disseminated is omitted.

RESTRICTED

- 9 -

RESTRICTED

has been bad. They ride bunched, usually without any scouts ahead. Their weapons are often tied to their bicycles and take some time to remove. Such methods give opportunity for ambushes, and bodies of enemy on bicycles are very vulnerable to a surprise attack. Japanese mounted on bicycles should be attacked vigorously before they have time to deploy and make use of their weapons.

a. Ruses. Every form of deceit learned from the Germans and a few original methods as well have been used to outwit the British troops. Japanese have been disguised as Malays and have worn British uniforms and steel helmets. Indians captured behind the lines have been put in front of the attacking enemy forces with orders to call to Indian troops to hold their fire. Civilian cars have rushed bridges prepared for demolition and Japanese soldiers carried by them have shot the covering party. It must be accepted that the Japanese are able to make use of a proportion of the Asiatic population for this and other fifth column work.

f. Small Arms Fire. Apart from the noise produced, on which the Japanese appear deliberately to concentrate, the effect of the fire of infantry weapons has been small by U. S. standards. Mortars are an exception and all reports agree that enemy mortar fire is effective. In addition, isolated snipers who have infiltrated behind British lines and then climbed up trees have had some success, especially in engaging British Bren gun carriers.

2. FIFTH COLUMN

Other fifth column activities are reported as follows:

- a. Use of scarecrows with red cloth and arms pointing to British defenses.
- b. Arrows trampled in padi (rice fields) or cut by press-cutters in the direction of targets.
- c. Banana leaves, washings, or planks have been laid to indicate motor transport parks or command posts.
- d. Civilians from enemy occupied areas who knew the names of troops previously stationed there have called out, telling British troops not to shoot.

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Section III

OTHER INFORMATION UPON THE JAPANESE FORCES

1. COMMUNICATIONS

a. Jungle Warfare. The reports of observers in Malaya confirm the importance of the instructions contained in the U.S. field manual on Jungle Warfare, FM 31-20.

b. Ground Communications. Travel on foot in the jungles of Malaya has been found so difficult that only men who have been specially selected and well-trained can be depended upon as messengers.

Battalion communications have been improved when officers have been specially detailed for liaison with higher headquarters.

Because of the vulnerability of roads and the cutting of wire by partisans, telephone wires have to be laid by hand across country.

One observer in Malaya reports that it is essential to equip companies operating in the jungles with walkie-talkies. This would prevent loss of contact during and after engagements. The Japanese do have these portable radios.

c. Equipment. Because of the dampness in the jungle the British have found that special care must be given to signal equipment.

2. JAPANESE BOMBING

a. Tactics. In most of their bombing raids in the Philippines, the Japanese send out half an hour in advance an observation plane which releases a weighted parachute or small balloon to measure the wind drift.

Their attacks are usually made by nine planes flying in a vee of vee formation, with number 2 and number 3 vees 50 to 100 feet above the leading vee. When the planes are within 7 to 10 miles of the bomb-release line, they change to a slightly staggered formation of one vee. Because of their complete superiority in the air, they usually make two or three practice runs before the actual bombing. On the actual bombing run, the leader always rocks his plane before the point of bomb release is reached.

The great difference in the accuracy of the bombing crews indicates that their numbers are limited. Also, the accurate antiaircraft fire on Corregidor has driven the Japanese planes up to altitudes of 19,000 to 21,000 feet. The first attacks were made from 15,000 to 17,000 feet. There has been a weakening in the intensity of the attacks and

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the maintenance of formation immediately after leaders of flights have been shot down.

b. Bombs. The Japanese are using at least six types of bombs in the Philippines. At Corraidor it is estimated that chiefly 500-pound and a relatively few 1,000-pound demolition bombs are being dropped in addition to many 100-pound fragmentary explosives. A small number of the 500-pound-type bombs and a large number of the 100-pound fragmentary type have been used on field forces.

In addition to the demolition bombs of standard type, some small bombs have been found in the Philippines. One of these--which has a delayed action fuse--seems to be nothing more than a hand grenade. Another type that has proved to be quite inefficient has a very weak explosion following impact with its object. This bomb has the appearance of being "home-made" from old shell cases of small-size field artillery. It is filled with stones and scraps of metal. Still another type, which is incendiary in action, is made up of a pasteboard composition. Stains and odors found close to where one had hit indicated it contained picric or sulphuric acid. This bomb has a very small explosion and small fires are started from it.

