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TREASURY DEPARTMENT

FOR RELEASE, MORNING NEWSPAPERS,
Friday, September 26, 1941.

The Secretary of the Treasury, by this public notice, invites tenders for \$100,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated October 1, 1941, and will mature December 31 1941, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, September 29, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

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Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on October 1, 1941.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941,

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the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

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

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September 26, 1941
10:05 a.m.

GROUP MEETING

Present: Mr. Graves
Miss Chauncey
Mr. Bell
Mr. Morris
Mr. Gaston
Mr. Thompson
Mr. Haas
Mr. Schwarz
Mr. Foley
Mr. White
Mr. Kuhn
Mr. Odegard

H.M.Jr: I signed the joint recommendation of Gaston, Johnson and Thompson.

Thompson: Yes, I got it back.

H.M.Jr: I am glad you people had a change of heart.

Gaston: I wouldn't say it was a change of heart.

H.M.Jr: How would you describe it?

Gaston: A change of tactics. It has gone over for preparation of charges.

H.M.Jr: Norman?

Thompson: I have nothing.

Bell: I have got the Federal Reserve people in my office at ten fifteen, and I would rather

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not keep them waiting too long.

H.M.Jr: No. Well, unburden yourself.

Bell: O.K. Here is the draft of a press release that you give out on the thirtieth from Merle Cochran.

H.M.Jr: Where is the stuff on Chester Barnard?

Schwarz: It is in the group here. There is also one in the Herald Tribune. I have a - if you want to take it now, I would like approval on one of Dave Morris.

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

Schwarz: He has already seen it.

H.M.Jr: And this is --

Bell: Just a quoted part - the indented part is all you need to read. I will clear with White and give it to Chick.

(Mr. Graves entered the conference).

H.M.Jr: It is all right.

Bell: These meetings that were held in New York, you asked Mr. Foley and me as to what is being done about further meetings. That was just an experiment, I take it, and with good results we will lay plans to do it other places.

Foley: Well, they aren't through, Mr. Secretary, there is a meeting in New York City tonight.

H.M.Jr: Yes, but there are forty-eight states.

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Foley: That is right, and I have been waiting until these boys got back to hear from them first-hand the suggestions that they have for adopting a similar program for the rest of the country, and I think you can do your program next week, Mr. Secretary, after we have had a chance to talk to our people.

H.M.Jr: I don't see what you have got to wait so long for.

Well, you know it is a success. You have all seen Merillat's report, haven't you?

Foley: Yes, I saw it this morning after I read your memorandum. I got a copy of it.

H.M.Jr: Sure. Well, let's go places, come on, come on. We have got forty-eight states to go. Let's get moving.

Foley: Well, I will give you a program --

H.M.Jr: Let's step up the tempo. To show you what has happened, you see, a morning newspaperman by the name of Ferdinand Kuhn was here at seven fifteen this morning. When that happens we are going places. (Laughter). He was shaken out of his complacency. Herbert knows what that means, don't you, Herbert?

Gaston: Yes.

H.M.Jr: When an editorial writer gets here at seven fifteen in the morning, that is something.

Bell: Have you changed the hours?

H.M.Jr: Let's get going, gentlemen.

Bell: Well, I do think we ought to have a report from those people.

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Foley: Merillat went to two meetings, Mr. Secretary. After all, these fellows are the ones who conducted the meetings and I want to talk to them.

H.M.Jr: But you have got forty-eight states. Get the other Federal Reserves going.

Foley: That is right.

Bell: You sent me in this article that calls attention to the differences between the Treasury expenditure figures for national defense and the OPM. Well, of course there is quite a discrepancy because they put in many things that we don't have in our statement as national defense, and also they cover a fourteen months period, beginning back July 1, and our daily statement is on our fiscal year basis. They also include checks issued and of course ours is on a cash basis. Now, they include the expenditures made by RFC as Metal Reserves and the other defense corporations. They are not, strictly speaking, national defense expenditures until the Army and Navy buys those goods from those corporations. Up to that time, they are an investment of the RFC and its subsidiaries, and are shown in another place on our expenditure statement, so that there is bound to be a wide discrepancy, and I would hate to see ours changed just to make a big figure, and that is what it is done for.

H.M.Jr: Would you make a note? Send for a representative of Standard Statistics, who writes that, and sit down and have a talk with him. Will you do that, Dan?

Bell: Yes.

H.M.Jr: Anything else, Dan?

Bell: One more. You mentioned yesterday evening in our conference - a conference about depositaries, you remember you said that you didn't know where the money was being put and so forth, and you would like to know a little more about it. I wonder if you would like to have a complete report on the depositaries. It would be quite long, but it might be interesting. I just have a tentative one this morning on what we have done in the last few months, and I thought it might be interesting if you had a full report on the thing.

H.M.Jr: I would like to.

Bell: giving the types and how we have handled the national defense situation, as well as the bases that have been established in the Atlantic. It would be very interesting.

H.M.Jr: Yes.

Bell: Be glad to do that.

H.M.Jr: Anything else, sir?

Bell: That is all.

H.M.Jr: You may be excused, sir.

Bell: May I have White and Haas as they finish?

H.M.Jr: I will finish them off. They will trickle in.

Bell: All right, thank you.

(Mr. Bell left the conference).

H.M.Jr: Well, Harry, you are not going to be able to stay in there long because I want you to sit with me with the Russians at ten thirty and Bewley at eleven, so you are not going to have much chance in there. There is not much use your going in there, so I will take care of Haas and I will take care of Morris. He can go in.

White: Could I ask my man to go in there?

H.M.Jr: Sure, go ahead.

Now, George, I am using those figures on national defense and all those in my speech.

