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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Thursday, October 30, 1941.

Press Service
No. 28-25

Secretary of the Treasury Morgenthau today announced the final subscription and allotment figures with respect to the current offering of 1 percent Treasury Notes of Series A-1946.

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

Federal Reserve District	Total Subscriptions Received from Holders of Reconstruction Finance Corporation Notes of Series P	Total Subscriptions Received from Holders of Commodity Credit Corporation Notes of Series E	Total Subscriptions Received (Allotted in full)
Boston	\$ 1,020,000	\$ 5,887,000	\$ 6,907,000
New York	227,076,000	132,088,000	359,164,000
Philadelphia	1,512,000	5,741,000	7,253,000
Cleveland	4,712,000	8,267,000	12,979,000
Richmond	3,848,000	2,647,000	6,495,000
Atlanta	250,000	1,450,000	1,700,000
Chicago	51,712,000	29,091,000	80,803,000
St. Louis	2,010,000	3,755,000	5,765,000
Minneapolis	2,170,000	3,250,000	5,420,000
Kansas City	2,731,000	3,401,000	6,132,000
Dallas	1,920,000	6,041,000	7,961,000
San Francisco	590,000	1,504,000	2,094,000
Treasury	10,000	300,000	310,000
TOTAL	\$299,561,000	\$203,422,000	\$502,983,000

October 30, 1941
9:20 a.m.

RE: MRS. MERLE COCHRAN

Present: Mr. Wilson
Mr. Dietrich
Mr. Thompson
Mr. Foley
Mrs. Klotz

H.M.Jr: Have you written a cable?

Foley: No, do you want me to do it?

H.M.Jr: Well, we can do it right now.

Dietrich: I have got something here. I don't know whether it is exactly what you want me to say.

H.M.Jr: No, I would simply say something along the lines, "Please return immediately to the United States. Your wife is ill."

Foley: That is right, "Your wife is ill and needs you. Suggest you return on first Clipper."

H.M.Jr: Just like that. Now, what we have done, Norman, you don't know about this case, but you can pick it up. Merle Cochran's wife is a paranoiac and they have been trying to get her out of the apartment and last night the apartment people had a nurse up there, see, and she refused to have a nurse and she has closed all plugs to the telephone and wires and everything else, and while the doctors were there last night she says, "Now listen, do you hear the voices?"

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Her other troubles are secondary. The normal thing they would do is have her committed to Gallinger and then take her from Gallinger over to Johns Hopkins, but I am not going to take that responsibility. It isn't my responsibility. So Mr. Foley and I made the suggestion that we send up there at 10:30 to the lobby this morning one of our nurses, possibly if she has a psychiatric experience, and a Secret Service operator and keep these two people there continuously. We will have to change them. The nurse can't stand more than eight hours.

Now, that I am doing on the advice of Mr. Foley to protect this woman against herself and make it possible that the apartment house people will keep her in the apartment, you see.

Now, if this fails, then we will just keep her there as long as the apartment house people will let her stay, trying to hold her there in the apartment until Merle Cochran can come back and take charge. Is that right, Ed?

Foley:

That is right. And then if she disturbs the peace or if she becomes a public menace or threatens people there and the apartment authorities feel that it isn't safe for her to be there under those circumstances, then the certifications and the admission to Gallinger will have to come from them as the moving authority rather than from Mr. Morgenthau, but it seems to me that if we do that, we have done all we can do to preserve the situation until Merle can get back here.

H.M. Jr:

Her doctor says that Merle definitely knew about this, that this has been going on for at least five months, and that he would come and ask for this special medicine and plead with

him to give it to her, so he definitely knew about it, so I think it is absolutely outrageous that he left without saying to anybody, leaving this woman on my hands.

Thompson: She has no friends or relatives here?

H.M.Jr: No. I mean, it is at least five months old and as I say, the apartment house - who came down to see the Chief Clerk?

Dietrich: It was Phillips, the owner of the apartment house.

H.M.Jr: He came down to see the Chief Clerk.

Dietrich: After I wouldn't see him day before yesterday.

H.M.Jr: But what I am very anxious to do is to keep the woman in the apartment and keep her quiet until we can get Merle Cochran back.

Klotz: Mr. Wilson made a suggestion to me this morning. I don't know how good it is. He said - you speak for yourself.

Wilson: We have a woman guard at the Bureau of Engraving and Printing, a woman forty-seven years old that is a well educated woman and I asked Mr. White last night, who is the superintendent of the guards, if possibly she might be able to help out in the event that we needed somebody for the wife of one of our key men. I didn't say anything further and he said that this woman was a very level headed woman and that perhaps she would be available and that perhaps she could help, and I said, "Well, now, you go down to talk to her," last night, which he did, to see if she would be willing to help us out along that line in the event of an emergency. He talked to her and he said that she would be glad to do it, that she had never had any

nursing experience but her husband had been mentally ill and had died and she had to take care of him for a while, so that in an emergency I could get her on short notice.

Foley: Well, that is a good thing to know about, but --

Wilson: You should have trained nurses.

Foley: The thought was to have the nurse inside and the Secret Service men available outside so that if there was some disturbance and the nurse couldn't control the situation she always could summon the Secret Service man and he could come in and help.

Klotz: I think that they ought to have a trained nurse and not these nurses.

H.M., Jr: She refused to have a trained nurse. She wouldn't let a trained nurse in. They wouldn't do it. Now, when they go in the doctor is going to be there. The point is, we are going to try to do everything to keep the thing - they say the woman isn't in a frame of mind to injure herself or anybody else at this moment.

Klotz: But she will be.

H.M., Jr: Well, the doctor, at the moment, doesn't see any signs of that, you see. He went there and they couldn't get in. He spent all day yesterday. They couldn't get in. They never got in until last night and then they waited two hours. They couldn't get in.

Klotz: Well, she is afraid of being arrested.

Foley: Well, Dr. Levitt is going to go there and he is going to explain to her that these people are there to observe to see whether or not there are people listening - to protect her and observe

the actions of the people above and below and on both sides of her to see whether or not they are trying to hear everything she says and trying to disturb her and all that.

- H.M.Jr: She threatened the proprietor of the hotel with a whip yesterday.
- Dietrich: She despises him.
- H.M.Jr: Well, anyway, I don't see what else I can do than to try to keep the thing the way it is. Can we order these nurses up there, do you think?
- Thompson: Well, we don't have any nurses on the Treasury payroll. They are all on the Public Health roll. It might be that we would have to put them on our own roll just for this assignment. I doubt if the Public Health Service will do it.
- H.M.Jr: Well, I have asked Mr. Foley to take this over for me. I mean, he has agreed to do it.
- Thompson: Well, we will work it out.
- H.M.Jr: If you will work it out, and I think you had better tell Dr. Levitt that 10:30 is too early, we can't move that fast, you see, but Mr. Foley has kindly consented to take this over. I mean, it is a great responsibility and after all, we don't want to - the last thing in the world I would want to do would be to put this woman in to an institution through the law.
- Klotz: Oh, that would be terrible.
- H.M.Jr: Well, we are not going to do it, Mrs. Klotz, but what are you going to do if the apartment house puts her out? Are you going to let her walk the streets?

Klotz: Well, isn't there a private institution you can put her in?

Foley: Not in the District of Columbia. If she would only go willingly, there would be no problem. We could take her over to Baltimore to this private institution. We discussed that with the doctors this morning. But she absolutely refuses to do that and you would have to use force and if you have to use force, then you have to use public authorities and you have to have proper certification that she is mentally incompetent and that she is violent and she disturbs the peace and security and safety of others in the neighborhood.

Then the policemen come there and take her to Gallinger. Once she is in Gallinger then they say that they could get her to go voluntarily to a private institution and get her out of the public institution, they hope.

Klotz: I am familiar with that sort of thing.

H.M.Jr: But if the woman this morning would agree to go up to Johns Hopkins we would put her in an automobile and send her over there.

Klotz: I know, but she is beyond that stage.

H.M.Jr: And you can't just take her, you can't just take her by force, or could we?

Klotz: Yes, you can.

Foley: No.

Thompson: No, not to Johns Hopkins you couldn't.

H.M.Jr: That is why I have got Foley here.

Klotz: Oh, I mean by force legally. That is another

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thing. Oh well, I am not looking at it from the legal point of view.

Foley: That is what I meant when I said no, when the Secretary asks me if he can and I always think of what you can do under the law.

(Discussion off the record).

H.M.Jr: Mrs. Klotz, I am not going to do it. Have you any other suggestion?

Klotz: Well, it is very difficult for me to express myself because I am not sympathetic with the doctor's point of view and I am not sympathetic with the legal point of view. I have got the human side at heart, and I think that there must be another way of handling it.

H.M.Jr: Well, we were there for three quarters of an hour, three people.

Thompson: I don't think there is any way you can handle it except--

H.M.Jr: With three doctors there, everybody thinking, and certainly I am taking the human standpoint.

Klotz: I am sure of it.

Foley: Mrs. Klotz, the doctors didn't want to do this temporary thing that the Secretary suggested. They wanted to commit her right then and there.

Klotz: They would.

Foley: Call the authorities in and take her to Gallinger and get her off their hands, and it was the Secretary who interceded with this

scheme of trying to keep the situation as it is until Merle can get back here and do what he thinks is best.

H.M.Jr: If I had left the thing alone, that woman today would be going to Gallinger.

Klotz: She knew it too.

Foley: They said it was a matter of hours. They said it wouldn't make any difference, an hour or two or three hours, but beyond that they did think it would be important if she wasn't in Gallinger Hospital.

H.M.Jr: Well, I will tell you what you had better do, Ed. You had better call up Dr. Levitt and give us time to turn around, see, and if these men would go back into your room and I would say twelve-thirty instead of ten-thirty and you have got to find out now if we haven't got the authority to put Public Health Service nurses in there, then we will have to just hire private nurses and put a Treasury operator in there to protect the nurse and see that the nurse isn't thrown out. That is the purpose of the Secret Service man, to see that the nurse stays in there and that this woman stays in there.

Klotz: You see, the nurses with psychiatric training would know how to handle the woman. These Public Health nurses don't even know how to handle you when you are well. (Laughter)

H.M.Jr: I greatly question the authority of where we can get three nurses to go up there. I don't see why we couldn't get nurses with psychiatric training and put them in there. There is all the difference in the world. And I greatly question that we can take a nurse from downstairs.

Thompson: I don't believe we can either.

Klotz: If she was in the Government, it would be another thing, but it is his wife.

H.M.Jr: I think she is right. I think what we ought to try to do is to get psychiatric trained nurses. The way to do that is to get - well, it is up to Levitt. Don't let's get away from Levitt's responsibility in this thing, and tell Levitt it is up to him to employ the nurses with this training and we will simply put a Treasury representative up there to see that nothing happens to the nurse.

Foley: That is right.

Wilson: I can put Mr. Stringfellow up there, one of our agents, who is a graduate nurse and spent considerable time down at St. Elizabeth's before he was in our service. He was a nurse down there.

H.M.Jr: Stringfellow?

Wilson: Yes, sir.

H.M.Jr: Well, let's start with him.

Wilson: He is a very level headed fellow and has handled many cases like this.

H.M.Jr: That is wonderful because we may never get beyond the first case. I think if he and a trained nurse - I think Mrs. Klotz is right, and if we start this thing and try to make a hospital of her apartment--

Klotz: Well, St. Elizabeth's is Public Health and maybe we could get nurses from there.

Foley: Well, that was - we might look into that. That was mentioned over there this morning too, but one of the doctors said that they are so short-handed over there now that they wouldn't have nurses available, but St. Elizabeth's, I should think, would know nurses with psychiatric training, nurses that could be retained for this week.

H.M.Jr: I think that is the thing to do, and if he has had that training, that is wonderful.

Wilson: Yes, sir, he was down there for several years as a young man, and he has handled lots of cases like this during the last few years.

H.M.Jr: And I think when these people go up, Frank, you had better go up with them in the first instance.

Dietrich: All right, sir.

H.M.Jr: Don't you think so, or would you rather have an attorney go up, one of your attorneys?

Foley: You know her, do you Frank?

Dietrich: Yes.

Foley: I should think it would be better--

Klotz: I think she would feel kindlier to him.

H.M.Jr: And the doctors kept saying, "Explain to her that this is to protect her."

I think you had better give yourself plenty of time. I think if you get around to it at two-thirty you can clean it up by then.

Well, I will leave it to you, but certainly

get that cable off tomorrow.

Dietrich: Mr. Secretary, Mrs. Cochran took very kindly to the chief, too. I wondered if he would have any more availing--

H.M.Jr: No, he has not a lot of - no, I think if you go up there. She did take kindly to him?

Dietrich: She took very kindly to the chief.

Klotz: I would be glad to go up there.

H.M.Jr: No, I don't want you to.

Wilson: Yes, she did, but still maybe the Secretary or the Treasury Department might be criticized for sending the chief of the Secret Service or an investigator up to handle a medical case. You must think of that end of it. This is not an investigative case. She was friendly to me, but still somebody on the outside might say, "Why, the Treasury Department sent the Secret Service instead of sending doctors up there."

H.M.Jr: I think if her own doctor goes this afternoon and Frank will go up as a friend and try to get nurses from St. Elizabeth's or some other place with psychiatric training and we will start off with Stringfellow and we will try to keep somebody there so that there are two people on duty, somebody from the Treasury and the nurse trained in this kind of case.

Foley: I think maybe in that telegram we ought to say that we will endeavor to secure the priority for him on the first Clipper and --

Foley: Immediately, too.

Dietrich: There was another question I had on that cable, as to whether we wanted to send it through the State Department or send it through Nicholson, the Treasury attache.

H.M.Jr: I would send it to Nicholson and tell Nicholson to get it to Cochran, it is terrifically important, see?

Dietrich: On the priority, do we have to go to the State Department to get priority coming back?

H.M.Jr: No. We have this woman here who has the agency for Pan-American. What is her name?

Klotz: I have forgotten, but we have her.

H.M.Jr: There is this woman here who represents Pan-American in Washington.

Wilson: Do you want to say anything on that cable - do you want to ask him if he has any close relatives or if she has any relatives or friends that he would want to have you contact in connection with it?

H.M.Jr: It is a good suggestion, but I would send it to Nicholson and tell him that this he has got to get to Cochran and then get Cochran the first plane out of Hong Kong.

Dietrich: Well --

H.M.Jr: And Ed, if sometime this afternoon something comes up which makes you want to change the plans in an important way, let me know. I am available.

Foley: All right.

H.M.Jr: Thank you all very much.

October 30, 1941

Mrs. Friedman, Coast Guard
Frank F. Dietrich, Secretary's Office

Secretary Morgenthau desires following cable sent with utmost dispatch to Spagent, Shanghai:

"It is of the utmost urgency that this message be handed immediately to H. Merle Cochran. Suggest you return on first clipper. Your wife ill and needs you. stop Will arrange for priority with Pan American. stop Doctor Levitt in attendance. stop Have you names of relatives or friends who can assume responsibility. Morgenthau."

October 30, 1941

Soong
Chiang Kai-shek 15

My dear Mr. President:

The enclosed message from General Chiang Kai-Shek has just been handed to me at 11:15 o'clock this morning by Mr. T. V. Soong.

Yours sincerely,

The President,
The White House.

MESSAGE FROM GENERAL CHIANG KAI-SHEK RECEIVED TODAY, OCTOBER 30.