Nearly all of the Japanese bombs dropped on Manila were of the high-explosive types of 15, 50, and 250 kilograms, with a few of 500 kilograms. Filled with picric acid or a mixture of hexonite and anisol*, they are frequently fused for a sub-surface detonation. Three hours is the longest delayed-action time noted in this area.

In Malaya, the Japanese are using two new types of bombs. One is a 50-kilogram (110.23 lbs.) dual-purpose explosive. It is made of part high-explosive and part incendiary material. The incendiary part consists of cylinders of 1 inch by 3/4 inch which are filled with black rubber impregnated with phosphorus. The bomb explodes upon impact and its 8-inch diam-steel casing shatters into fragments which cover a radius of 50 yards. Water will extinguish the rubber pellets, but the pellets, upon drying out, will reignite, up to 10 hours after the bomb has exploded.

The other new type of bomb being used in Malaya weighs 1 kilogram (2.2046 lbs.) and is designed for use against personnel. It is 10 inches long, including the tail fins, and has an effective radius of about 50 feet. Its nose is streamlined by a rubberized hemispher, inside of which is a mushroom striker. Since only slight contact or vibration may cause duds to explode, they should be destroyed in place without attempting to remove them.

*Hexonite may be "Hexanitrodiphenylamine" and anisol may be "Trinitroanisole."

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- 12 -

RESTRICTED

c. Fuses. In China, and possibly in Malaya, the Japanese are using an acid-type delayed-action bomb fuse. Such fuses as have been recovered from China by the Royal Air Force have a delayed action of 80 hours.

d. Support of Ground Troops. In the Philippines, the Japanese use specialized shock troops heavily supported by aircraft. The aircraft continuously strafe artillery positions and front lines with dive-bombing attacks.

3. JAPANESE ARTILLERY IN USE IN THE PHILIPPINES

Artillery of four known calibers is being used by the Japanese in the Philippines. The weapons include horse-drawn and pack-carried light artillery, 105-mm. howitzers, 75-mm. guns, two types of howitzers of approximately 155-mm., and 98-mm. guns.

4. JAPANESE TACTICS REPORTED FROM CAGAYO, CEBU

The Japanese advance in a scattered formation and in considerable depth. They are closely supported by light tanks, machine-gun fire from pursuit planes, and small numbers of parachute troops. Dummies of wood are bailed out at the same time as the parachutists to attract the fire aimed at the parachute troops. Avoiding frontal attacks, the forward units carry a high percentage of automatic weapons, as well as antitank rifles and mortars.

5. EQUIPMENT CARRIED BY JAPAN SE SNIPERS

With the thought that some military personnel may not have read a recent Associated Press news story dealing with the equipment carried by Japanese snipers, the following story is quoted as a matter of information:

"With General MacArthur, on the Bataan Peninsula, Luzon, Jan. 27 (Delayed)--Equipment taken from captured Japanese snipers has proved surprisingly complete. It enables each man to fight independently for from two weeks to a month behind enemy lines, if he can get a minimum of food and water from the countryside.

"Equipment of this type apparently has made Japanese infiltration tactics possible in Malaya as well as here.

"A sniper sent on such a mission carries a gas mask; a green combination mosquito net-camouflage hood covering his helmet, head and shoulders; a green, corded net to camouflage the rest of his body and a black wire eye-screen to protect him from sun glare.

"He also carries a coil of rope for miscellaneous uses.

RESTRICTED

- 13 -

RESTRICTED

including climbing trees and tying himself to trunks and branches to prevent the rifle's recoil from dislodging him. Then he has a five-inch-long sack of rice, a small bag of hardtack, a half pound of hard candy, a package of concentrated food, a can of field rations, a small can of coffee and vitamin pills.

"Besides these articles, he carries a can of chlorine to purify water, a mess kit, a canteen, an antidote for mustard gas, quinine, stomach pills, gauze pads, roll and triangular bandages, spare socks, gloves, a toothbrush and a flashlight. The flashlight has rotating, vari-colored lenses, one color apparently intended as a sign of recognition.

"A half dozen spare lenses for the eyeholes of the gas mask include some usable in zero and sub-zero weather.

"The medical supplies are packed in a nest of wicker baskets and in the gas mask.