Haas: Well, we ought to give it another check to see just how it is stated.

H.M.Jr: All right, be sure it is O.K. God help you if it is wrong.

Haas: The most important ones I got from Dr. Lubin and he will have to be the final authority.

H.M.Jr: Well, what about the Department of Labor? Don't you give them a check?

Haas: Oh, those are direct Labor and if they are - they are their official figures.

H.M.Jr: Well, just as long as you can --

Haas: Attach them to something?

H.M.Jr: No, that is not the spirit. I want them right.

Haas: Oh. Well, I don't think I can go back of their statistical staff on that.

H.M.Jr: Well, can anybody attack me on it, George, that is the point.

Haas: I think they can on the direct Labor because they are still in the process of making them up.

H.M.Jr: You think they can attack me?

Haas: Yes, I could do it myself right now.

H.M.Jr: You can attack me on it?

Haas: No, I could, so somebody else could.

H.M.Jr: How could you attack me?

Haas: Because the figure is not complete.

H.M.Jr: What is lacking?

Haas: That three million figure of direct Labor, because they are - they have got eighteen industries included and there are probably more than that.

H.M.Jr: You think I shouldn't use the figure?

Haas: I would be inclined not to use those, but I like the other figure better.

H.M.Jr: Which figure?

Haas: The figure that Lubin said, thirty per cent of the output of the factories and mines are now going to defense. Twenty per cent of all durable goods and ten per cent of the non-durable goods. That gives the magnitude of the job and it gives the public some picture of what you have to do in the way of taxes and selling Defense Bonds.

H.M.Jr: But you are afraid of the three million figure?

White: May I have a suggestion, Mr. Secretary?

H.M.Jr: Just one second.

Haas: I am, a little. I don't think it is big enough. You have to say this is only direct Labor and you have got to explain it, you see.

H.M.Jr: O.K., Harry.

White: I thought that I would tell the Bureau of Labor Statistics that you want a statement from them and then I would quote from them. Then they can't attack you. They might attack the Bureau of Labor Statistics, but all you are doing is quoting the agency of the Government which should and is supposed to know more about it than any other individual or agency. In other words, if he makes it a quotation, it takes the heat off.

Haas: Well, that is what I said at first, but Harry, don't you think these other figures are better?

White: I think he can use both.

H.M.Jr: If I could use the three million figure, I would like to use it.

Haas: Oh, you could use it. It is that much or more, and I would tie it up so you are protected.

H.M.Jr: Isn't Hendricks the head of that?

Haas: Yes.

H.M.Jr: Well, call him up and just tell him what I am going to use. Will you do that?

Haas: I will be glad to.

White: You could get a little written note from him.

H.M.Jr: Well, we are all in the same family, whether they attack me, it doesn't make much difference. But just be sure.

Haas: Probably nobody will attack you.

H.M.Jr: Morris, do you want to go in that meeting?

Morris: All right, sir.

H.M.Jr: Anything you want?

Morris: No, sir.

H.M.Jr: I think that is a meeting with the Federal Reserve in there, so I think you could go into that.

(Mr. Morris and Mr. Haas left the conference.)

H.M.Jr: Now, Norman, how about you?

Thompson: I have nothing.

H.M.Jr: Harold? I hear it was so ethical on the juke boxes that even Mr. Kuhn is accused of approving.

Graves: That is right.

H.M.Jr: Isn't that wonderful. (Laughter)

Graves: We have that matter in hand, I think, in cooperation with the manufacturers and distributors of the records, and our friend, Mr. Small, so that they all seem to feel that within a matter of weeks we can substantially cover the three hundred thousand--

H.M.Jr: Wonderful.

Graves: boxes that there are. We have got, I understand it, to sell this to about ten thousand proprietors of these boxes in the different communities. These people think that under the plan which we agreed to yesterday they could pretty shortly cover the ground on that scale.

H.M.Jr: Anything else?

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Graves: Well, perhaps now is not the time for me to report to you about it, but you doubtless would like a report from me about this matter that you left with Iseby at lunch yesterday?

H.M.Jr: Yes.

Graves: Now?

H.M.Jr: No.

Graves: I am ready to tell you.

H.M.Jr: Unless by my saying no, it holds you up.

Graves: Not at all. We are going ahead on the conclusions we reached yesterday. I can tell you in two sentences what we are proposing to do. He is going to call on the union leaders in his state to select qualified people from their organizations to be transferred to--

H.M.Jr: White will be interested. Say it so White can hear it.

Graves: Mr. Iseby, our state chairman in Michigan, is going to call on the union leaders in Michigan to recommend to him men qualified to go around to visit the various plants and talk to groups of men and interest them in this Defense Savings Bond program. He thinks in terms of perhaps six such men, if he can find that many that are qualified. They will, of course, be assembled for training which Iseby himself will give them.

The only difficulty that I can see about it is the possibility that there may be objections on the part of the Civil Service Commission to our employing such men, they not being experts under the standards of the Civil Service Commission.

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His plan is to employ them for whatever time might be necessary. It might be thirty days and it might be sixty days, more or less, and we had planned first to approach the Civil Service Commission to find out--

Thompson: I don't think there would be any trouble on a thirty- or sixty-day appointment.

White: With this suggestion just to throw in the mill, I think you would get better results if the union would pay the wages of those men as their contribution toward defense, and I think you could get them to do that, and the men that they would select would avoid all this trouble and then they would come before these groups, not as Treasury men who were hired to sell them something, but as union men who are explaining to them why it is in all their interests to do certain things. I think the unions could finance those men and would be delighted to do it and save all that problem and get better results.

Graves: That matter was thoroughly discussed at our meeting yesterday.

White: Oh!