DEFINITE INFORMATION REACHED ME JAPANESE DESIGN ATTACK YUNNAN IN NOVEMBER (STOP) THIS MOVE MAY POSSIBLY BE AVERTED IF AMERICA TAKES IMMEDIATE ACTION BY INFORMING JAPAN THAT ATTACK YUNNAN THROUGH INDO-CHINA WOULD BE VIEWED BY AMERICA AS DEFINITE STEP IN SOUTHWARD EXPANSION AND THAT AMERICA CANNOT REMAIN INDIFFERENT (STOP) SIMULTANEOUSLY MILITARY PREPARATIONS SHOULD BE MADE TO MEET THIS EVENTUALITY (STOP) I MUST EMPHASISE THE CRITICAL NATURE OF THE YUNNAN SITUATION SINCE IF YUNNAN IS LOST AND LAST LIFE LINE FOR MATERIALS FROM THE OUTSIDE WORLD SEVERED THE CHINESE PEOPLE AND ARMY MATERIALLY AND MORALLY WOULD BE UNABLE TO OFFER FURTHER ARMED RESISTANCE (STOP) I AM CONFIDENT WITH FORCES IN YUNNAN AND AVAILABLE NEARBY CHINESE ABLE TO HOLD THEIR OWN LAND FIGHTING IF REINFORCED AIRWARD (STOP) COLONEL CHENNAULT HAS ONLY 49 PILOTS CONSEQUENTLY STRONG AIR REINFORCEMENT ESSENTIAL (STOP) URGE AMERICA USE STRONG PRESSURE ON BRITAIN TO SEND SINGAPORE AIR FORCE TO CO-OPERATE WITH COLONEL CHENNAULT IN ORDER SAVE DEMOCRATIC POSITION IN FAR EAST (STOP) BRITAIN AND AMERICA EQUALLY CONCERNED TO PREVENT LOSS OF YUNNAN AS CHINESE BECAUSE IF JAPANESE OCCUPY YUNNAN THEIR NEXT STOP WOULD INVOLVE ATTACK ON BRITISH FAR EAST COLONIAL POSSESSIONS AND PRECIPITATE WAR IN THE PACIFIC (STOP) IF IMMEDIATE ACTION TAKEN BY BRITAIN IN SENDING AIR REINFORCEMENT THESE POSSESSIONS WOULD BE SAVED AT A FRACTION OF THE COST THAT THEIR DEFENCE WOULD INVOLVE LATER ON AND PACIFIC PROBLEM WOULD THUS BE SOLVED (STOP) JAPANESE WILL CONCENTRATE LARGEST AIR FORCE IN INDO-CHINA AND IF DESTROYED COMBINED AIR FORCES THREAT TO FAR EAST FINALLY REMOVED.

October 30, 1941
11:28 a.m.

HMJr: Good morning.

Grace Tully: Hello, Mr. Secretary.

HMJr: T. V. Soong just left my office.

T: Yes, sir.

HMJr: I think the President definitely should see him before he leaves town.

T: You do.

HMJr: Definitely.

T: Right, sir.

HMJr: And I'm sending you over in the next fifteen minutes a message which came in the morning from Chiang Kai-shek.....

T: Yes.

HMJr:which I think the President should have.

T: Right, sir. And then I'll ask the President what time, and then do we make it through you - do I call you back and let you get in touch with him?

HMJr: Yes, that's right.

T: Right, sir. All right, I will. Thank you, Mr. Secretary.

HMJr: And let me know whether the President wants me to come over or not. That's up to the President. Or whether he wants to see him alone.

T: Uh huh. All right, fine, sir. I'll let you know. that too.

HMJr: It's - I don't care.

T: Uh huh.

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HMJr: See?

T: Yes. All right, fine, Mr. Secretary. I will.

HMJr: And then you might do something else for me.

T: Yes, sir.

HMJr: I would like to have an appointment with the President again along the same lines as the last two, you know?

T: Yes.

HMJr: Just as soon as he comes back. I don't imagine he wants to be disturbed in Hyde Park.

T: Uh huh. Right, sir. I'll make a note of it for next week. I don't think he'll be back before Wednesday. I'm sure he won't, but.....

HMJr: Well, put me down for a morning.

T: Right, sir.

HMJr: And I'd put it the second morning after he gets here.

T: Yeah. Thursday that would be.

HMJr: Well.....

T: All right. I'll make the suggestion, "Is it all right for Thursday at nine-thirty?"

HMJr: If you please.

T: Right, sir. I'll let you know.

HMJr: Thank you.

T: All right, Mr. Secretary. Good-bye.

October 30, 1941
3:09 p.m.

Gen. E. M.
Watson: Hello.

HMJr: H. M., Jr.

W: Yeah. Look here, the President just sent out a memo that he wanted to see Mr. Soong.....

HMJr: Yes.

W:tomorrow morning.....

HMJr: Yes, sir.

W:and wanted to see him alone.

HMJr: All right.

W: Now, he said to make it through you.

HMJr: That's all right. What time, and I'll.....

W: At eleven-thirty to twelve-thirty.

HMJr: What's that?

W: Eleven-thirty to twelve-thirty.

HMJr: You going to give him an hour?

W: Well, the President said, "I want to see him for an hour." I don't know why.

HMJr: I see.

W: This came out while I was at lunch. I don't know.

HMJr: Well, anyway, would you like me to notify him?

W: Well, he said, "You can notify him through the Secretary of the Treasury."

HMJr: Very fine.

W: And Soong is to come alone.

HMJr: Come alone.

W: Yeah. I guess he didn't want to see you.

HMJr: Well, I didn't ask to.

W: (Laughs)

HMJr: So you needn't be so snooty.

W: (Laughs) All right. (Laughs)

HMJr: Well, I'll get him there.

W: All right. Get him to come to my office at eleven-thirty, and he's got him for an hour. I guess he's got something pretty hot to talk about.

HMJr: All right.

W: That's the only one I'm going to make after press.

HMJr: All right. When is he going to leave?

W: He's going to leave tomorrow about one o'clock, I think.

HMJr: Good.

W: All right, sir.

HMJr: I'll get word.

W: Good. Thank you.

HMJr: Thank you.

OCT 30 1941

My dear Mr. Ambassador:

This note is in response to the informal memorandum you left with me on October 13th. I have given consideration to the two requests from the Government of China set out therein.

The Department appreciates the action of the Government of China in proposing to ask Mr. A. Mammel Fox to become Advisor to the Ministry of Finance. We have no objection to this appointment, providing Mr. Fox does not feel that the duties of the new position will in any way conflict with his duties as Member of the Stabilization Board.

With reference to the possibility of the Federal Reserve Bank appointing a person to assist the Central Bank of China, the matter has been discussed with the Honorable Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System. Mr. Eccles advises that he will be glad to discuss the matter with you at your convenience. It is therefore suggested that you communicate directly with him for an appointment.

Very truly yours,

Secretary of the Treasury

His Excellency,
The Ambassador of the
Republic of China,
Washington, D. C.

VFC:DSF:meh:DWS:ca
10-27-41

By ~~Mammel~~ *George*
3:28

3:28
cc - Mr. Tolson's Office

001 3 0 1941

To: Dr. Fels
From: Mr. Bell (initials) D. W. B.

Will you please send the following cable to the American Consul at Hong Kong: "Per Fox from the Secretary of the Treasury."

The following letter has today been sent to the Chinese Ambassador in Washington:

"This note is in response to the informal memorandum you left with me on October 13th. I have given consideration to the two requests from the Government of China set out therein.

The Department appreciates the action of the Government of China in proposing to ask Mr. A. Samuel Fox to become Adviser to the Ministry of Finance. We have no objection to this appointment, providing Mr. Fox does not feel that the duties of the new position will in any way conflict with his duties as Member of the Stabilisation Board.

With reference to the possibility of the Federal Reserve Bank appointing a person to assist the Central Bank of China, the matter has been discussed with the Honorable Herringer J. Keeles, Chairman of the Board of Governors of the Federal Reserve System. Mr. Keeles advises that he will be glad to discuss the matter with you at your convenience. It is therefore suggested that you communicate directly with him for an appointment."

I understand that Mr. Hamilton may want to send a telegram to Mr. Fox setting forth the Department of State's views on the appointment of Mr. Fox as Adviser to the Ministry of Finance.

DWB:VPO:rfel
10/30/41

*orig. to Bristol
to Hamilton's to
Per Fox*

October 14, 1941

TO: Mr. Bell
Dr. White

FROM: The Secretary

Please talk to each other
about this and then talk to me.

October 20, 1941

MEMORANDUM FOR MISS CHAUNCEY:

Re: Note handed to the Secretary by the Chinese Ambassador on 10-14-41 relative to the increasing duties of the Central Bank of China.

A cable was sent to Fox on Friday of last week, asking his advice. I also talked with Eccles regarding the matter and he is to let me have an answer today or tomorrow morning. After these answers are received, a letter will be prepared for the Secretary's signature.

D.W.B.

25

10/14/41

Handed to the Secretary today by
the Chinese Ambassador.

Since the establishment by the Chinese Government of the Foreign Exchange Control Commission, the Central Bank of China has found itself confronted with new duties of an increasing magnitude. The Chinese Ambassador is instructed to inquire of the Secretary of the Treasury as to the possibility of the Federal Reserve Bank appointing a suitable person to assist the Central Bank in its work. At some appropriate time the Central Bank hopes also to be able to send one of its officials to be attached to the Federal Reserve Bank for study and liaison purposes.

The Ambassador is further instructed to inform the Secretary of the Treasury that the Chinese Government, in appreciation of Mr. A. Manuel Fox's services as a member of the Stabilization Board, and in view of his special knowledge in tariff matters, is desirous of inviting him to serve as Adviser to the Ministry of Finance. The Chinese Government wishes to know whether the Secretary of the Treasury has any objection to the appointment of Mr. Fox in the above-mentioned capacity.

October 13, 1941.

TREASURY DEPARTMENT

27

INTER OFFICE COMMUNICATION

DATE October 30, 1941

TO Secretary Morgenthau
FROM Mr. White

The appended digest of opinion in the London press, prepared by Mr. Hoflich, I believe will interest you because it refers to pertinent matters now being discussed in the Treasury. The following brief summary will indicate its importance:

Subject: British Production - "Restoration of Incentives"

1. An interesting and significant controversy has developed in the English press over the question of increasing profit and wage incentives to achieve maximum productive efficiency, and preventing inflation by more extensive rationing.
2. The campaign for higher profit and wage incentives is led by the Financial News, which claims that the present 80% excess profits tax (plus the 20% to be returned after the war) does not allow a sufficient profit incentive, that the promise of a 20% post-war rebate is too vaguely worded and carries no statutory right to repayment. The Financial News calls for the following positive measures:
 - (a) Reduction of the excess profits tax to 60% or 70%.
 - (b) More generous allowances for depreciation.
 - (c) Higher wages in essential war industries.
 - (d) Greater allowances of rationed goods for workers in war industries.

The Financial News believes that the Treasury has an exaggerated fear of the post-war debt burden. A higher post-war price level, brought about by a release of deferred purchasing power, will provide the additional tax revenue to pay off the larger debt.

3. The demand for higher profits and wages has aroused considerable opposition. The opposition point of view is led by The Economist, Finance and Commerce, and the News Chronicle, which point out that:
 - (a) Higher incomes alone would have an inflationary effect. Increased incomes which cannot be spent (due to the extension of rationing) will provide no additional incentive. If the reduction of the EPT rate

- 2 -

to 80% (subject to the deferred return of the 20%) is not a sufficient incentive, why should 30% or 40% do the trick? The Economist says it must be the aim now "not to titillate peacetime incentives. . . . but to remove them from the path".

(b) Preferential rationing for workers in war industries would prove disrupting to national unity.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE October 27, 1941

TO Mr. White

FROM Mr. Hoflich

Subject: British Production - Incentives and Treasury Control
(From the London press, Sept. 22 - Oct. 10, 1941
- clippings received from Casaday)

The present controls of profits and wages do not allow sufficient incentive to achieve the maximum productive efficiency. This feeling is reflected in certain sectors of the British press during recent weeks. The most insistent demand for the relaxation of profits and wage controls is found in the Financial News, which has been carrying on a persistent campaign, briefly summarized as follows:

1. The government must restore monetary productive incentives. This calls for a number of positive measures:
 - a. Restore the profit incentive, by
 - (1) reduction of the 100% EPT rate to 60% or 70%. This should be accompanied by reimposition of the Limitation of Dividends Bill, to give the increased incentive to small companies where it will be particularly effective, and to insure that monies released will be used to strengthen the war machine.
 - (2) more generous allowances for depreciation.
 - (3) efficiency bonuses to firms.
 - b. Increase workers' incentives by
 - (1) higher wages in essential war industries and more generous overtime and piece rates.
 - (2) differential allowances of rationed goods, favoring workers in war industries.
 - c. Tackle inflation by direct means, notably by
 - (1) rationing expenditure on unrationed food.

The Financial News offers the following arguments for "restoration of incentives":

1. Arguments for higher profits.
 - a. This would give an incentive to management for maximum productive efficiency. Falling profits are cited in 1940 and 1941 of 31 small and medium sized engineering concerns, in spite of greater productive efforts.

- 2 -

- b. The possibility of more profits will furnish an incentive to keep costs down and eliminate waste.
 - c. It will overcome the reluctance to expand plant facilities. The fear of post-war surplus capacity will be at least partially offset by increased profits.
 - d. It will permit the accumulation of reserves for post-war use.
 - e. It may help to overcome the alleged injustice of EPT based on profits earned in an arbitrarily chosen period of time, which bears unevenly on different industries and different companies in the same industry.
2. Arguments for higher wages in war industries.
- a. This would increase workers' efficiency and would cost nothing insofar as it leads to higher output.
 - b. It would help overcome the reluctance of workers to transfer to war industries, which reluctance is alleged to be due in part to higher wages elsewhere and in part to fear of post-war unemployment.

The Financial News articles have called forth considerable protest. The following points have been made:

- 1. Incentives are not now lacking in the major part of the British industries.
- 2. Higher incomes would have an inflationary effect.
- 3. Differential rationing will not prove an incentive, but might well be disrupting to national unity. "Let us not deceive ourselves that more output will be achieved in the long run by 'hustling someone else out of the queue'. As Mr. Keynes put it in his 'How to Pay for the War', this is a 'mug's game to play'". (Finance and Commerce)
- 4. The Finance Act has already reduced the EPT to 80%, subject to the blocking of the 20%. "If this deferred 20% is not a sufficient incentive, why should one assume that 30% or 40% will do the trick". (News Chronicle)
- 5. Increased incomes which cannot be spent (due to extension of rationing) will not give an increased incentive. The News Chronicle calls this "bogus incentives", "ersatz incentives", "little better than a swindle" and says it would prove a dangerous boomerang and breed class hatred.

The Economist says the proposal is to pay for increased war production by the distribution of I.O.U.'s. Its shortcoming is in sowing the seeds of unbridled inflation, thus increasing the cost of the war, and at the same time multiplying anti-inflation controls to neutralize the dangers created. "It is a weird exercise in well-intentioned ingenuity that would simultaneously pump in social poisons and their antidotes at an ever-increasing rate". Further, the Economist doubts that this "open-handed courting of grave inflationary dangers" can "deliver the goods". It must be the aim now "not to titillate peacetime incentives. . . . but to remove them from the path".