"Despite the number of articles, the packs are far from bulky. Most of the equipment is not very substantial."

6. QUESTIONS AND ANSWERS ON JAPANESE LANDING OPERATIONS (See also Information Bulletin No. 7)

Further light upon Japanese tactics and equipment used in combined operations in Malaya can be gained from the following questions and answers, which are based on information given by prisoners of war:

a. Question: What time of day were the landings made? What was the state of tide?

Answer: The initial landings at Nibta Baru were made December 8 from three transports by night between 1200 and 2100 a.m., with a view to making a surprise attack on the airbases; the tide was high.

b. Question: What was the degree of swell or surf when the landings were made?

Answer: The approach was very rough and considerable loss of life resulted through drowning.

c. Question: If the landings were made by night, was there any special means to enable craft to keep direction?

Answer: Before commencement of operations and presumably on the same night, two landing craft were sent ashore, each with reconnaissance parties of four engineers who installed two lights at suitable points on shore, visible only from the sea. Owing to surf noise,

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these craft presumably were not detected.

d. Question: If the landings were made by day, was smoke used or was there a mist?

Answer: (No details of daylight landings have yet been received.)

e. Question: Against what types of targets was the fire of supporting ships and bombs and machine guns from aircraft directed?

Answer: No support fire was given during the initial landings. Naval escort left the day before and air support did not appear until about 5:00 a.m.

f. Question: When and how were motor transport and tanks landed?

Answer: Motor transport and tanks were landed last. Three lorries were landed from Yama (presumably a class of vessel) by a side loading ramp.

g. Question: What defenses existed on the beaches, and what was the slope of the beaches used?

Answer: The beaches were sandy and steep. Machine-gun fire from pillboxes some yards from the top of barbed-wire-protected beaches caused heavy casualties.

h. Question: Was any special equipment used on the beaches?

Answer: No special equipment was used.

i. Question: What were the particulars as to landing craft used? whether bullet-proof? how carried? capacity of both in men and vehicles?

Answer: Shohatsu (small motor boats) and Daihatsu (large motor boats). The small ones hold 20 and the large ones 60 fully equipped troops, including grenade units. They are of wood construction with armor plating, and the small ones are better protected than the large. They are bullet-proof for 300 yards. Large Yama (presumably a class of vessel) conveyed the Daihatsu (larger motor boats). Landing craft were manned by four to six specially trained engineers. These were employed after completion of landing, in bridging, removing mines, and so forth.

j. Question: To what extent was aircraft support used in the initial landing operations?

RESTRICTED

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Answer: See e., above.

k. Other Details: Further details given by the prisoners of war are as follows:

- (1) They were carried in the coal burning S.S. Shimura Maru of 8,000 tons.
- (2) The majority of the transports are of 2,000 to 4,000 tons.
- (2) Ships were not crowded, rations were good, and the morale was high.
- (4) Recent practice landings had been held at Rainan.
- (6) Four 30-mm. guns, 2 antiaircraft guns, 3 battalions and 3 regiments and 500 other troops were carried in transport. Five lorries were also carried, but no motorcycles or gas equipment. The preceding ships carried more troops and less equipment.
- (5) Rice rations for 5 days and iron rations for 1 day were carried.

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Figure 1. Japanese Troops.



Figure 2. (a) (b) (c) (d) (e) (f) (g) (h) (i) (j) (k) (l) (m) (n) (o) (p) (q) (r) (s) (t) (u) (v) (w) (x) (y) (z)



Figure 3 Japanese Medium Tanks, M2594 (1934)



Figure 4. Japanese Medium Tank, M2594 (1934)