Graves: Mr. Iseby is aware of that point.

White: I am sorry.

Graves: And so is our Mr. Hyatt who is the union labor man in our own staff, and we all agreed that was preferable provided the unions are in a position to do it, but Mr. Iseby and Mr. Hyatt thought there would be some unions which would not be in a position to do that, and that unless all were in a position to do it, it would be better for none to be asked to do it.

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White: Well, I think you could get some of the larger unions who would be able to take care of not only their own needs but would lend their men and finance them to take care of some of the lower unions. You ought to get some of the CIO or AF of L, from some of their large funds above, to take care of such cases. You can appeal to them on the grounds of patriotism and self-interest, and I think you can get them to spend money. That is the first opportunity they will have ever had for them to spend money for speakers who are not used for the sole purpose of organizing a union, and I think they might like the opportunity to show that they are cooperating with the Government effort.

Graves: Well, Harry is perfectly right. I agree thoroughly with everything that he has said, but I was told, as I say, by Mr. Iseby and by Mr. Hyatt that we would run into difficulty if we induce certain unions to make men available at their expense for this purpose while others decline or are unable to do it, so we would have to pay some and let others come in as volunteers.

H.M.Jr: O.K. All right. Does that clear that up?

Graves: Well, with that ambiguity remaining, yes.

H.M.Jr: Well, you are on the march?

Graves: That is right.

H.M.Jr: All right, anything else?

Graves: Nothing else.

H.M.Jr: Fine.

Graves: That won't wait.

H.M.Jr: Fine.

Harry?

White: I read your speech last night that you are going to make in Chicago. I think it is very good. There are some half dozen places that I don't think I will have any difficulty getting together with Kuhn on to change. I am troubled about one thing, which I wonder whether you would give a little thought to. One of their important points of interest when you appear to them is going to be the six percent profit. It has received so much publicity. You are coming down a week later. They are either going to expect to hear something from you about it or if there is a question - I don't know whether there is - if there is no question period, they won't ask you, but I am wondering whether if you could get a paragraph in there on the subject which will satisfy their curiosity and yet treat it now a little more carefully because there are certain very fundamental problems which are raised there.

H.M.Jr: I don't want to do it, Harry, for reasons--

White: All right. Then there won't be any opportunity in which you have to take a position on that?

H.M.Jr: I am not going to do it now. Until the boys have had plenty of time to work on it, the technicians, I don't want to say anything more about it. If you will read my testimony, my verbatim report from yesterday's press conference, which the Washington Post prints in full this morning, I think you will be interested, but I am not going to touch on it until--

White: Well, I merely wanted to point out that there are a lot of people interested in it and if they would rather have you have a prepared paragraph than have you take any position--

H.M.Jr: We haven't got time.

White: You will avoid the subject completely?

H.M.Jr: That is right.

Kuhn: Except for a phrase about taking the profits out of war.

White: Yes, I saw that.

H.M.Jr: But I am not going to talk about six percent.

White: That is all right. I was afraid on that.

H.M.Jr: I want to wait now until Roy Blough does a job. Did you want to say something, Ed?

Foley: Well, I was going to say something, but I think it has been taken care of now. I was going to say that if you were going to say anything at all, I think you ought to say something like you said at your press conference yesterday, as I saw it reported in the paper last night

H.M.Jr: Well, the Post had a--

Foley: which related it to jarring people out of their complacency and making them understand that everybody, all groups, have to make sacrifices and not relate it so much to sopping up the surplus for anti-inflationary reasons.

H.M.Jr: Well, I think when you see the speech, you

will all be satisfied.

White: I think that is different, Ed.

Foley: Is that what you had in mind?

White: Yes, I just wondered about anything more he would say on the subject.

H.M.Jr: Well, it isn't in the speech, the six percent.

White: Yes. I have before me a reply to the request from the vice president of the various agencies as to what they do and how do they participate in economic defense. It is a four or five page - which indicates our activities. It has been cleared with Mr. Gaston and with the legal office and with Customs, with Johnson.

Gaston: I haven't seen it.

White: With Johnson, the legal division, I presume, took care of it. Then I will clear it with Gaston. But there are two points I want to raise here that need your comment, and either you can give a quick reply or save it for later study, because it is already late.

H.M.Jr: We will have to save it. I can't do it today. I am just absolutely choked. Unless you have got something important, I have got to move, Harry, I have got the Russians outside.

White: The other things can all wait until Monday.

H.M.Jr: They will have to, unless you need a yes or no now.

Schwarz: I have nothing.

H.M.Jr: Ed?

Foley: Here is a letter to the Congressman.

H.M.Jr: Thank you.

What does she want?

Foley: She is complaining about unfair labor practices. She is the secretary of the CIO workers in that factory, and she wants you to breach a contract with the Prentice Hall for the tax services that the Government is buying because of unfair practices, and we are telling them there is no legal authority to do it, but you are asking the people to determine whether or not there are violations of the Federal Labor Laws before the contract is entered into the next time, and you are asking her to send you a copy of the findings and determinations of the National Labor Relations Board when the matter comes up for consideration. I don't think it binds you in anything. You are just being courteous.

Thompson: I wonder whether you need write it at all now. I acknowledged the letter.

H.M.Jr: That letter is all right.

Foley: I don't think it commits us to anything.

Thompson: I sent you yesterday a notice from this same person saying the strike was ended.

Foley: Oh, really?

H.M.Jr: Talk it over with Ed and the two of you decide whether the letter should go.

Foley: The American Bar Association meeting is in Indianapolis, and I am down for a talk on Foreign Funds on Monday and on the President's war powers on Tuesday, which is a continuation

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of what I did up at Saranac Lake.