In answer to these criticisms the Financial News says that the inflationary effects can be offset by the proposed extension of rationing. As to wages, it says they are rising anyway, in a haphazard way. It wants to correct the disparity between alleged low wages in essential industries and high wages elsewhere. The Financial News says further that the promise of a 20% post-war rebate is too vaguely worded to have any balance sheet value, and carries no statutory right to repayment. It believes furthermore that its plan would prove a real incentive. It admits that the national debt would have to be increased, and that there would be a higher volume of purchasing power after the war, but it says that the Treasury policy seems to have as its chief objective the minimizing of the post-war debt problem rather than devising the most efficient system of war finance. The Treasury fears a post-war debt burden, but paying off the debt involves only an internal redistribution of goods. As to the interest charges, these are rising much less rapidly than the debt. And a higher post-war price level, brought about by a release of deferred purchasing power, will provide additional tax revenue to pay off the larger debt.

The Financial News is still hammering on the idea that peacetime concepts of the role of finance are hampering the drive for maximum war production. To the demand for restoration of incentives the Financial News adds the complaint that too much delay is being caused by a close holding of the purse strings by the Treasury in sanctioning expenditures. It calls for less centralized control of expenditures and delegating more power to regional boards.

In his letter of October 11, 1941, Casaday says that the Financial News campaign regarding "Incentive", the EPT and the "dead hand of Treasury control" has "decreased somewhat in intensity and in some respects assumed a more subtle form, since the Chancellor of the Exchequer's speech in which he stood firm on the established policy followed thus far".

FEDERAL RESERVE BANK
OF NEW YORK

October 30, 1941

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. Merle Cochran

I am enclosing our compilation for the week ended October 22, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke,

L. W. Knoke,
Vice President.

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

Enclosure

Copy:vw:10-31-41

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (f) Includes an additional \$2 million received from Commonwealth Bank of Australia.
- (g) \$9 million paid to the De Javasche Bank account here.

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

Week Ended October 22, 1941

Strictly
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)						
	D E B I T S				C R E D I T S					D E B I T S				C R E D I T S		
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits	Net Incr. (+) or Decr. (-) in Balance	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
First year of war (8/23/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (8/29/40-8/27/41)**	160.4	-	160.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.9	55.5	81.2	62.9	18.3	+ 9.0
Aug. 28 - Oct. 1 1941	23.1	-	23.1	52.2	21.2	-	-	31.0	+ 29.1	10.7	0.5	10.2	2.8	2.1	0.7	- 7.9
Oct. 2 - Oct. 29																
Oct. 30 - Dec. 3																
Dec. 4 - Dec. 31 1941																
WEEK ENDED:																
Oct. 1	18.2	-	18.2	7.0	5.3	-	-	1.7	- 11.2	0.6	0.5	0.1	0.4	0.1	0.3	- 0.2
8	5.6	-	5.6	7.1	2.6	-	-	4.5	+ 1.4	1.6	0.5	1.1	0.2	-	0.2	- 1.4
15	4.5	-	4.5	4.3	3.2	-	-	1.3	- 0.2	3.0	3.0	-	6.8	5.8	1.0	+ 3.8
22	10.5	-	10.5	4.4	3.4	-	-	1.0	- 6.1	3.4	2.0	1.4	0.7	0.1	0.6	- 2.7

Weekly Average of Total Debits Since Outbreak of War

Through October 22, 1941 7.3 million

* For monthly breakdown see tabulations prior to April 23, 1941.

** For monthly breakdown see tabulations prior to October 8, 1941.

r Revised

Regraded Unclassified



36

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. 4, covering aircraft
shipped, for week ending October 28, 1941

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

October 30, 1941

Week Oct 37

STATEMENT No. 4.

AIRCRAFT DESPATCHED FROM THE UNITED STATES
WEEK ENDED OCTOBER 28, 1941.

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA.
<u>ELL</u> Airacobra	U. K.	U. K.	1	--	--
<u>ESSNA</u> T-50	Canada	----	--	--	15
<u>CONSOLIDATED</u> Catalina	U. K.	U. K.	--	3	--
LiberatorII	U. K.	U. K.	--	12	--
<u>CURTISS</u> Kittyhawk	Middle East	Port Sudan	29	--	--
	Canada	----	--	--	5
	U. K.	U. K.	2	--	--
<u>DOUGLAS</u> Boston III	Middle East	Port Sudan	8	--	--
<u>AIRCHILD</u> 24R9	U. K.	U. K.	4	--	--
<u>GLENN MARTIN</u> Baltimore	Middle East	Port Sudan	2	--	--
<u>NORTH AMERICAN</u> Harvard II	Middle East	Port Sudan	4	--	--
Mustang	U. K.	U. K.	1	--	--
TOTAL			51	15	20

British Air Commission,
October 30, 1941.

TREASURY DEPARTMENT

38

INTER OFFICE COMMUNICATION

DATE October 30, 1941

TO Secretary Morgenthau
FROM Mr. Barnard

I attach a letter from Sir Clive Baillieu answering my inquiry as to locomotives and rolling stock for the Middle East, about which you wished information.

I find that as yet the Procurement Division has received only orders for ten light Diesels, probably for dock unloading and similar purposes, but that the War Department is buying fifty locomotives which are probably a part of those referred to by Sir Clive Baillieu.

CMB



BRITISH PURCHASING COMMISSION

October 29, 1941

Dear Mr. Barnard:

In reply to your letter of October 28th, we have not seen the newspaper reports referred to regarding the transfer of locomotives and rolling stock from Egypt to Persia, and in fact any proposals there may be in this connection would be strictly secret.

We are not fully informed as to what are the detailed intentions but the facts so far as we know them are as follows. There is at present, a most urgent need for increasing the capacity of the Trans-Persian Railway in order to carry aid to Russia, and in order to meet this need in the quickest way possible, locomotives and rolling stock are being despatched from U.K. to Persia which had been destined to relieve the railway congestion in Egypt. This congestion has arisen as a result of the increasing flow of supplies from America, combined with the periodical closing of the Suez Canal due to enemy action. In addition, locomotives and rolling stock actually in transit at sea have very probably been diverted.

Of the 200 locomotives which it is desired to order in this country, any that can be delivered by February, 1942, will be consigned directly to Persia, but deliveries subsequent to that date will be too late to arrive in Persia in time to meet the present situation. In consequence the major part of subsequent deliveries will go to the Middle East (i.e., Egypt, Sudan, Western Desert, Palestine, Syria and Iraq) where they will replace locomotives and rolling stock which would otherwise have been supplied from U.K. and will relieve the existing pressure on railways in connection with the transportation of military supplies and equipment.

Yours very truly,

Clive Baillieu
(Clive Baillieu)
Director-General

The Hon. Chester I. Barnard
Treasury Department
Washington, D.C.

alt

OCT 30 1941

TREASURY DEPARTMENT

40

INTER OFFICE COMMUNICATION

DATE October 30, 1941

TO Secretary Morgenthau
FROM Mr. Barnard

You may be interested in the attached from Mr. Mack.

A handwritten signature in dark ink, consisting of the letters 'CMB' in a cursive, stylized script. The signature is positioned centrally below the main body of text.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

41

October 27, 1941

[Handwritten initials]
MEMORANDUM TO MR. BARWARD:

You will be interested to know that the OPM has allocated thus far 1,280,000 tons of semi-finished steel, representing all British requirements to December 31, 1941; that all has been purchased; and that shipment against contracts up to October 23rd totaled 811,326 tons, the balance to be delivered as scheduled.

Further, the shortages in deliveries from the steel mills against October shipments has been brought to the attention of the mills and they have stated that they will meet their delivery quotas by the end of the month with but one exception of 3,000 tons in the case of the Bethlehem Steel Corporation which we are checking further.

I have sent inspectors to the principal mills with instructions to give me daily reports of steel shipments to make sure that the deficit will be made up as the mills have promised in order to make our quota of 270,000 tons this month.

[Handwritten signature]
Clinton E. Mack
Director of Procurement

OCT 27 1941

9 -

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

42

DATE October 30, 1941

TO Secretary Morgenthau
FROM Mr. Barnard

I don't know whether you care to see the attached statement. What I am particularly watching is deliveries which from now on ought to have increasing emphasis. I note that the actual expenditures as of October 23rd were only \$45.6 millions out of allocations of \$367 millions. The expenditures from now on ought to increase rapidly.



Treasury Department, Procurement Division
STATEMENT OF LEASE-LEND ALLOCATION
Made Since Inception of Program

As of October 31, 1941

Agency Classification	Allocations (Trans. Directive)	Contracts Executed			Balance	
		Unliquidated Obligations	Expenditures	Total	Unliquidated	Unexpended
<u>United Kingdom</u>						
114 Transport, Utility & Other Aircraft	\$ 6,515,000.00	\$ 950,673.82	\$ 3,271,956.30	\$ 4,230,630.02	\$ 2,284,369.98	\$ 3,243,063.80
115 Trainers, Aircraft	190,000.00	-	185,840.00	185,840.00	4,160.00	4,160.00
266 Misc. Auto. Parts & Access.	699,366.00	563,934.06	19,572.76	583,527.62	115,838.38	879,793.24
340 Machinery & Equipment	449,216.00	145,746.74	19,069.00	164,815.74	284,400.26	430,351.00
609 Other Agric. Products	909,000.00	26,402.51	-	26,402.51	962,597.49	999,000.00
633 Machine Tools	60,900.00	16,897.40	4,665.04	21,562.24	39,337.76	56,234.16
632 Agricultural Implements	11,233,799.00	6,290,301.85	1,708,154.21	7,998,456.66	4,235,342.34	10,285,644.19
630 Road Bldg. Equip., Mtls. & Sup.	9,297,424.00	3,385,402.56	1,600,200.79	5,185,603.35	4,111,820.65	7,697,223.21
634 Elec. Equip., Materials & Sup.	5,018,327.00	1,069,960.27	148,297.41	1,218,257.68	3,800,079.32	4,870,039.59
635 Fire Fighting Equipment	1,612,614.00	564,273.52	376,638.19	940,911.71	671,702.29	1,235,995.81
636 Railroad Equipment	3,453,500.00	2,251,461.39	-	2,251,461.39	1,202,038.61	3,453,500.00
639 Machinery, Equipment & Supplies	17,514,732.10	6,264,398.56	231,298.72	7,099,137.28	10,425,594.82	17,210,533.38
641 Iron and Steel	125,574,568.90	62,140,261.08	23,461,391.60	74,601,652.68	50,972,916.22	102,113,177.30
642 Copper and Brass	14,065,542.00	3,006,046.45	2,112,546.34	4,118,592.79	9,946,949.21	11,952,994.66
643 Aluminum	1,445,462.00	43,034.79	39,365.66	82,399.45	1,062,663.55	1,105,898.34
644 Zinc	8,021,400.00	1,358,973.54	2,301,878.74	4,260,452.28	3,760,947.72	5,119,522.26
648 Other Metals and Alloys	13,843,896.00	8,378,167.98	2,121,600.92	10,499,768.90	3,344,127.10	11,722,295.08
649 Non-Metallic Minerals	8,386,500.00	7,000.00	-	7,000.00	8,379,500.00	8,386,500.00
651 Nitrates	-	-	-	-	-	-
652 Phosphates	8,798,000.00	2,374,282.11	2,214,199.43	4,588,481.54	4,209,518.46	6,523,800.57
659 Other Chemicals	19,099,093.00	7,223,505.08	1,221,462.47	8,444,967.55	10,654,125.45	17,877,680.53
660 Petroleum & Coal Products	2,541,000.00	437,491.53	447,685.21	885,176.84	1,655,823.16	2,093,314.69
670 Textile and Clothing	24,000.00	18,000.00	-	18,000.00	6,000.00	24,000.00
680 Tissue Products	15,436,878.00	5,468,701.65	261,658.66	5,730,360.31	9,706,517.69	15,175,219.34
686 Civilian Medical Supplies	1,397,540.00	1,045,143.74	226,394.41	1,271,738.15	315,801.85	1,360,945.59
690 Commodities not Otherwise Class.	35,689,312.50	18,965,390.21	302,552.92	19,467,943.13	16,221,370.37	32,100,760.58
Total - United Kingdom	\$112,481,369.50	\$120,793,611.04	\$43,079,713.18	\$163,873,324.22	\$148,557,944.62	\$269,351,556.32

Treasury Department, Procurement Division
STATEMENT OF LEASE-LEND ALLOCATIONS
Made Since Inception of Program

As of October 23, 1943

Purpose Classification	Allocations (Trans. Directive)	Contracts Executed			Balance	
		Unliquidated Obligations	Expenditures	Total	Unobligated	Unexpended
<u>Republic of China</u>						
016 Explosive Propellant Powders & Miscellaneous Ammunition	\$ 50,000.00	\$ 51,825.00	\$ —	\$ 51,825.00	\$ -1,825.00	\$ 50,000.00
114 Transport, Utility & Other, Aircraft	270,000.00	—	—	—	270,000.00	270,000.00
244 Misc. Auto. Parts & Accessories	954,000.00	232,559.75	63,581.79	296,141.54	657,858.46	890,416.21
419 Misc. Quartermaster Supplies	3,725,000.00	3,054,781.52	262,958.79	3,317,740.31	407,259.69	3,462,041.21
633 Road Hdg. Equip., Mat'ls & Supplies	797,500.00	612,793.87	131,771.36	744,565.23	52,934.87	665,728.74
634 Elec. Equip., Mat'ls & Supplies	1,625.00	200.00	—	200.00	1,425.00	1,625.00
639 Other Mach., Equip., Mat'ls & Supplies	130,800.00	—	—	—	130,800.00	130,800.00
641 Iron & Steel	4,664,089.50	3,016,962.30	11,452.11	3,028,434.41	1,635,655.09	4,652,637.39
642 Copper and Brass	1,205,000.00	—	707,009.03	707,009.03	497,990.97	497,990.97
643 Aluminum	66,150.00	—	72,549.04	72,549.04	-6,399.04	-6,399.04
644 Zinc	907,500.00	82,500.00	206,251.66	288,751.66	618,748.34	701,248.34
645 Lead	936,000.00	263,547.32	425,463.82	689,011.14	246,988.86	510,536.18
648 Other Metals & Alloys	136,453.00	—	—	—	136,453.00	136,453.00
651 Nitrates	71,500.00	—	—	—	71,500.00	71,500.00
659 Other Chemicals	333,400.00	29,400.00	—	29,400.00	304,000.00	333,400.00
660 Petroleum & Coal Products	7,063,504.00	1,994,851.80	290,124.46	2,284,976.26	4,778,527.74	6,773,379.54
690 Commodities not Otherwise Classified	2,823,012.00	1,576,631.10	286,215.88	1,862,846.98	960,165.02	2,536,796.12
Total - Republic of China	\$24,135,533.50	\$10,916,072.66	\$2,457,377.84	\$13,373,450.50	\$10,762,083.00	\$21,678,155.66
695 Working Fund for Emergency	\$10,000,000.00	\$ 70,142.21	\$ —	\$ 70,142.21	\$ 9,929,857.79	\$10,000,000.00
Allocation Adjustment Reserves	\$21,102,679.00	\$ —	\$ —	\$ —	\$21,102,679.00	\$21,102,679.00
Total Allocations for Purchase	\$367,669,482.00	\$131,779,826.51	\$45,537,091.02	\$177,316,917.53	\$190,352,564.47	\$322,132,390.98
<u>Administrative</u>						
893 Misc. & Contingent Expenses	\$ 5,000.00	\$ —	\$ —	\$ —	\$ 5,000.00	\$ 5,000.00
900 Administrative Expenses, 1941	24,269.00	1,017.44	10,029.93	11,047.37	13,221.63	14,239.07
900 Administrative Expenses, 1942	275,000.00	41,041.30	72,779.90	113,821.20	161,178.80	202,220.10
Total - Administrative	\$ 304,269.00	\$ 42,058.74	\$ 82,809.83	\$ 124,868.57	\$ 179,400.43	\$ 221,459.17
Grand Totals	\$367,973,751.00	\$131,821,885.25	\$45,619,900.85	\$177,441,786.10	\$190,521,964.90	\$322,353,850.15

Certified Correct

R. J. Quinn
R. J. Quinn
Chief Finance Division

Regraded Unclassified

October 30, 1941

My dear Mr. May:

I read in yesterday's papers that Mr. Taub testified, before a Committee, on contracting.