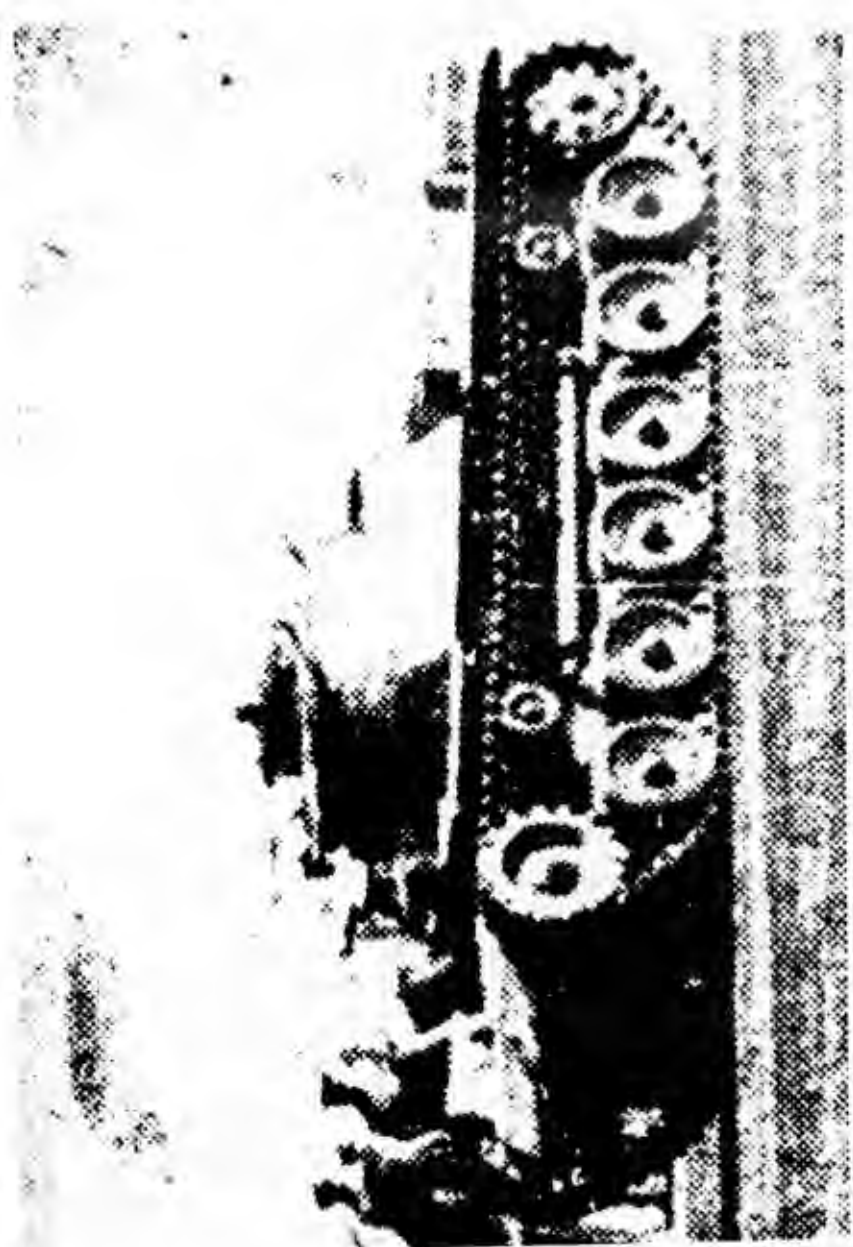


Figure 5. Japanese Cruiser Tank



Figure 6. Japanese Tanks Fording Shallow Water



Figure 7 - Japanese Light Tank

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G-2/2657-220: No. 625 M.I.D., W.D. 11:00 A.M. February 9, 1942.

SITUATION REPORTI. Pacific Theater.

Philippines: The enemy launched a local attack on our right, which was stopped by a counterattack on our left. The fighting is growing heavier with increased bombing activities. Enemy batteries from the Cavite side resumed bombardment of Fort Mills, Fort Hughes and Fort Frank for two hours yesterday, with little effect. Hawaii: No further reports. China: The Chinese forces are attacking and trying to force the Japanese back in the vicinity of Canton. Singapore: There has been no ground activity. Artillery fire has been increased by both sides. Burma: Chinese units are reported to be moving into Burma. Enemy air units bombed Rangoon with no serious damage resulting. The Japanese still occupy positions along East Bank of Salween River. Sumatra: No reports of activities other than aerial reconnaissance. Australasia: Press reports complete occupation by Japanese of the island of Amboina, which was the site of an important Dutch naval base. Enemy air activities north of Australia limited to reconnaissance. Surabaya raided by air. West Coast: No report of any hostile action.

II. Eastern Theater.

Heavy fighting reported at various points along the front. The German High Command reports fierce defensive fighting. (A situation map will not be issued this date.)

III. Western Theater.

No further reports of major activity.

IV. Middle Eastern Theater.

Ground: There is no change in the general ground situation. The British are holding their own against General Rommel's forces.

Air: Malta continues to be heavily bombed.

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