Now, should I arrange to have somebody else do it or is it all right for me to be away Monday and Tuesday?

H.M.Jr: It is all right. I didn't know about it. I knew John was going, but I didn't know that you were going.

Foley: I didn't know John was going.

Schwarz: The one on the President's powers, a good one ought to be made.

H.M.Jr: It is all right, sure. Anything else?

Foley: No.

H.M.Jr: Herbert?

Gaston: I have got to correct myself again about the Krasin. There are no final arrangements made to pay for her, but she is not being held up because she probably won't get here until the latter part of October, if then.

H.M.Jr: My plans are, the reason we are all balled up, we had Cabinet at eleven-thirty this morning, and I have got to go to Hall Roosevelt's funeral this afternoon, and then right after that I am leaving, but I will be back either Sunday night or Monday morning.

September 26, 1941
10:56 a.m.

HMJr: Hello.

Harry
Hopkins: Hello.

HMJr: Harry?

H: Yeah.

HMJr: How are you?

H: Fine.

HMJr: Harry, you most likely know about the President
calling me the other night.

H: Yes.

HMJr: Most likely you were there.

H: That's right.

HMJr: Now, Harry, I've twice seen the Russians.....

H: Yeah.

HMJr:and they just left this minute.....

H: Uh huh.

HMJr:and just so we understand each other,
they said you sent over Mr. Hazard to them.....

H: Uh huh.

HMJr:to tell them that they could expect a lot
of buying.....

H: Uh huh.

HMJr: Well, now, had you anything new in mind about
how they are going to pay for it?

H: No.

HMJr: What?

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H: Not a thing.

HMJr: Not a thing.

H: But here's the amount, it looks like.....

HMJr: Yeah.

H:it looks like between twenty-five and thirty million a month to January first, you see?

HMJr: Well, that isn't what this fellow asked for just now.

H: Well, I know what they're asking for. They're asking for tremendous sums of money and they're going to need it.

HMJr: Yeah.

H: But they don't have to have it tomorrow, because they can't - as a matter of fact, the more I see this - it isn't going to be like the Lend-Lease and the British ordering planes. It's going to be our selling them certain numbers of planes and tanks and so forth coming off our production lines, so they don't place large orders in advance except for, well, a lot of odds and ends like brass strip - things like that. But the big expensive items will be cash on the barrel-head.

HMJr: Yeah.

H: Unless we set up and until we set up some kind of a technique to get them some real money.

HMJr: Well, here's the thing, Harry, the President and you are going to have to make up your mind about. Does the President want me simply to chip out some gold or does he want me to look after their dollar requirements the way I do for the British Empire and China? See?

H: Uh huh.

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HMJr: And.....

H: Well, that obviously, Henry, you're not going to handle their dollar requirements up to, let's say, a billion dollars, are you.

HMJr: Not out of the Treasury, but I can certainly be the focal point, if that's what the President wants.

H: Yeah.

HMJr: I mean.....

H: But in the meantime, the President's position about the permanent thing is pretty much this, that he's trying to get them cash now so that they can work here from week to week on the things that are available.

HMJr: Yeah.

H: There probably wouldn't be anything else available anyhow. That he's stalling a little to make up his mind and watching public opinion about how he's going to handle the major problem of when we get into four or five hundred tanks a month and airplanes a month, which each one you have to multiply by fifty or a hundred thousand dollars apiece - whether to use the RFC to loan them the money or to use the Lend-Lease machinery. Now, I wish that could be decided now.

HMJr: Yeah.

H: The President thinks that apparently that he can't handle it now on the Hill. There's going to be an amendment to our bill put in prohibiting the use of any of this money for Russia.

HMJr: Yeah.

H: And the President's going to work awfully hard to get that defeated, and the more publicity he can get about that, the better. And that would, in the President's mind, indicate Congressional intent, you see?

- 4 -

HMJr: Yeah.

H: Not to exclude Russia.

HMJr: Yeah.

H: Which would give him a handle.

HMJr: Yeah.

H: And he let Stettinius say down there that we do not want Russia excluded.

HMJr: Yeah.

H: Now Jones, on the other hand, has got his RFC bill, as I understand it, in such shape that a similar resolution is going to be introduced, prohibiting him from loaning; and Jones is sure he can defeat that. So in either case, we'd have Congressional intent, and presumably at that point the President would decide how to handle it.

Now, in the meantime, the Army have agreed to give up some things immediately - some things that are very important.

HMJr: Yeah.

H: To do that now, legally, it requires cash.

HMJr: Yeah.

H: My judgment is that it's about twenty-five million dollars a month for the next three months. Jones has promised them a hundred million dollars to buy a hundred million dollars worth of stuff.

HMJr: Yeah.

H: Legally, he can advance that money whenever he wants to, you see? I've told Jones that this thing is going to cost at least twenty-five million a month, and it doesn't do any good

- 5 -

to dole this out to the tune of ten million a month.

HMJr: Yeah.

H: Now, at the moment, our interest is, I think, to have in their hands, twenty-five or thirty million dollars cash every thirty days until such time as the President decides how he's really going to handle this in a big way.

HMJr: Yeah.

H: Now that's the situation.

HMJr: Yeah.

H: Now whether that could be handled entirely by Jones' hundred million or whether - if the Russians will sell some gold - even a modest amount so that they'll have some cash during the next few months from that source - your judgment about that is better than mine.

HMJr: Well, if that's what they.....

H: If Jones would advance, oh, say fifty million dollars, see, right away, that would - everything that's for sale to those fellows could be sold to them for that amount of money.

HMJr: Well, why doesn't he?

H: Well, I don't know. I want to talk to you - just keep talking to you about it, and.....