If Mr. Taub has written out his statement, with suggestions and criticisms as to how a contract should be let, I would be glad to receive it before noon, Friday, as I would like to take it up to the country to read.

Yours sincerely,

(S-d) H. Morgenthau Jr

Mr. Stacy May, Chief
Bureau of Research and Statistics,
Office of Production Management,
Room 2700 Social Security Building,
Washington, D. C.

*By messenger
4:50*

FOR THE PRESS

IMMEDIATE RELEASE

OCTOBER 30, 1941

The President today signed the tax amortization bill and issued the following statement:

This bill amends the Tax Amortization Law by requiring only the certification of the Secretary of War or the Secretary of the Navy, extending the time for filing applications to December 1, 1941, and otherwise simplifying procedure for tax amortization.

Last year Congress passed the law which permits defense manufacturers to amortize over a five-year period emergency facilities, certified as necessary in the interest of National Defense during the emergency period.

The amended statute eliminates the joint certification formerly required by the War and Navy Departments and the Advisory Commission, and places the certification solely in the Service Departments.

The amended law puts into immediate effect other changes, based on actual experience, which will simplify the procedure and save time for both Defense manufacturers and the Government. The time for filing applications has been extended. Defense manufacturers, who were unable to file applications within the short period of 60 days provided by the old law, are given until December 1, 1941, to file new applications. Thereafter, the time for filing applications for certificates has been extended from 60 days to 6 months.

The new law also simplifies procedure regarding Certificates of Non-reimbursement by limiting the contracts to be certified to those which are more than \$15,000 in amount and which were made with the War Department, the Navy Department, or the United States Maritime Commission after December 31, 1939. Under the former law many manufacturers filed applications for certification of contracts of small amount, and contracts made with other departments, such as the Department of the Interior, Post Office Department, Department of Agriculture and others. Under the new law such applications are unnecessary for any contract with any of these departments, regardless of amount and for any contract if it is under \$15,000, with the War Department, the Navy Department, the United States Maritime Commission.

Certificates which have already been issued are not affected by the amendment and the rights of manufacturers who have already filed applications are not prejudiced.

New forms of applications and instructions are being prepared and may be obtained from the Office of the Under Secretary of War, Tax Amortization Section, and from the Office of the Under Secretary of the Navy, Washington, D. C.

THE WHITE HOUSE
WASHINGTON

October 30, 1941

MEMORANDUM FOR:

The Secretary of the Treasury ✓
The Secretary of War
The Director General and the Associate Director
General of the Office of Production Management
The Administrator of the Office of Price
Administration
The Coordinator of Information
The Coordinator of Inter-American Affairs
The Liaison Officer for the Office of Emergency
Management

The First Supplemental National Defense Appropriation Act, 1941, provides that:

"... the head of any department or independent establishment of the Government, notwithstanding the provisions of existing law, may employ, with the approval of the President, any person of outstanding experience and ability at a compensation of \$1 per annum."

In accordance with the language of this Act, it is the policy practice to approve in writing the employment of such individual dollar-a-year men in the defense process.

In an informal opinion, the Attorney General has advised that a general approval given by me to the heads of the agencies would authorize them to select and employ individuals upon terms and conditions prescribed by me is within the language of the appropriations Act.

I hereby give such approval to the officers to whom this memorandum is addressed.

The requirement "of outstanding experience and ability" is of course a necessary condition by reason of the act itself.

My approval is also conditioned by the requirement that each individual dollar-a-year man be thoroughly investigated by an investigative Agency of the Government. Since all national defense employees are so investigated, it would be bad practice to create an untested class. I suggest you use the F.B.I., which has carried out the investigations for me, because of its experience in handling these lists. This, however, is an administrative matter solely for your own direction.

F. D. R.

FDR

OFFICE FOR EMERGENCY MANAGEMENT
DIVISION OF DEFENSE AID REPORTS
WASHINGTON, D. C.

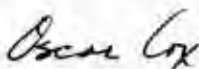
48

October 30, 1941.

Dear Secretary Morgenthau:

I am sending you herewith, for your information and use, photostatic copies of the Executive Order of October 28, 1941, setting up the Office of Lend-Lease Administration, and the President's letter of the same date designating Mr. Stettinius as Administrator.

Sincerely yours,



Oscar S. Cox.

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

Enclosures

THE WHITE HOUSE
WASHINGTON

OCT 28 1941

My dear Mr. Stettinius:

I hereby redesignate you as Lend-Lease Administrator to exercise the power and authority provided in the Executive Order "Establishing the Office of Lend-Lease Administration in the Office for Emergency Management of the Executive Office of the President". As such Lend-Lease Administrator, you will continue to receive compensation at an annual rate of \$10,000.

Very sincerely yours,



Honorable Edward R. Stettinius, Jr.

Washington, D. C.

EXECUTIVE ORDER

ESTABLISHING THE OFFICE OF LEND-LEASE ADMINISTRATION
IN THE OFFICE FOR EMERGENCY MANAGEMENT OF THE
EXECUTIVE OFFICE OF THE PRESIDENT

By virtue of the authority vested in me by the Constitution and statutes of the United States, and particularly by the act of March 11, 1941, entitled "An Act Further to promote the defense of the United States, and for other purposes" (hereafter referred to as the act), and by the Defense Aid Supplemental Appropriation Act, 1941, approved March 27, 1941, and acts amendatory or supplemental thereto, in order to define further the functions and duties of the Office for Emergency Management of the Executive Office of the President in respect to the national emergency so declared by the President on May 27, 1941, and in order to provide for the more effective administration of those acts in the interests of national defense, it is hereby ordered as follows:

1. There shall be in the Office for Emergency Management of the Executive Office of the President an Office of Lend-Lease Administration, at the head of which shall be an Administrator, appointed by the President, who shall receive compensation at such rate as the President shall approve and, in addition, shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of his duties.

2. Subject to such policies as the President may from time to time prescribe, the Administrator is hereby authorized and directed, pursuant to section 7 of the act, to exercise any power or authority conferred upon the President by the act

and by the Defense Aid Supplemental Appropriation Act, 1941, and any acts amendatory or supplemental thereto, with respect to any nation whose defense the President shall have found to be vital to the defense of the United States: Provided, That the master agreement with each nation receiving lend-lease aid, setting forth the general terms and conditions under which such nation is to receive such aid, shall be negotiated by the State Department, with the advice of the Economic Defense Board and the Office of Lend-Lease Administration.

3. The Administrator shall make appropriate arrangements with the Economic Defense Board for the review and clearance of lend-lease transactions which affect the economic defense of the United States as defined in Executive Order No. 8839 of July 30, 1941.

4. Within the limitation of such funds as may be made available for that purpose, the Administrator may appoint one or more Deputy or Assistant Administrators and other personnel, delegate to such Deputy or Assistant Administrators any power or authority conferred by these orders, and make provision for such supplies, facilities, and services as shall be necessary to carry out the provisions of this Order. Insofar as practicable, the Office of Lend-Lease Administration shall use such general business services and facilities as may be made available to it through the Office for Emergency Management.

5. Executive Order No. 8751 of May 2, 1941, establishing the Division of Defense Aid Reports and defining its functions and duties, is hereby revoked.



THE WHITE HOUSE

October 8, 1941

8926

Regraded Unclassified

October 30, 1941

Dear Archie:

Thank you very much for your letter of October 28th.

I think I understood perfectly what you had in mind. Had there been any doubt, your letter would have cleared it up.

Yours sincerely,

(Signed) Henry

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

By Messenger 1:45 Blackwell

n.m.c.

October 28, 1941

Dear Henry:

Thanks again for seeing me this afternoon. It was kind of you and I got a very great deal out of our brief talk. It is good of you to say that I can come to see you again as our plans develop.

I want to be sure that I didn't leave you with the feeling that the Office of Facts and Figures thought of itself as having any control over information issued by the various departments and agencies. Our job, as I see it, is ~~X~~ simply one of working with the departments to try to make the information they issue as effective as possible and to give the people of the country as full an explanation as possible of the government's activities and the situation facing the government.

I write you this because I think some people have gotten the idea from conversations with the Mayor and elsewhere that the purpose was to exercise some kind of control over the dissemination of information by government agencies. The Executive Order makes it very clear that this is not the fact and certainly I have no such thought in mind.

Thanks again for seeing me.

Faithfully yours,



Archibald Macleish

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

OCT 30 1941

My dear Mr. Secretary:

Reference is made to your letter enclosing a copy of a proposed bill, "To establish national censorship of international communications and for other purposes", and requesting an expression of the views of this Department thereon. This bill and the proposed plan for dealing with censorship problems has been the subject of a number of conferences between officers of the Navy and Treasury Departments.

The bill and the proposed plan for dealing with censorship provides for the appointment of a civilian as the Director of Censorship and for the Navy to administer the radio and cable censorship and the Army to administer the postal and wire censorship. The proposed bill authorizes the Secretary of the Treasury, on request of the Director of Censorship, to detail from the Coast Guard, or any reserve component thereof, such officers and enlisted men on active duty as may be necessary to effectuate the provisions of the proposed bill. The bill also designates the Fiscal Service of the Treasury Department to perform the fiscal, disbursing, and accounting functions of the Director of Censorship.

I have read the report on this proposed bill written to you by the Attorney General on September 5, 1941, and I am generally in agreement with the views expressed therein by the Attorney General. It is therefore unnecessary for me to repeat here any of the observations made in the Attorney General's report. I desire, however, to stress one aspect of the problem of censorship.

At the outbreak of the present war, England's censorship was set up as a part of its War Department. Soon thereafter and at the risk of temporary dislocation, censorship was taken out of the War Department and placed on a civilian basis. The current British experience is that not much more than ten per cent of the information obtained through censorship is made available to the military departments; that over fifty per cent of the information obtained is made available to the Ministry of Economic Warfare; and that the Board of Trade, the British Treasury, and Post Office Department are also among the important clients of the censorship. I am informed that the Directors of the British Censorship act under the guidance of interdepartmental committees which meet periodically and advise the censorship of the kind of information to be sought out and the uses to be made of the information obtained by the censorship.

I see no reason to doubt that information obtained by censorship in this country would similarly have a far greater economic than military value. Accordingly, I believe that the whole problem of the administration of any program of censorship in this country should be reconsidered by the President, the Vice President as Chairman of the Economic Defense Board, and by the Cabinet.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of the Navy.

BB:ard - 10/27/41.

By Memorandum 9/15

4/2/41

W. H. C. -
J. S. M. B. H.

OFFICE
SEP 23 1944

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE SEP 23 1944

Secretary Morgenthau

E. H. Foley, Jr.

Re: Censorship

During the last few weeks Navy Department officials told us about the proposed plan for censorship of communications by mail, cable, etc., between the United States and foreign countries. The plan, which the Navy says was approved by the President sometime ago, envisages that a civilian will be the director of censorship but that the Navy will administer the radio and cable censorship and the Army will administer the postal and newspaper censorship. Both the Army and Navy are already setting up censorious organizations to carry on this activity. Legislation has been drafted to carry out this program but has not as yet been submitted to Congress. The Navy submitted the legislation to this Department for approval, in view of the fact that the Coast Guard is to be used in some incidental capacity. Legislation has also been submitted to the Attorney General. Neither the Army nor Justice has reported to Navy on the legislation.

I believe that it would be a great mistake to allow the Army and Navy to run the censorship because of their training and their narrow point of view and because the vast bulk of information which would be obtained under a censorship would have economic and other non-military uses. I believe that you might appropriately bring this matter up with the President or with the Economic Defense Board.

In this connection you may be interested in the following information which we obtained from the British censorship authorities.

At the outbreak of the present war, England's censorship was set up as a part of the War Department. It very quickly became clear that the censorship would never fulfill its proper functions with real efficiency under Army control and at the risk of temporary dislocation, censorship was taken out of the War Department and placed on a civilian basis.

In the first world war, military espionage played a relatively more important role and therefore censorship was more appropriately a matter for the military services than is true in the present war when Germany relies far more on propaganda and economic transactions than on espionage. British experience is that not more than 10 per cent of the information obtained through censorship is made available to the military departments; that over 20 per cent of the information obtained is made available to the Ministry of Economic Warfare; and that the Board of Trade, the British Treasury and Post Office Departments are also among the important clients of the censorship. The Directors of British censorship act under the guidance of interdepartmental committees which meet periodically and advise the censorship of the kind of information to be sought out and the uses to be made of the information obtained by censorship.

In view of the fact that we have not as yet replied to the Navy Department's request for our views on the proposed legislation, I should appreciate your letting me know what action you desire to take in connection with this matter.

7713

August 29, 1941.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

MS

Lieutenant Commander Padgett (reserve officer on active duty) of the Navy has held several conferences with Mr. Bell and others in the Treasury on the draft of a bill and regulations for mail, radio and cable censorship in case of or in anticipation of war in which the United States is engaged. Under a draft bill prepared by the Navy Department the President may put censorship into effect at any time during the unlimited emergency. The bill provides for the appointment of a Director of Censorship, presumably a civilian, and for the detail from the Army of a Chief Postal and Wire Censor and from the Navy of a Chief Radio and Cable Censor.

We have been informally advised that the President authorized the Navy Department to prepare such a bill, but the only formal submission of the bill to the Treasury Department for approval is contained in the attached letter, dated August 19, from the Secretary of the Navy to the Secretary of the Treasury. This letter asks your advice, not as to the general advisability or propriety of the bill, or the plan of censorship which it provides, but merely for your views on those provisions of the bill which would permit the Secretary of the Treasury, on request of the Director of Censorship, to detail officers and enlisted men of the Coast Guard to serve on the staff of the censor. While there is provision for the employment of civilian personnel, the terms of the bill, plus indications given by Lieutenant Commander Padgett, indicate plainly that the censorship is to be operated on a military basis and the censors are to be Army, Navy and Coast Guard officers detailed for that purpose. Lieutenant Commander Padgett has stated that, so far as the Navy personnel is concerned, it is their intention that the censors will be in the main civilians drawn into service as reserve officers and he has added that the advantage of using a military form of organization is that discipline and obedience may best be obtained in this way.

I have discussed the matter with Mr. Cairns and Mr. Bernstein and I am firmly convinced, as I think both of these others are, that a censorship ought not be operated by the military services and that the personnel ought not be made up of military officers. Mr. Pahle and Mr. Bernstein have talked with representatives of the British censorship, who say that a military form of organization was tried in Great Britain and was a lamentable failure. Apparently the preconception upon which the decision for a military censorship has been based is that the principal object is to protect military information and to obtain information of military value. Mr. Bernstein's memorandum explains that the British experience has been that this phase of censorship is relatively unimportant, being far outweighed by economic and propaganda considerations. This seems to me a very forcible objection to the military organization.