HMJr: Well, I'm going to bring it up in Cabinet at eleven-thirty and report this conversation.....

H: Good.

HMJr:and then - and the fact that all they get out of Jones is ten million dollars.....

H: Yeah. They got a promise of a hundred.

HMJr:and they got a promise of ten million more on October first.....

H: Yeah.

HMJr:and all of that will be used up. The two tens, on or before October tenth.

H: Oh, it will be - Henry, if.....

HMJr: On or before October tenth.

H:if they'll buy - if they'll buy this afternoon.....

HMJr: Yeah.

H:what's available.....

HMJr: Yeah.

H:it will all be used up at five o'clock this afternoon.

HMJr: Now, I told them that I'm prepared to buy any reasonable amount of gold for future delivery.

H: Yeah.

HMJr: And if they should get this cable off - they haven't done it yet although I told them to do it yesterday.....

H: Yeah.

HMJr: Now they - the Charge was here and the head of Amtorg.

H: Yeah.

HMJr: They've gone and they're going to cable their government and they'll be back here just as soon as they get an answer.

H: Yeah.

HMJr: And if they'll sell me that, I'll buy it and that would help to whatever amount they're willing to sell.

H: Uh huh. All right. Well, you.....

HMJr: And I'm going to tell it to the President and then he can go after Jones or not, as he sees fit.

H: Yeah. Of course, the thing that is in the bag today - after all, you may get an unfavorable - they may get an unfavorable wire about the gold.

HMJr: That's right.

H: The thing that is definite this afternoon is Jones' hundred million.

HMJr: Yeah.

H: And it could legally be done.

HMJr: Well, then - and the stuff that's here?

H: Yeah, the stuff's here immediately.

HMJr: Well, if I was the President I'd tell him to go ahead and buy it and make Jones give it to them.

H: Yeah. All right, old boy. Now you've got - have I told you everything?

HMJr: You told me everything.

H: All right, Henry.

HMJr: Thank you.

H: Good-bye.

*Return to
Mrs. Mrs. Hugh*

28

September 26, 1941

I brought up at Cabinet this Russian gold question, and made my report. The President said, "Oh, I understand from Harry Hopkins they could buy \$50,000,000 of goods which is for sale, but," he added facetiously, "I don't know whether we can get Jesse to give them any more money."

Then the President asked me whether I had passed this along to Harriman, and I said, "No." He said, "You better send a cable to Harriman through Hopkins."

I am asking Harry White to draft a cable for me, giving the financial situation of Russia as told to us today by the man in charge at the Russian Embassy, and also in regard to what we propose to do about the \$22,000,000 of commitments, and fact that Jones will give them another \$10,000,000 on the first of October. I would like that prepared as soon as possible.

10/6/41

²⁹
D Copy furnished Mr. Welles when he called
on the Secretary today.

Treasury Department
Division of Monetary Research

Date 9/27/41 19

To: Mrs. McHugh

30

From: L. Shanahan

Original letter and original of
cablegram forwarded to Mr. Hopkins
by Secret Service messenger, Sept. 26,
1941, at 4:50 p.m., from Mr. White's office

This morning Mrs. Carr advised that
Mr. Hopkins' secretary sent word
the "telegram went out yesterday
afternoon".

Copy of letter and copy of cablegram
also went to the Secretary of State
by same messenger.

September 28, 1941

Dear Harry:

The President asked me to prepare a cable to Averill Harriman in order to bring him up to date on my conversations with the Russians.

I am inclosing the cable herewith. I would appreciate it if you would send this as soon as possible.

Yours sincerely,

/s/ Henry

Mr. Harry Hopkins,
The White House.

Copy to: The Secretary of State.

September 26, 1941

CABLEGRAM

American Embassy
Moscow

For F. Averill Harriman from Secretary of Treasury

For your information the Secretary this morning received Mr. Gromyko of the Soviet Embassy and Mr. Lunashev of the Astory Trading Corporation at their request. Mr. Gromyko explained to Secretary Morgenthau that the \$10 million which his government had received from Jesse Jones as the first installment of the \$50 million advance would be used up before the end of the month in payments for goods purchased and cash advances for goods ordered. Mr. Gromyko stated that Jones had promised to advance a second installment of \$10 million on October 1 which Mr. Gromyko understood was to last until the next monthly installment to be made on November 1st. Mr. Gromyko explained to Secretary Morgenthau that the \$10 million they would receive would not be nearly enough to cover their needs. Mr. Gromyko said they would need about \$12 million up to October 10 and substantially more than that during the remainder of the month. Mr. Morgenthau asked his callers how much more they expected to need during October. They replied that they could not know definitely as it depended upon the amount of goods they would be able to order and purchase but they guessed they might need from \$100 to \$150 million more during October. The sum would be so large they said because they were required to make such large cash advances with the placing of orders.

Secretary Morgenthau repeated to them what he had told the day before to Mr. Chuvakhin of the Soviet Embassy. Secretary Morgenthau stated that it was the President's desire to see that the Soviet Government would have the dollars it needed to meet current needs until longer range plans were completed. Secretary Morgenthau told them that in accordance with the President's desire the Treasury was prepared to purchase from the Soviet Government a reasonable amount of gold for future delivery. The cash on the purchases was to be made available as needed and the gold was to be delivered within 90 or 120 days or even longer if necessary. Secretary Morgenthau asked Mr. Gromyko to transmit that message to his government and ascertain how much gold the Soviet Government wished to sell to the Treasury during October on the basis indicated.

RHW:mh

7/24

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33

TREASURY DEPARTMENT
United States Mint Service
San Francisco, Calif.
September 26, 1941

Secretary of the Treasury,
Treasury Department,
Washington, D.C.

Attention H. Merle Cochran

Dear Sir:

I am enclosing copy of a letter that I have today handed to the Federal Reserve Bank with check; also six copies of memorandum form 42-R.

Hoping you will find everything in order, and assuring you that I am glad of the opportunity of serving you at any time, I am

Respectfully,

/s/ P. J. Haggerty

Superintendent

Copy:mew 9/29/41

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34

TREASURY DEPARTMENT

United States Mint Service

San Francisco, Calif.

September 26, 1941

Federal Reserve Bank,
San Francisco, Calif.

Gentlemen:

There was on September 18, 1941 delivered to the United States Mint, San Francisco, 161,472.20 ounces of gold which arrived in San Francisco on the SS "Menjinsky" for the account of the State Bank of the U.S.S.R., Moscow. We were instructed by telegram from D. W. Bell, Acting Secretary of the Treasury (copy of which is attached) to instruct the Federal Reserve Bank of San Francisco to transfer by telegram to the Federal Reserve Bank of New York, for credit of the Secretary of the Treasury Special Account, and to include in the telegram the number of

fine ounces	161,448.886
dollar value	\$5,650,711.01
Mint charges	\$161.50
net amount	\$5,650,549.51

for which latter amount we are delivering you our check.

The amount of one-fourth one one per-cent (1/4%) handling charge is \$14,126.78.

Respectfully,

h/w

Superintendent

Copy:mew 9/29/41

UNITED STATES MINT
SAN FRANCISCO, CAL.

BULLION DEPOSIT - MEMO REPORT

Mini Form 425

Date Sept. 18, 1941
Memos Required 6
by Depositor
Other Data
Handling Chg. to be computed
but not charged.
M.T. CHG. ON TOT. WT.
Silver Price FINE GOLD
or Class
SOURCE DATA
RUSSIA
State
County
Mins

35

Assay Number	Description of Deposit	WEIGHTS				ASSAY CERTIFICATE FINENESS			Refining chg.-cts. per oz.	FINE OUNCES			
		Before Melt	After Melt	Before Melt	After Melt	Gold	Silver	Base		GOLD	SILVER	Base	Dec
5162	30 8-14	7618.09	7320.76			999.9	(000.1)			7320.027			
5163	30 5-8	7503.62	7600.34			999.8	(000.2)			7598.819			
5164	30 9-12	7514.77	7673.20			999.9	(000.1)			7672.432			
5165	30 15-16	7560.31	7538.28			999.9	(000.1)			7537.526			
5166	30 17-20	7738.70	7709.78			999.9	(000.1)			7709.009			
5167	30 21-24	7590.76	7629.38			999.9	(000.1)			7628.617			
5168	30 25-28	7544.50	7849.69			999.9	(000.1)			7848.905			
5169	30 29-32	7412.70	7449.45			999.9	(000.1)			7444.705			
5170	30 33-36	7511.95	7613.52			999.9	(000.1)			7612.758			
5171	30 37-40	7577.44	7576.83			999.9	(000.1)			7576.072			
5172	30 41-43	5647.82	5649.03			999.9	(000.1)			5648.465			
		162,472.20	161,466.57							Total			Total

PAID BY CHECK
RET AS NOTED

NOTE: THIS REPORT IS FOR THE INFORMATION
OF THE DEPOSITOR AND IS OF NO OTHER VALUE.

Handling Charge \$14,126.70
but not deducted.

VALUES		CHARGES				Total
GOLD	SILVER	Melting	Refining	Handling		
\$ 5,650.711.01		\$161.50				
						\$ 5,650,549.51
						NET VALUE

UNITED STATES MINT
SAN FRANCISCO, CAL.

BULLION DEPOSIT - MEMO REPORT

Mint Form 42R

Date 1951 1-4 of 12 handling Class FINE GOLD
by Depositor of 12 handling chg. computed but not charged
Other Data chg. computed but not charged
Source Data RUSSIA
State RUSSIA
County 36
Mine 36

21.	Description of Deposit	Assay Number	WEIGHTS				ASSAY CERTIFICATE			Refining chg.-cta. per oz.	FINE OUNCES			
			Before Melt	After Melt	Before Melt	After Melt	Gold	Silver	Base		GOLD	SILVER	Base	Dec
#	BOXES		Ounces	Dec	Ounces	Dec					Ounces	Dec	Ounces	Dec
29	1-4	5151	7846.73		7535.08		999.9	(000.1)			7534.326			
29	5-8	5152	7585.52		7385.21		999.9	(000.1)			7384.471			
29	9-12	5153	7856.14		7608.21		999.9	(000.1)			7607.449			
29	13-16	5154	7785.96		7714.71		999.9	(000.1)			7713.938			
29	17-20	5155	7618.99		7570.85		999.9	(000.1)			7570.092			
29	21-24	5156	7531.10		7678.67		999.8	(000.2)			7677.134			
29	25-28	5157	7578.27		7959.74		999.9	(000.1)			7958.944			
29	29-32	5158	7584.47		7790.98		999.9	(000.1)			7790.200			
29	33-36	5159	7467.23		7315.01		999.9	(000.1)			7314.278			
29	37-40	5160	7550.18		7613.83		999.9	(000.1)			7613.068			
29	41-42	5161	3846.45		3688.02		999.9	(000.1)			3687.651			

ALL BY CHECK
AS NOTEDNOTE - THIS REPORT IS FOR THE INFORMATION
OF THE DEPOSITOR AND IS OF NO OTHER VALUE.