A further strong objection is that a censorship to be reasonably successful in accomplishing its objectives with a minimum of friction and public inconvenience must have a great diversity of practical knowledge and some imagination. I don't think you are at all likely to get this from military men, operating under military discipline and regulations. My own opinion is that the military man is least fitted of any class of educated men to administer a censorship successfully.

It occurs to Mr. Cairns, Mr. Bernstein and myself that you may wish to ask reconsideration, or further consideration, of the form of censorship before it has crystallized into definite action.

I have rewritten the reply to Secretary Knox to admit of this possibility.

WES

MEMORANDUM FOR THE FILE

On the morning of August 28, 1941, Mr. Reeves and Mr. Feidler discussed with Mr. Edward Bartelt, Commissioner of Accounts, a copy of a confidential bill titled "A bill to establish a national censorship of international communications, and for other purposes". This bill was referred to the Department of the Treasury by the Secretary of the Navy for an expression of views so far as the bill relates to the Coast Guard.

Mr. Bartelt stated that he had no objection to the bill. Mr. Feidler and Mr. Reeves pointed out to him the wording of section 5 of the proposed bill which reads "the Fiscal Service of the Treasury Department is hereby designated, empowered and directed to perform the fiscal, disbursing and accounting functions of the Director of Censorship in carrying out the provisions of this Act." Mr. Bartelt stated that he was highly desirous of having that phraseology in the bill and stated that he had personally suggested that wording.

Mr. Bartelt further stated that if Mr. Bell raised any question about section 5, Mr. Reeves and Mr. Feidler should inform him that the language was Mr. Bartelt's.

g.f.R.

ERT

(SC)/A16/EN3-10

Serial 069712

DEPARTMENT OF THE NAVY

OFFICE OF THE SECRETARY

WASHINGTON

CONFIDENTIAL

AUG 19 1941

Sir:

There is forwarded herewith a copy of a proposed bill "To establish national censorship of international communications, and for other purposes", which has been forwarded to the Attorney General for his approval prior to its submission to the Bureau of the Budget.

An expression of your views in connection with this bill as it relates to the Coast Guard is requested in order that any desired change may be submitted to the Attorney General as a joint recommendation of the Treasury and Navy Departments.

Respectfully,



Frank Knox

The Honorable
The Secretary of the Treasury
Washington, D. C.

Enclosure.

September 5, 1941

Confidential

The Honorable

The Secretary of the Navy.

My dear Mr. Secretary:

This acknowledges your letter of August 15 (your file (SS)/A14/ENY-10, Serial 069712, L. SP.) enclosing a draft of a proposed bill to establish national censorship of international communications, prepared by the Navy Department in collaboration with the War Department. It is noted that, in accordance with the President's direction, the proposed draft is submitted to this Department for approval prior to its submission to the Bureau of the Budget.

The proposed bill would authorize the President to establish and maintain during the present national emergency or during a state of war a censorship of communications by mail, cable, radio, telephone, telegraph, teletype, visual means, sound, homing pigeons, or any other means whatsoever, between the United States and any foreign country; between the United States and its Territories or possessions; between the United States and any vessel; and between any Territory or possession and any other Territory or possession.

It is further proposed to authorize the President to appoint, by and with the advice and consent of the Senate, an official to be known as the Director of Censorship and to detail from the Army and Navy a "Chief Postal and Wire Censor" and a "Chief Radio and Cable Censor" to perform duties as Executive Assistants to the Director of Censorship.

A few general comments may be of some value. It appears that the President may now by rules and regulations proclaimed by him under section 606(a) of the Communications Act of 1934

control radio communications so as to prevent the transmission from the United States of radio messages identical to the national security; although the Commission itself by section 176 of the same act is prohibited from so doing. During the war of 1917-19 the President by Executive Order (No. 2604 of April 28, 1917) established censorship of cable, telegraph and telephone lines, reciting as authority the Constitution and the Joint Resolution of April 6, 1917, which declared the existence of a state of war. The validity of the censorship so inaugurated was never judicially established. Legislative authority came into existence with the Trading with the Enemy Act of October 6, 1917, which supported censorship of cable, telegraph and telephone during the existence of that war; and under the same legislation censorship of the mails was first established on October 12, 1917, under authority which expired with the war.

In view of the above, and notwithstanding the authority over radio above referred to and the authority exercised by Executive Order during the last war over cable, telegraph and telephone lines, and certain controls now possible over the use of the mail, especially second, third and fourth class mail, it nevertheless appears advisable to obtain legislation if censorship is now deemed wise. Of course, whether or not such legislation should be sought is primarily a question of policy. In determining the question of policy consideration should be given (1) to the traditional attitude of the United States with respect particularly to the inviolability of first class mail except in time of war, and (2) to censorship of telephones, which seems necessarily to involve wire-tapping. Congress has recently refused to enact legislation authorizing wire-tapping even in a restricted manner and for restricted purposes. (Hobbs Bill, H.R. 4228). Because of this recent attitude of Congress, it would I believe be preferable, if censorship legislation is sought to face the problem of wire-tapping frankly and not in the guise of censorship of telephones as in the proposed draft.

The draft of bill, in view of its emphasis on military participation, raises the question whether sufficient study has been made of the relative importance of censorship as between military on the one hand and economic and other civilian information on the other. I believe it will be found that the experience of the British during the present war shows that a relatively small percentage of the fruits of censorship has related to military as distinct from economic and other civilian matters. This suggests the advisability, if it has not already been done, of consultation with and working out of the principles of the draft with those concerned with economic defense, civilian intelligence, and similar non-military activities.

The United States has never inaugurated a system of censorship except in time of actual war. While I believe that the existing national emergency and the relationship of our own security to existing wars would support the validity of censorship legislation such as contemplated by the proposed draft of bill, I feel that the need for such censorship, together with the precise nature of the need should be first carefully examined and determined.

In any event, however, and whatever may be finally decided as to the matter of policy, I believe that it is very desirable that the problem be pursued to the end that the best possible draft be available in case it is decided that legislation should be sought. This department would be glad to cooperate and make such detailed suggestions as occur to it, a number of which I am prepared to submit in conference between representatives of the departments or in writing if you prefer.

Respectfully,

(s) Francis Biddle

Acting Attorney General

(80)/AL6/EX-10
Serial 069712

OFFICE OF THE SECRETARY.

DEPARTMENT OF THE NAVY
WASHINGTON

CONFIDENTIAL

Sir:

There is forwarded herewith a draft of a proposed bill, "To establish national censorship of international communications, and for other purposes", prepared by the Navy Department in collaboration with the War Department, pursuant to the directive of the Joint Board, No. 325(681), approved by the President on June 4, 1941.

The President, in approving this legislative project, directed that it be cleared through the Attorney General "as to legislation". Accordingly, the proposed draft is submitted for your approval prior to its submission to the Bureau of the Budget.

Respectfully,

The Attorney General
of the United States
Washington, D. C.

Copy to: Secretary of War.
Enclosure. Secretary of the Treasury.

JURIDICAL

A BILL

To establish national censorship of international communications, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That during a state of war, or the national emergency declared by the President on May 27, 1941, to exist, with the object of preventing the transmission of information detrimental to the national interest, the President is hereby authorized to establish and maintain, under such rules and regulations as he may from time to time prescribe, a censorship of communications by mail, cable, radio, telephone, telegraph, teletype, visual means, sound, homing pigeons, or any other means whatever, between the United States, its territories and possessions, and any foreign country; between the United States and its territories or possessions; between the United States, its territories and possessions, and any vessel, regardless of the location of such vessel; and between such territories or possessions and other such territories or possessions: Provided, That such

- 2 -

ensorship shall be applicable to foreign communications touching at any point in the United States, its territories and possessions, regardless of origin or destination: Provided further, That any radio broadcast or any other communication the receipt of which cannot be confined to specified domestic addressees shall be subject to such censorship.

SEC. 2. The President is further authorized to appoint, by and with the advice and consent of the Senate, an official to be known as the Director of Censorship, whose duties he shall prescribe, and whose salary he shall fix at a rate not in excess of \$10,000 per annum. The President is also authorized to detail from the Army and Navy, respectively, a "Chief Postal and Wire Censor", and a "Chief Radio and Cable Censor", who shall perform duties as Executive Assistants to the Director of Censorship in connection with the censorship provided for herein.

SEC. 3. The Secretary of War, the Secretary of the Navy, and the Secretary of the Treasury are authorized, on request of the Director of Censorship to de-

tail from the Army, Navy, and Marine Corps, and Coast
Guard, respectively, or any reserve component thereof,
such officers and enlisted men on active duty as may be
necessary to effectuate the provisions of this Act:
Provided, That any officer or enlisted man of the Army,
Navy, Marine Corps or Coast Guard, or any reserve com-
ponent thereof, who may be so detailed shall not be
prejudiced in regard to pay, allowances, promotion,
advancement, appointment, or other rights, benefits,
privileges, and gratuities, now or hereafter provided
by the laws relating to the regular Army, Navy, Marine
Corps or Coast Guard, respectively, or any reserve
component thereof: Provided further, That personnel
of the Army, Navy, Marine Corps or Coast Guard, or any
reserve component thereof, detailed in accordance
with this Section and the employees authorized by
Section 4(a) of this Act may be ordered by the Director
of Censorship to perform travel, by any means of trans-
portation, in connection with their official duties re-
lating to censorship, and shall receive the transporta-
tion and subsistence allowance specified by the Standard-

- 4 -

ised Travel Regulations, as now and hereafter amended, for the civilian employees of the Government, and no other.

SEC. 4. The Director of Censorship is authorized:

(a) To employ the necessary civilian personnel with or without regard to Civil Service laws and the Classification Act of 1923, as amended, assign the same such duties as he may deem appropriate, and provide such office space, services, facilities, supplies and equipment, including motor-propelled vehicles and maintenance and exchange thereof, as may be required for the organization, training and maintenance of the censorship establishment, without regard to Section 3709 of the Revised Statutes of the United States.

(b) To purchase such printing, binding and blank book work from public, commercial, or private printing establishments or binderies upon orders placed by the Public Printer who is hereby authorized to exercise, for the purpose of this Act, the discretion vested in the Joint Committee on Printing by Section 12 of the Act approved January 12, 1895, as amended by the Act approved July 8, 1935 (49 Stat. 475).

CONFIDENTIAL

- 5 -

(c) To require the registration and licensing of all persons, agencies, and organizations other than agencies of the United States Government, owning, possessing, maintaining, or transporting homing pigeons, and to requisition all homing pigeons so owned, possessed, or maintained, upon the payment of fair and just compensation in the manner provided for by the Act of October 10, 1940 (Public Numbered 529, Seventy-sixth Congress, Third Session).

(d) To require the registration and licensing of those agencies to be permitted to transmit to foreign countries newspapers, periodicals, books, and other printed matter or other authorized material, free of censorship.

SEC. 5. The Fiscal Service of the Treasury Department, is hereby designated, empowered and directed to perform the fiscal, disbursing and accounting functions of the Director of Censorship in carrying out the provisions of this Act.

SEC. 6. The Chairman of the Federal Communications Commission is hereby directed to place at the disposal of the Director of Censorship, such monitoring service and equipment as may be required to exercise radio surveillance over minor commercial radio circuits of the United States which, in the opinion of the Director, cannot be economically censored.

SEC. 7. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, not to exceed \$10,000,000 to effectuate the purposes of this Act.

SEC. 8. Whoever shall wilfully violate any of the provisions of this Act or of any license, rule, or regulation issued thereunder, and whoever shall wilfully violate, neglect, or refuse to comply with any order of the President issued in compliance with the provisions of this Act shall, upon conviction, be fined not more than \$10,000, or, if a natural person, imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation

CONFIDENTIAL

- 7 -

who knowingly participates in such violation shall be punished by a like fine, imprisonment, or both, and any property, funds, securities, papers, or other articles or documents, or any vessel, together with her tackle, apparel, furniture, and equipment, concerned in such violation shall be forfeited to the United States.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Twenty-Five Business Days of August, September, and October, 1941
 (August 1- , September 1-30, October 1-29)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	October	September	August	October over September	September over August	October over September	September over August
Series E - Post Offices	\$ 38,976	\$ 38,117	\$ 39,554	\$ 859	-\$ 1,437	2.3%	- 3.6%
Series E - Banks	<u>75,095</u>	<u>67,123</u>	<u>74,721</u>	<u>7,972</u>	- <u>7,598</u>	<u>11.9</u>	- <u>10.2</u>
Series E - Total	114,070	105,241	114,275	8,829	- 9,034	8.4	- 7.9
Series F - Banks	21,370	18,099	19,616	3,271	- 1,517	18.1	- 7.7
Series G - Banks	<u>115,402</u>	<u>108,987</u>	<u>121,932</u>	<u>6,415</u>	- <u>12,945</u>	<u>5.9</u>	- <u>10.6</u>
Total	<u>\$250,842</u>	<u>\$232,327</u>	<u>\$255,822</u>	<u>\$18,515</u>	- <u>\$23,495</u>	<u>8.0%</u>	- <u>9.2%</u>

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

October 30, 1941.

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 - October 1941
 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
October 1941									
1	\$ 1,450	\$ 3,029	\$ 1,286	\$ 8,271	\$ 12,587	\$ 4,479	\$ 1,286	\$ 8,271	\$ 14,036
2	1,870	2,786	867	4,324	7,977	4,656	867	4,324	9,847
3	2,150	3,299	1,065	6,323	10,687	5,449	1,065	6,323	12,837
4	1,270	1,696	612	6,400	8,707	2,966	612	6,400	9,978
6	3,449	4,778	1,444	9,286	15,508	8,226	1,444	9,286	18,956
7	1,207	2,595	572	2,913	6,080	3,802	572	2,913	7,287
8	1,363	3,674	821	3,611	8,106	5,037	821	3,611	9,469
9	1,652	4,270	903	3,654	8,827	5,923	903	3,654	10,479
10	1,495	3,672	989	5,272	9,933	5,167	989	5,272	11,428
11	1,291	2,400	632	4,098	7,129	3,690	632	4,098	8,420
13	2,515	3,624	1,164	4,989	9,778	6,139	1,164	4,989	12,293
14	437	1,022	261	511	1,794	1,459	261	511	2,231
15	879	2,175	759	3,482	6,417	3,055	759	3,482	7,296
16	1,376	3,054	724	3,908	7,685	4,429	724	3,908	9,060
17	1,422	3,609	860	4,969	9,438	5,031	860	4,969	10,861
18	1,180	2,424	846	3,013	6,283	3,604	846	3,013	7,463
20	2,827	3,395	895	2,800	8,091	6,222	895	3,800	10,918
21	887	2,029	436	2,959	5,425	2,917	436	2,959	6,312
22	1,284	3,316	835	5,880	10,032	4,600	835	5,880	11,316
23	1,496	3,201	882	5,322	9,406	4,697	882	5,322	10,901
24	1,364	3,320	718	2,963	7,001	4,684	718	2,963	8,365
25	1,341	2,393	959	4,798	8,150	3,735	959	4,798	9,491
27	2,224	3,854	1,120	4,156	9,131	6,078	1,120	4,156	11,354
28	1,213	2,164	842	5,660	8,666	3,377	842	5,660	9,880
29	1,333	3,314	877	4,839	9,031	4,647	877	4,839	10,364
Total	\$ 38,976	\$ 75,095	\$ 21,370	\$115,402	\$211,866	\$114,070	\$ 21,370	\$115,402	\$250,842

October 30, 1941.