Total 77,951.551 Total

VALUES		CHARGES			Total
GOLD	SILVER	Melting	Refining	Handling	
\$	\$	\$	\$	\$	\$
		Bars			
		Cash			
		Check			
					NET VALUE

FEDERAL RESERVE BANK
OF NEW YORK

September 26, 1941.

Sir: Attention: Mr. H. Merle Cochran

We have today received the following tested telegram dated September 26, 1941 from the Federal Reserve Bank of San Francisco:

"WE CREDIT YOU \$5,650,549.51 FOR THE CREDIT OF THE SECRETARY OF THE TREASURY SPECIAL ACCOUNT COVERING 161,448.886 FINE OUNCES GOLD OF DOLLAR VALUE OF \$5,650,711.01 QUARTER OF ONE PER CENT HANDLING CHARGE \$14,126.78 MINT CHARGES \$161.50. THIS GOLD ARRIVED IN SAN FRANCISCO ON S S MENJINSKY ON SEPTEMBER 18, 1941 CONSIGNED BY STATE BANK OF THE USSR MOSCOW. MINT REPORTS ARE BEING FORWARDED BY MAIL. THIS DEPOSIT MADE BY THE U. S. MINT SAN FRANCISCO"

In accordance with the above telegram and pursuant to our telephone conversation of today we have credited the Secretary of the Treasury, Special Account on our books \$5,650,549.51 and have made the appropriate entries in the transcript of the Secretary of the Treasury, Special Account to reflect the 1/4 of one per cent charge of \$14,126.78 as a handling charge on gold.

Respectfully,

/s/ D. J. Cameron,

D. J. Cameron,
Manager, Foreign Department.

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

Enc.

Copy: wcc:3-29-41

September 26, 1941

At lunch today, Claude Wickard showed me a copy of the memorandum from the President which put it up to Claude as to why either he or the President shouldn't come out and say that as soon as cotton or wheat reached parity, the government should sell some of its stocks on hand. I was both surprised and pleased to read the President's memo.

Claude also showed me a 3-page memorandum in which he told the President this wasn't the right time to do it. He asked me what I thought about it. I told him that my first criticism was his saying this was not the right time because there never would be a right time. I told him that I hoped the President would say something now.

STRICTLY CONFIDENTIAL

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

539

DATE September 26, 1941

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Employment in the Aviation Manufacturing Industry.

1. Employment in the aviation manufacturing industry stood at 260,000 in July 1941, the latest month for which data are available. This is the highest figure ever reached, and represents an increase of more than 50 percent since the beginning of this year, and of 125 percent since a year ago. The July 1941 figure excludes employment in the Ford and Buick engine plants, estimated at 3,000 workers.

2. The average monthly increase in employment has been growing larger. The increase in July of this year was 17,410 and in the preceding month, 18,100. In the corresponding months of 1940, however, the increases averaged only 10,800.

3. All of the major manufacturing plants contributed to the recent increases in employment. For the first seven months of 1941, Lockheed Aircraft Corporation reported an increase of over 11,000 employees. During the same period, Douglas Aircraft Company, Inc., added almost 10,000 factory workers to its pay roll, and the Glenn L. Martin Company reported an increase of 7,000. Thus, three companies accounted for increases aggregating 28,000 out of a total increase of 92,000 for the entire industry during this period.

4. The attached chart shows total employment in the industry, and in selected companies, since January 1937. The actual figures plotted in the chart are given in the attached tables.

Attachments

STRICTLY CONFIDENTIAL

Employment in Aviation Manufacturing Industry
(Airplanes and Airplane Engines)
1937-1941

40

	1937	1938	1939	1940	1941
Airplanes					
Jan.	22,100	23,700	25,251	58,000	138,900
Feb.				60,500	149,700
Mar.	24,100	24,200	27,875	64,500	155,800
Apr.				67,000	167,048
May				73,000	175,371
June	25,200	22,800	35,973	80,000	190,200
July				90,000	204,724
Aug.				97,448	
Sept.	23,400	22,050	41,425	105,362	
Oct.				115,241	
Nov.				123,492	
Dec.	23,800	24,450	52,800	131,200	
Airplane Engines					
Jan.	5,500	6,500	6,989	13,900	38,550
Feb.				15,800	40,468
Mar.	6,000	6,600	7,825	17,300	42,869
Apr.				18,600	44,849
May				20,800	48,546
June	6,600	6,900	8,727	22,900	51,816
July				25,400	54,702
Aug.				27,019	
Sept.	6,400	6,772	9,289	28,981	
Oct.				32,633	
Nov.				34,199	
Dec.	6,600	6,847	12,600	36,045	
Total Industry -- Airplanes and Airplane Engines					
Jan.	27,600	30,200	32,240	71,900	177,450
Feb.				76,300	190,168
Mar.	30,100	30,800	35,700	81,800	198,669
Apr.				85,600	211,897
May				93,800	223,917
June	31,800	29,700	44,700	102,900	242,016
July				115,400	259,426
Aug.				124,467	
Sept.	29,800	28,822	50,714	134,343	
Oct.				147,874	
Nov.				157,691	
Dec.	30,400	31,297	65,400	167,245	

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

September 26, 1941.

Source: Bureau of Labor Statistics.