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

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.

Treasury Department

TELEGRAPH OFFICE

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TDS BEVERLYHILLS CALIF OCT 29 1941 1941 OCT 30 PM 8 19

HENRY MORGENTHAU JR

SECY OF TREAS

SONG RECORDED BY TONY MARTIN AND DAVID ROSE ORCHESTRA THIS AFTERNOON.
RECORD FOR YOU TO HEAR BEING PROCESSED SHOULD REACH YOU END OF WEEK.
SONG IS CALLED "ABE LINCOLN HAD JUST ONE COUNTRY" AND JUDGING FROM
ENTHUSIASTIC ACCLAIM AT RECORDING STUDIO THINK YOU WILL BE PLEASED.
CERTAINLY HOPE SO. REGARDS

JEROME KERN

747AM OCT 30

75

October 30, 1941

My dear General Watson:

As you undoubtedly know, the airfield at New Hackensack is frequently used by visitors to the President.

I asked my pilot to write out for me the various steps that might be taken to improve the field and I am enclosing his recommendations herewith.

If you concur and feel that the field should be put in first-class condition, I would appreciate it if you would bring this matter to the attention of the Civil Aeronautics Administration with a recommendation that these steps be taken.

Yours sincerely,

(Signed) H. Morganthau, Jr.

General Edwin M. Watson,
The White House.

*By hand 1-4-5 Blackwell
M.T.B.*

27 October, 1941.

ADMIRAL WAESCHE:

This memorandum is submitted as a result of a conversation I had with the Secretary on the return flight from New Hackensack last night. The Secretary directed that a memorandum be submitted to him which he would take up with the White House.



W.E. Sinton,
Lieutenant, U.S.C.G.

27 October, 1941.

MEMORANDUM FOR - The Secretary of the Treasury

Subject: Civil Aeronautics Administration field at New Hackensack, New York.

1. The Civil Aeronautics Administration field at New Hackensack, N. Y., is frequently used by government aircraft on special missions of importance. It is the nearest field of any size to the President's Hyde Park estate and is used to expedite the delivery of official correspondence to the President.

2. The present field is satisfactory for daytime operations of single engine planes but is not considered adequate for operations of large twin engine aircraft nor for night time operations of military aircraft.

3. It is recommended that this Civil Aeronautics Administration intermediate field be improved as follows:

- (a) Remove trees from the southwest end of the northeast-southwest runway. These trees rise to a height of approximately 60 feet constituting a distinct hazard to planes using this runway.
- (b) Continue the hard surfacing of the southeast end of the Northwest-southeast runway and the northeast end of the northeast-southwest runway. The field has recently been enlarged but the runways have not been extended by hard surfacing.
- (c) Install flood lights for night landings. The field at present has boundary, approach and obstruction lights. Some of the obstruction lights should be replaced as they are lower than the obstructions.
- (d) Restore the teletype circuit which contains airway terminal forecasts and upper air. Until recently this circuit was available but has been terminated.

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27 October, 1941.

MEMORANDUM FOR - The Secretary of the Treasury

Subject: Civil Aeronautics Administration field at New Hackensack,
New York.

1. The Civil Aeronautics Administration field at New Hackensack, N. Y., is frequently used by government aircraft on special missions of importance. It is the nearest field of any size to the President's Hyde Park estate and is used to expedite the delivery of official correspondence to the President.

2. The present field is satisfactory for daytime operations of single engine planes but is not considered adequate for operations of large twin engine aircraft nor for night time operations of military aircraft.

3. It is recommended that this Civil Aeronautics Administration intermediate field be improved as follows:

- (a) Remove trees from the southwest end of the northeast-southwest runway. These trees rise to a height of approximately 80 feet constituting a distinct hazard to planes using this runway.
- (b) Continue the hard surfacing of the southeast end of the northwest-southeast runway and the northeast end of the northeast-southwest runway. The field has recently been enlarged but the runways have not been extended by hard surfacing.
- (c) Install flood lights for night landings. The field at present has boundary, approach and obstruction lights. Some of the obstruction lights should be replaced as they are lower than the obstructions.
- (d) Restore the teletype circuit which contains airway terminal forecasts and upper air. Until recently this circuit was available but has been terminated.

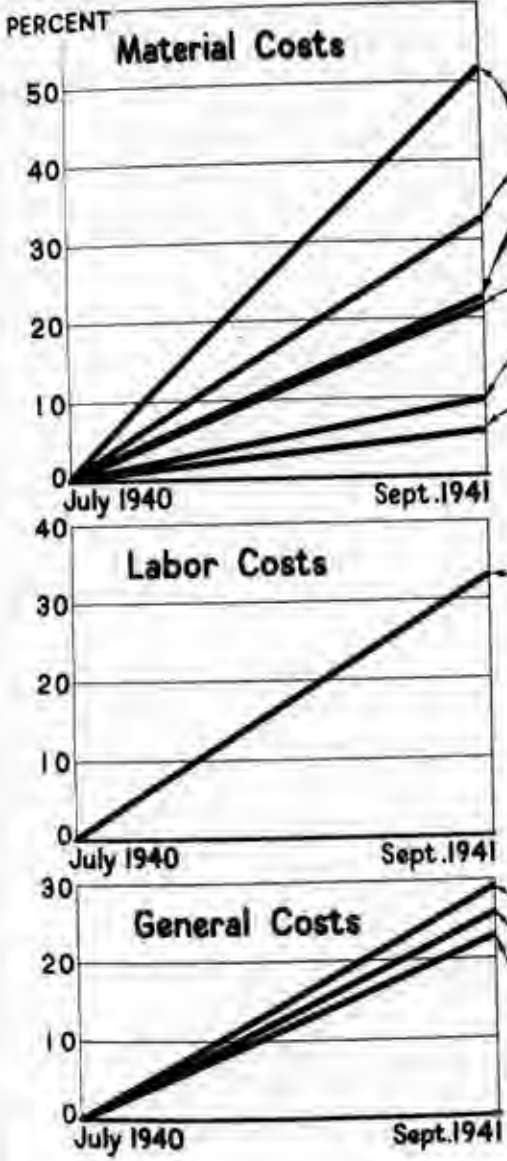
MEMORANDUM FOR - The Secretary of the
Treasury
27 October, 1941.

- (e) Make available a rotary snow plow to keep the field open for winter operations. Last winter the County authorities supplied a road snow plow to keep the runways open but raised high drifts on each side of the runways which constituted a hazard to aircraft operations.

R. R. WAESCHE,
Rear Admiral, U.S. Coast Guard,
Commandant.

CHANGES IN COST OF CONSTRUCTION OF STANDARD 6-ROOM FRAME HOUSE, ST. LOUIS

Percentage Change July 1940 to Sept. 1941



Item	Percent Increase	Cost Sept. 1941
Material Costs		
Unfinished Lumber.....	51.8	\$ 563
Finished Lumber.....	32.9	865
Paint, Hardware and Electric Materials.....	22.8	474
Windows, Doors, etc.....	21.7	689
Masonry and Tile Materials.....	9.8	673
Heating and Plumbing.....	5.8	551
Total.....		3,815
Labor Costs		
Total.....	33.1	2,265
General Costs		
Insurance Sale Tax, etc.....	29.1	422
General Contractors' Profit.....	25.8	649
Subcontractors' Overhead and Profits.....	23.0	433
Total.....		1,504
Total Costs, Sept. 1941.....		7,584
Total Costs, July 1940.....		6,004
Increase.....		1,580
Percent.....		26.3

Source: Real Estate Analyst

File of the Secretary of the Treasury
Division of Economic Warfare

Prepared by: Mr. Foy

Mr. Murphy

DEPARTMENT

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Mr. Haas

COMMUNICATION

DATE October 30,
1941

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Current Developments in the High-grade Security Markets;
Bank and Insurance Company Absorption of Government
Securities

SUMMARY

- (1) During the past two weeks Treasury bonds advanced about one-half of a point, while Treasury notes declined about one-quarter of a point (Chart I). The average yield of long-term partially tax-exempt Treasury bonds reached an all-time low of 1.82 percent yesterday (Chart II).
- (2) The new 1 percent Treasury note closed last night to yield 0.91 percent. This compares with a yield of 0.77 percent on the 3/4 percent note maturing three months earlier (Chart III). Several factors appear to account for the rather wide spread of 0.14 percent for only three months.
- (3) The Treasury average yield of high-grade corporate bonds was 2.58 percent at last night's close, the lowest yield since January of this year (Chart II). In the two weeks ending October 25, the Dow-Jones weekly average yield of municipal bonds, moving contrary to the trend of both Treasury and corporate bonds, rose five basis points to 1.93 percent (Chart IV).
- (4) During the six months from March 31 to September 30, commercial banks absorbed more than the entire increase in the privately-held marketable supply of Government securities. Mutual savings banks and life insurance companies each showed a small increase, in the case of mutual savings banks such increase being the net result of a large turn-over of tax-exempt into taxable securities. "All other holders" decreased their holdings of marketable securities during this period. This may be due in part to shifts by individuals and trusts out of marketable securities into savings bonds.
- (5) The Commonwealth of Australia is offering a loan of £100 millions. The loan consists of two issues -- 2-1/2's of 1945-46 and 3-1/4's of 1950-57.

Secretary Morgenthau - 2

I. United States Government Securities

The past two weeks saw a continuation of the price trends in Treasury bonds and notes begun about a month ago. Since October 14 prices of bonds have advanced about one-half of a point and prices of notes have declined about one-quarter of a point (Chart I).

The following table presents price changes of Treasury bonds and notes by maturity classes from September 30 to last night's close:

	Average price change		
	Sept. 30- Oct. 14	Oct. 14- Oct. 29	Sept. 30- Oct. 29
(Decimals are thirty-seconds)			
<u>Notes</u>			
1 to 3 years	-.06	-.10	-.16
3 to 5 years	-.08	-.04	-.12
<u>Bonds</u>			
5 to 15 years to call	+.04	+.14	+.18
15 years and over to call	+.07	+.27	+.02

The average yield of long-term partially tax-exempt Treasury bonds, moving inversely to prices, achieved a record low of 1.82 percent yesterday (Chart II). Prior to last week, the record low yield had been 1.86 percent reached on December 28, 1940. Last night's low of 1.82 percent is the lowest yield since the inception of the long-term partially tax-exempt Treasury bond average in 1919.

II. The New Treasury Note

On last Thursday, the day of announcement of the offer to exchange new 1 percent Treasury notes due in 1946 for the maturing RFC and CGO notes, bid prices of "rights" opened at 100-21/32 and closed at 100-17/32. Since then "rights" and when-issued quotations have settled slightly, and at last night's close the when-issued bid quotation was 100-13/32.

Chart III presents a comparison of the bid yield of the new Treasury notes with the bid yields of outstanding taxable Treasury notes. It will be noted that the yields of 0.77 percent on the 1945 notes and 0.91 percent on the new notes are farther apart than the difference in maturity of only three months would seem to justify.

One explanation may be the fact that the 1945 notes are already selling slightly below par, and resistance to further declines (which would cause the yield to rise into line with that of the new notes) results from reluctance to suffer a capital loss on the part of commercial banks which acquired the 1945 notes at par.

Another reason for the divergence in yields between the two note issues may be the unequal effect of the corporate income tax on the different sized coupons. By deducting from the yield of each issue a 31 percent tax on the respective coupons, it is found that the difference in the net yields to a holder subject to corporate tax is relatively small -- a 0.60 percent yield after taxes on the 1946 notes compared to a 0.54 percent yield after taxes on the 1945 notes.

III. Other Domestic High-grade Securities

New public offerings of bonds in the New York market have sharply declined the past half month, totaling only \$5.4 millions for the two weeks ending October 24 as compared with \$56.3 millions the previous two weeks.

High-grade corporate securities have had only very minor price movements during this period. The Treasury's average yield of five high-grade corporate bonds was 2.58 percent at last night's close, a decline of two basis points since October 14 (Chart II). This is the lowest yield the average has reached since January of this year.

Secretary Morgenthau - 4

For the two weeks ended October 25, the Dow-Jones weekly average yield of twenty 20-year municipal bonds, moving inversely to prices, rose to 1.93 percent, an increase of five basis points from its all-time low yield attained October 11 (Chart IV). Since the average yield of long-term partially tax-exempt Treasury bonds was 1.83 percent on October 25, the spread between these two averages at the end of last week was once more a positive value, +0.10 percent, as compared to -.01 percent on October 11.

IV. Bank and Insurance Company Absorption of Government Securities

It has been pointed out in previous memoranda that life insurance companies and mutual savings banks, particularly the latter, have a very limited net absorptive capacity for Government securities. It has also been emphasized that most of the purchases of taxable securities made by mutual savings banks during the past year have been financed by sales of tax-exempt securities to commercial banks. These facts are brought out sharply in the following table and in Chart V.

Net Changes in Holdings of Marketable Government Securities by Selected Classes of Investors

March 31 to September 30
(Millions of dollars)

	⋮ Taxable ⋮ securities*	⋮ Tax-exempt ⋮ securities*	⋮ Treasury ⋮ bills	⋮ Total
Commercial banks	+1,425	- 74	+222	+1,573
Mutual savings banks	+ 545	-424	- 5	+ 116
Insurance companies	+ 515	-222	- 29	+ 264
All other private investors	+ 446	-643	-488	- 685
All private holders	+2,931	-1,363	-300	+1,268

* Except Treasury bills.

The above table shows that, during the first six-month period covered by the Treasury Survey of the Ownership of Government Securities, commercial banks increased their holdings of marketable securities by a greater amount than the increase in the total privately-held supply. This is true even if the increase during this period in commercial bank holdings of Treasury bills (due principally to seasonal influences) is disregarded.

Chart V casts further light on how these changes came about. Commercial banks, it will be noted, managed to keep the reduction in their holdings of tax-exempt securities under \$100 millions despite a reduction of \$1.4 billions in the total privately-held supply of such securities. They accomplished this by purchasing from other classes of holders almost enough tax-exempt securities to offset their entire maturities.

Mutual savings banks show a large turn-over of securities with a rather small net increase. It will be noted that these banks were especially partial to the 2-1/2's of 1956-58.

Insurance companies remained true to their tradition that they "buy to hold" and sold very few tax-exempt securities. A much larger proportion of their purchases of new taxable securities, therefore, represented bona fide new savings.

"All other investors" showed a net decrease of about \$700 millions in their holdings of marketable Government securities. About \$500 millions of this was in Treasury bills and is probably largely seasonal in character. The remaining \$200 millions is a real decline, however, and perhaps represents, in large part, a liquidation of marketable securities by individuals and trusts in order to purchase savings bonds.

V. New Australian Loan Announced

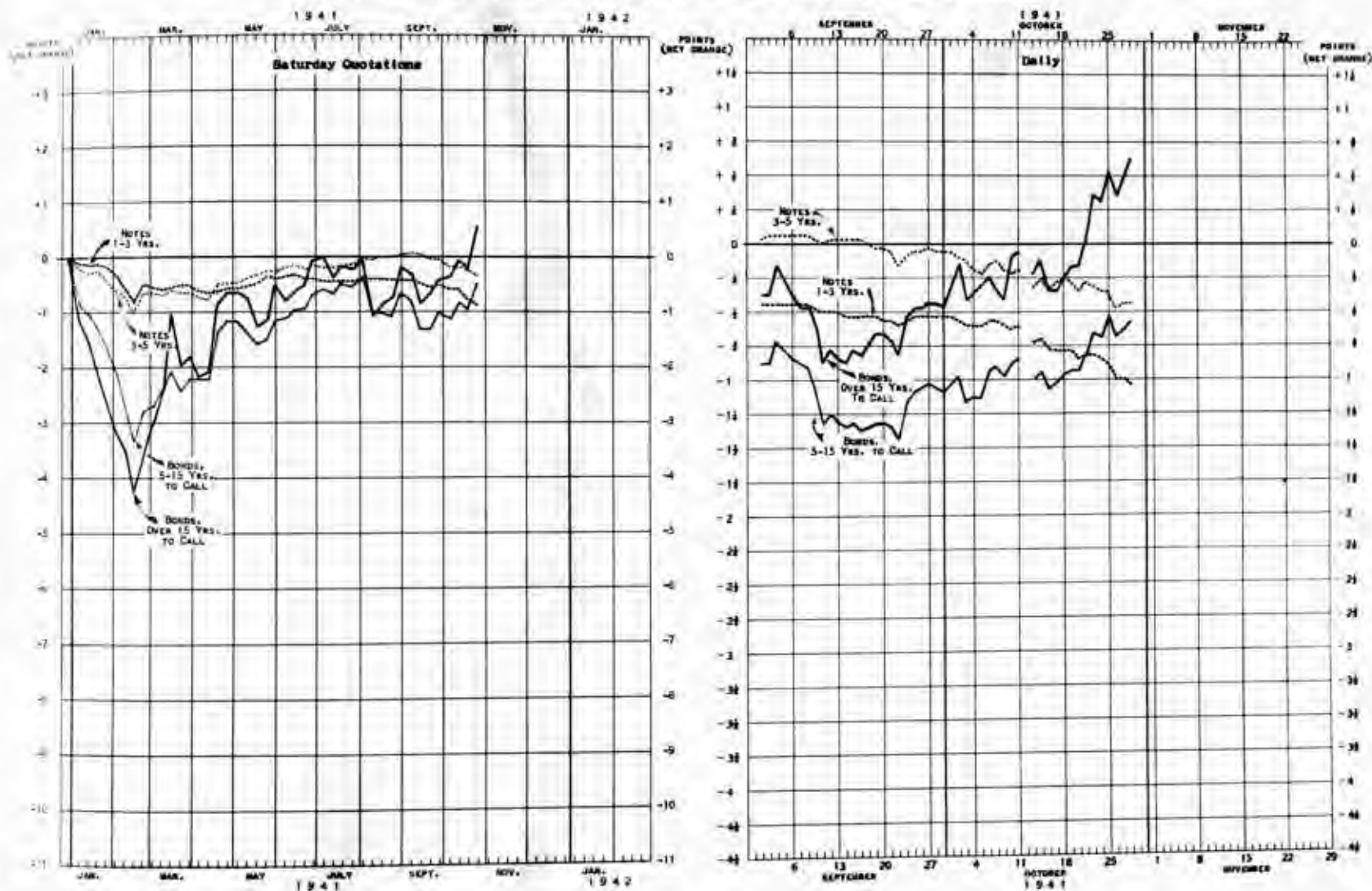
The largest single loan ever offered by the Commonwealth of Australia was announced October 7 by the Commonwealth Treasury. It comprises two new securities totaling £100 millions. Of this amount, £70 millions is to be applied to the conversion of securities maturing November 15, 1941 and £30 millions is new money for current expenditures. The new borrowing is the equivalent on a per capita basis of about \$1.8 billions in the United States.

As the estimated government expenditures for the year ending June 30, 1942 amount to about £320 millions, the new money obtained from the issues will cover nearly one-tenth of the total expenditures.

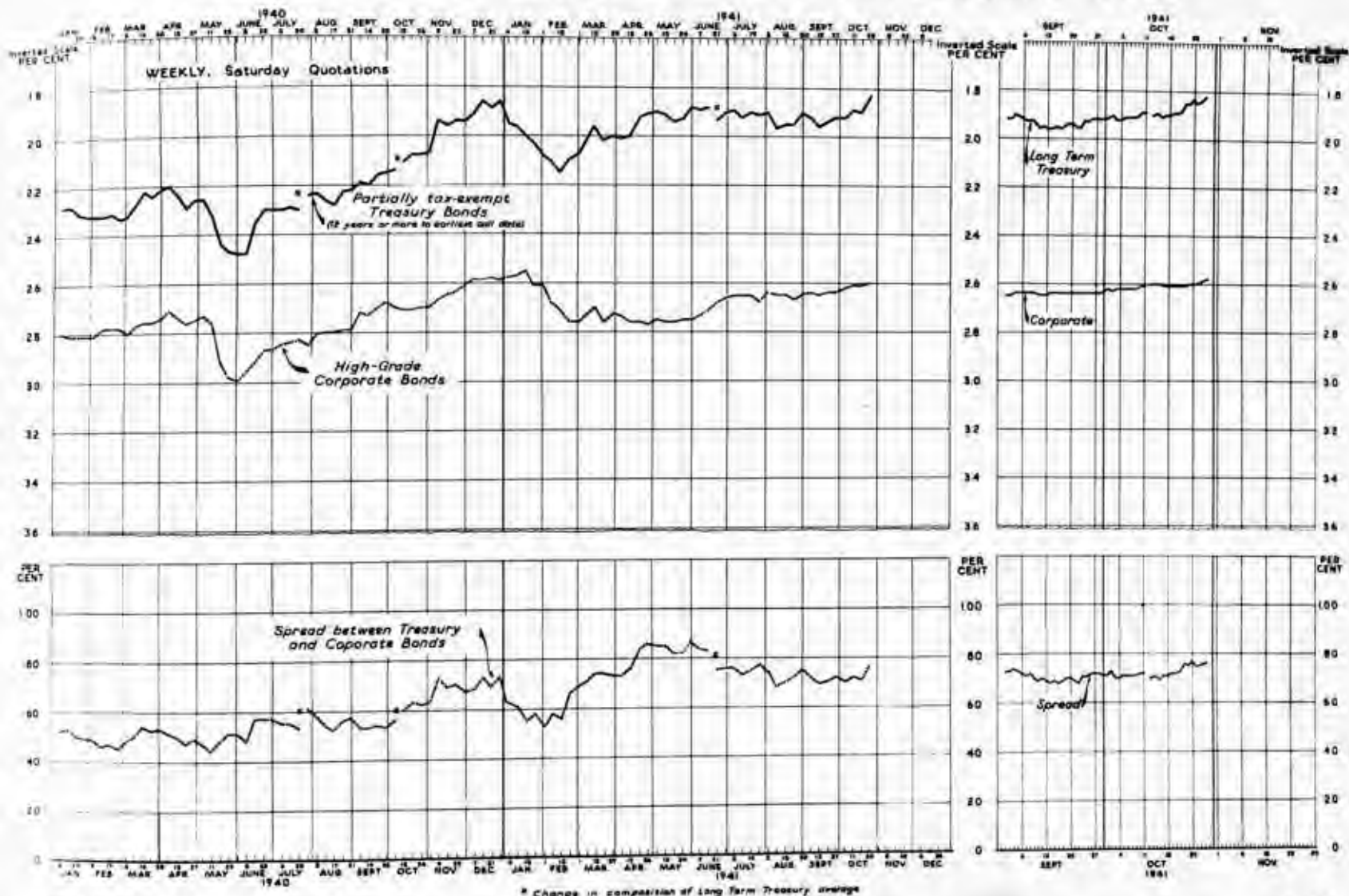
The new loan is to be issued at par with a choice of two maturities. One issue bearing interest at the rate of 2-1/2 percent is callable November 1945 and matures November 1946. The other issue bearing interest at the rate of 3-1/4 percent is callable November 1950 and matures November 1957. According to a report appearing in the London Financial Times, the subscription books were to have opened on October 7 and were to close not later than November 15, 1941. Press reports immediately following opening of the books stated that the new money required was already in sight from 15,000 subscribers including institutional and corporate lenders.

Attachments.

CHANGES IN THE PRICES OF U.S. SECURITIES
 Points Plotted Represent the Difference From December 28, 1940 Price of Each Maturity Class

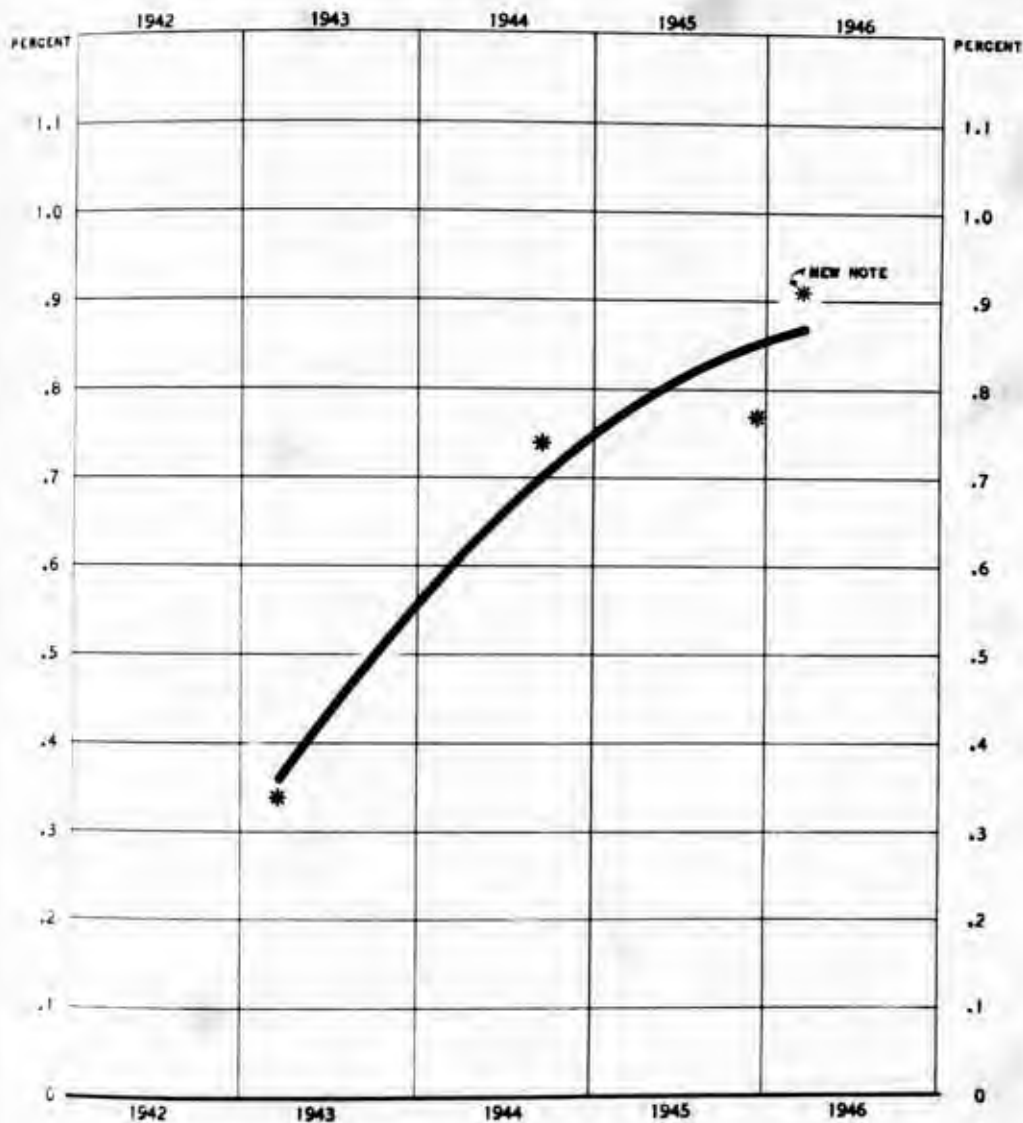


AVERAGE YIELDS OF LONG-TERM TREASURY AND CORPORATE BONDS



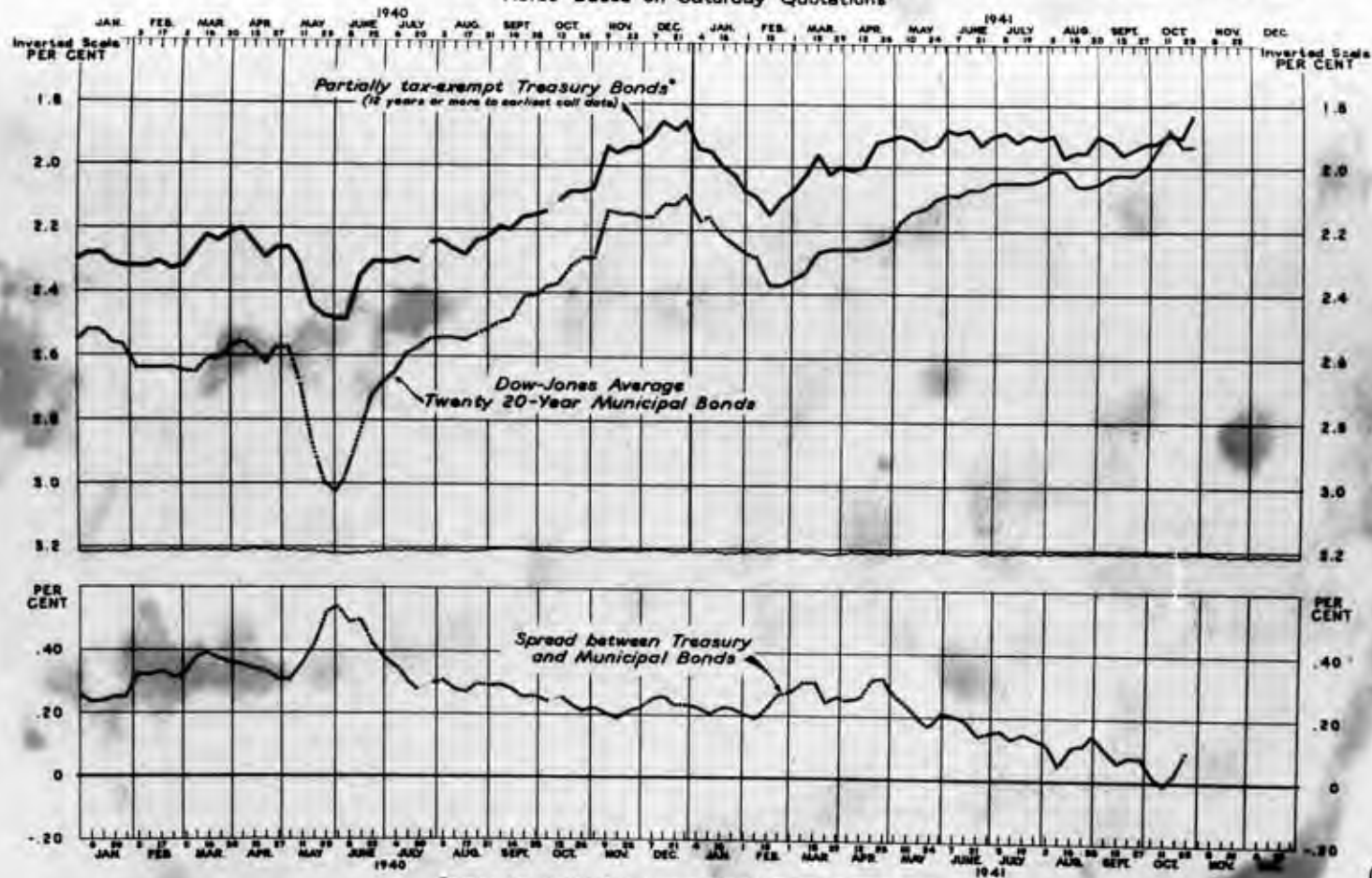
Source: U.S. Treasury and Treasury Department of Economic and Financial Statistics

YIELDS OF TAXABLE TREASURY NOTES
 Based on Closing Bid Prices, Oct. 29, 1941



AVERAGE YIELDS OF LONG-TERM TREASURY AND MUNICIPAL BONDS

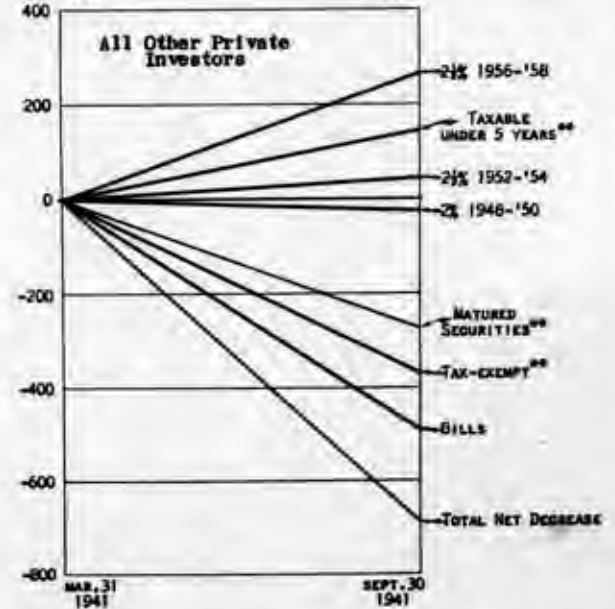
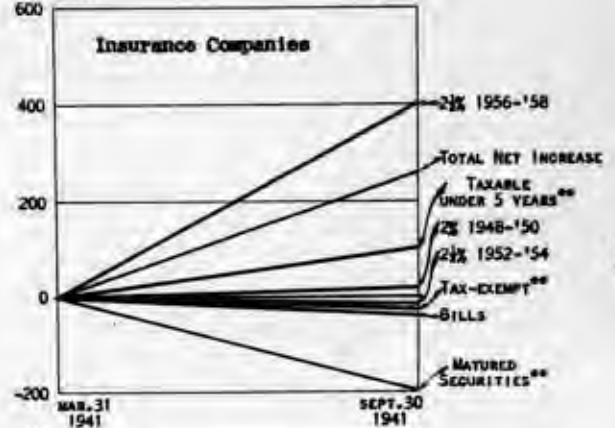
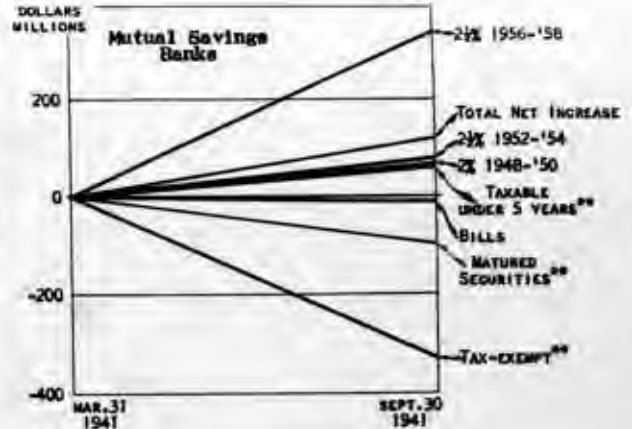
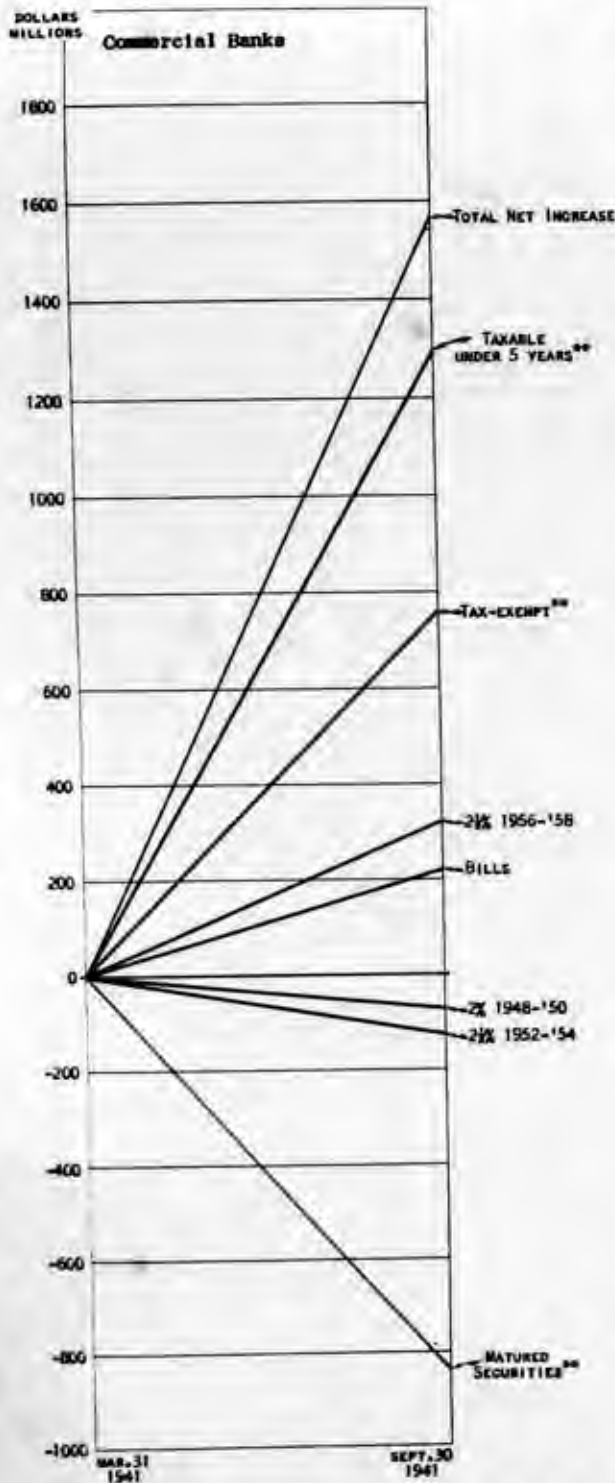
Yields Based on Saturday Quotations



*Break in line indicates change in composition of Long Term Treasury average

Office of the Secretary of the Treasury
Bureau of Economic Warfare

NET PURCHASES AND SALES OF MARKETABLE SECURITIES* BY
SELECTED CLASSES OF INVESTORS
March 31 to September 30, 1941



* INCLUDES GUARANTEED SECURITIES
** EXCLUDING BILLS

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE OCT 30 1944

TO Secretary Morgenthau.
FROM Mr. Foley.

Josiah E. DuBois, Jr., of my office and John S. Hooker of the State Department have recently returned from a five-weeks' trip during which they visited the following countries: Haiti, Dominican Republic, Guatemala, El Salvador, Honduras, Nicaragua and Costa Rica.

They worked with our diplomatic and consular officers in such countries and consulted with representatives of the local governments with respect to problems arising in connection with our black list.

As I previously advised you, this trip was occasioned by the fact that in certain of these countries it appeared that the business activities of certain firms on the black list were important in the economic life of such countries and that it was necessary to work out programs with the local governments so that the economy of such countries would not be harmfully affected and, at the same time, the objectives of the black list would not be defeated. As a result of this visit it was found that it was necessary to work out programs along these lines in Haiti, the Dominican Republic, Guatemala and Costa Rica. Such programs

- 2 -

have already been worked out in Haiti, the Dominican Republic and Costa Rica and it is hoped that a program will shortly be worked out in Guatemala.

You will also be interested in the fact that Mr. DuBois and Mr. Hooker report that the black list has, on the whole, been very effective in these countries, destroying in some cases, and drastically curtailing in many others, the business activities of firms on the black list.

S. P. 76

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DEPARTMENT OF STATE

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WASHINGTON

October 30, 1941

In reply refer to
FF 893.51/7333

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram No. 453, dated October 28, 1941, from the American Consulate General, Hong Kong, China, transmitting a message from A. Manuel Fox for the Secretary of the Treasury.

Enclosure:

From Consulate General, Hong Kong,
No. 453, October 28, 1941.

TEM

GRAY

Hong Kong via N. E.

Dated October 28, 1941

Rec'd 12:20 p.m. 29th

Secretary of State,
Washington.

453, October 28, 9 a.m.

FROM FOX FOR SECRETARY OF THE TREASURY.

"Tr-J. Re your 246 of October 21st received on 25th. Have discussed Frese's return to Treasury with him. In view of the fact that board started operations late and found it necessary to undertake exchange control program there remains many difficult and important accounting procedures and problems to be developed. Frese is anxious to return to regular work with Treasury but is desirous of staying here until some of more pressing of these can be worked out. This will take at least another month. Understand from Frese that before leaving for Shanghai Cochran discussed this matter with him and that Frese consented to stay until Cochran could get back to Washington to send some one out to replace him.

In view of

In view of constantly changing nature of the problem and the fact that the board's organization is still somewhat in developmental stage, it seems essential to have some one assigned from Treasury to continue Frese's they contemplate and for Frese to spend some time with him before he leaves. Know of no place where one could get as rich experience as is here available. Qualifications desired young man with training in economics and accounting and some experience in latter field, some familiarity with banking also desirable, must have analytical mind and stable habits, salary need not be as high as Frese is receiving.

Frese should remain here at least until first and second monthly reports and first quarterly reports are completed. Could you have some one here to replace Frese within next few weeks and arrange plane reservation for Frese early December as all plane reservations must be made in States."

SOUTHARD

WSB
Copy:hr:10-31-41.

RD

GRAY

London

Dated October 30, 1941

Rec'd. 9:22 a. m.

Secretary of State,
Washington.

5150, October 30, 11 a. m.

Department's 4670, 4685 and Embassy's 4963.

FOR THE SECRETARY OF THE TREASURY FROM CASADAY.

British Treasury and Ministry of Information

were pleased to learn of the statement on the relative British and American tax burdens made by Assistant Secretary of State of the Treasury Sullivan in Boston October 23.

The Ministry of Information states that it is planning in connection with other agencies a "rather thorough" comparative survey of war time financial costs and burdens in the United Kingdom the Empire countries, Germany, the United States, and possibly other countries. In general, therefore, any authentic data on United States war time finance and taxation not readily available here in published form would be welcomed by them.

Specifically at the time the Ministry expressed curiosity

-2- #5158, October 30, 11 a.m., from London.

curiosity regarding the figure of 22% in the second sentence of the fourth paragraph of the State Department's 4670. This figure is at variance with the figure of 25% given by the United States Chamber of Commerce as the percentage of the United States national income tax collected in taxes. 22% was the Chamber's figure for Britain, not for the United States. In view of the contemplated survey the Ministry is anxious that the data it gathers be authentic and wonders whether the United States Treasury has made an independent estimate of United States tax collections or of United States national income materially different from the Chamber of Commerce estimates.

WINANT.

WSB

TREASURY DEPARTMENT

98

INTER-OFFICE COMMUNICATION

DATE October 30, 1941.

TO Secretary Morgenthau
 FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£78,000
Purchased from commercial concerns	£6,000

Open market sterling was quoted at 4.03-1/2, and there were no reported transactions.

The Canadian dollar, which has shown a somewhat firm tendency in the past few days, reacted to close at a discount of 10-7/8% today. Last night's final quotation was 10-5/8%.

In New York, closing quotations for the foreign currencies listed below were as follows:

Argentine peso (free)	.2377
Braslian milreis (free)	.0505
Colombian peso	.5775
Mexican peso	.2070
Uruguayan peso (free)	.4625
Venezuelan bolivar	.2620
Cuban peso	1/8% discount

We purchased \$500,000 in gold from the earmarked account of the Central Bank of Peru.

The Federal Reserve Bank of New York reported the following gold engagements, both of which are for sale to the New York Assay Office:

\$3,267,000 from Canada, shipped by the Bank of Canada to the Federal for account of the Government of Canada.

168,000 from Venezuela, shipped by the Royal Bank of Canada, Caracas, to the Royal Bank's New York agency.

\$3,435,000 Total

A price of 23-1/2d was again fixed in London for both spot and forward silver, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 34-3/4¢.

We made no silver purchases today.

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BRITISH EMBASSY,
WASHINGTON, D. C.

October 30, 1941

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.

T. LORAN FROM LONDON DATED OCTOBER 29th. 1941.

A mixed cruiser and destroyer force bombarded the Bardia area on the night of 26th/27th. R.F.A.A. Albacores dropped flares illuminating the harbour for this bombardment and also bombed the entrance to the harbour.

The M/V Georgie 27,759 tons bombed and sunk off Suez on the 11th July has been salvaged.

On the night of 26th/27th and on the following day, 4 Wellingtons and 9 Marylands attacked the docks at Dunkirk.

During operations over Northern France in daylight on the 28th our fighters attacked barges and factories near Dunkirk. 2 M.S. 109's were destroyed and 1 was destroyed on the ground.

A Hudson Aircraft hit a medium sized merchant ship off Tereschelling on the 28th.

On the night of the 28th/29th the Royal Air Force raided Cherbourg and the Skoda works. All aircraft returned. 35 enemy aircraft operated against the United Kingdom during the night of the 28th/29th dropping some bombs in Somerset, Devon and Cornwall. No important damage was done. One enemy bomber was destroyed by night fighters.

RUSSIA: Kalinin Sector: Russian counter attacks are preventing Germans from consolidating their positions.

Moscow Sector: The Germans have made slight progress North of Rubinsk on the Moshaisk-Moscow road and east of Harofominsk. The Russians are counter-attacking in the direction of Moshaisk.

Donets Basin: The Russians are resisting strongly and the Germans have made little progress.

Tagov Sector: No change is reported.

RESTRICTED

G-2/2657-220; No. 532 M.I.D., W.D. 11:00 A.M., October 30, 1941

SITUATION REPORTI. Eastern Theater.

Ground: Fighting continues on the Moscow front, especially along the Nara river for control of bridgeheads.

On the southern front, the German High Command claims to have reached the upper Donets river on a broad front. Further successes are claimed on the mainland of the Crimea.

Air: The Finns claim that their planes have set fire to a Russian troop ship and have made direct bomb hits on a troop train on the Murmansk railroad. Leningrad and Moscow suffered raids.

II. Western Theater.

Air: This morning British raiders bombed Brest, France, and German air bases in the occupied Low Countries.

According to London, a single Nazi raider dropped bombs on southwest Britain last night, but caused no casualties or damage.

American-built Hudson bombers were used by the British in an attack on Alesund, Norway, last night.

III. Middle Eastern Theater.

Air: Italians made another of the frequent raids on Malta. Italy reports British raids which were centered on Reggio Calabria and Catanzaro.

RESTRICTED