STRICTLY CONFIDENTIAL

Employment of Selected Aircraft Manufacturing Corporations

1937-1941

41

	1937	1938	1939	1940	1941
<u>Bell Aircraft Corp.</u>					
Jan.	615	222	654	859	4,309
Feb.				865	5,043
Mar.	850	290	912	896	5,754
Apr.				840	6,540
May				873	7,036
June	808	440	1,410	1,192	7,738
July				1,480	7,743
Aug.				1,963	
Sept.	718	235	703	2,413	
Oct.				3,355	
Nov.				3,597	
Dec.	213	606	799	3,865	
<u>Boeing Aircraft Co. — Seattle</u>					
Jan.	1,834	1,493	2,380	5,137	6,939
Feb.				4,942	8,104
Mar.	1,726	1,700	2,749	4,759	7,960
Apr.				4,198	7,740
May				5,190	7,739
June	1,249	1,736	2,989	5,882	7,920
July				6,571	8,720
Aug.				6,926	
Sept.	1,109	1,798	3,985	6,940	
Oct.				6,391	
Nov.				5,351	
Dec.	1,380	2,285	4,749	5,657	
<u>Consolidated Aircraft Corp.</u>					
Jan.	3,169	2,540	968	2,837	13,135
Feb.				3,477	14,097
Mar.	3,246	2,518	819	3,807	14,251
Apr.				4,349	13,886
May				5,040	13,547
June	3,099	2,104	832	5,821	14,007
July				6,743	15,238
Aug.				7,836	
Sept.	2,617	989	1,408	9,289	
Oct.				11,018	
Nov.				12,355	
Dec.	2,580	981	2,540	12,118	

STRICTLY CONFIDENTIAL

Employment of Selected Aircraft Manufacturing Corporations 1937-1941 (continued)

42

	1937	1938	1939	1940	1941
<u>Curtiss-Wright Corp. -- Buffalo</u>					
Jan.	1,241	2,211	3,802	4,380	8,273
Feb.				4,744	8,902
Mar.	1,500	2,347	2,939	5,016	9,607
Apr.				5,213	9,946
May				5,698	10,537
June	1,933	2,310	2,848	6,314	11,431
July				6,531	13,191
Aug.				6,597	
Sept.	2,202	2,736	1,562	6,824	
Oct.				7,682	
Nov.				7,889	
Dec.	2,007	3,491	3,447	8,010	
<u>Douglas Aircraft Co., Inc.</u>					
Jan.	5,591	6,328	4,334	11,952	17,054
Feb.				12,077	18,057
Mar.	5,961	6,173	4,177	13,119	19,313
Apr.				14,033	21,502
May				14,656	22,678
June	6,653	4,672	5,445	14,957	25,019
July				14,662	25,940
Aug.				14,898	
Sept.	5,532	4,028	6,318	14,219	
Oct.				14,158	
Nov.				14,726	
Dec.	6,771	4,110	10,362	16,120	
<u>Lockheed Aircraft Corp.</u>					
Jan.	910	1,577	2,305	5,157	11,544
Feb.				4,768	12,031
Mar.	1,094	1,594	3,509	4,362	13,028
Apr.				4,400	14,829
May				5,016	15,418
June	1,338	1,797	5,699	5,591	19,640
July				6,599	22,000
Aug.				7,296	
Sept.	1,383	1,997	5,324	7,582	
Oct.				8,517	
Nov.				10,056	
Dec.	1,428	2,123	5,156	10,904	

STRICTLY CONFIDENTIAL

Employment of Selected Aircraft Manufacturing Corporations 1937-1941 (continued)

43

	1937	1938	1939	1940	1941
<u>Glenn L. Martin Co.</u>					
Jan.	1,364	1,814	2,905	10,984	14,039
Feb.				9,407	13,771
Mar.	1,716	1,892	4,092	9,133	13,216
Apr.				9,010	15,482
May				9,357	16,180
June	2,044	2,134	6,029	9,133	18,313
July				9,513	21,082
Aug.				11,200	
Sept.	2,032	2,341	10,070	10,019	
Oct.				11,414	
Nov.				12,871	
Dec.	1,818	2,777	11,174	13,829	
<u>North American Aviation, Inc.</u>					
Jan.	829	1,713	2,223	4,049	7,767
Feb.				4,324	8,247
Mar.	889	1,935	2,457	4,154	8,736
Apr.				4,371	9,590
May				4,336	9,803
June	841	2,400	3,125	4,782	9,770
July				4,918	9,693
Aug.				4,916	
Sept.	1,272	2,685	2,992	5,111	
Oct.				5,828	
Nov.				6,064	
Dec.	566	2,530	3,795	6,867	
<u>United Aircraft Corp.</u> (excluding Pratt & Whitney)					
Jan.	2,350	2,245	1,826	2,757	7,011
Feb.				3,051	7,652
Mar.	2,444	2,168	1,766	3,468	7,418
Apr.				3,735	7,492
May				3,912	7,718
June	2,497	1,972	1,952	4,282	7,974
July				4,823	7,963
Aug.				5,016	
Sept.	2,439	1,880	2,123	5,445	
Oct.				6,010	
Nov.				6,105	
Dec.	2,338	1,774	2,588	6,401	

Employment of Selected Aircraft Manufacturing Corporations
1937-1941
(continued)

STRICTLY CONFIDENTIAL

44

	:	1937	:	1938	:	1939	:	1940	:	1941
<u>Vultee Aircraft, Inc.</u>										
Jan.						364		742		4,057
Feb.								938		4,325
Mar.						440		959		4,544
Apr.								1,008		5,096
May								1,334		5,022
June			560			533		2,127		4,955
July								2,618		4,864
Aug.								2,857		
Sept.			430			288		3,531		
Oct.								3,652		
Nov.								3,733		
Dec.			334			662		3,851		

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

September 26, 1941

Source: Bureau of Labor Statistics.

STRICTLY CONFIDENTIAL

Employment of Selected Airplane Engine Corporations 1937-1941

45

	1937	1938	1939	1940	1941
<u>Allison Engineering Co.</u>					
Jan.	218	262	454	1,114	6,422
Feb.				1,261	6,720
Mar.	229	297	466	1,610	7,012
Apr.				1,958	7,114
May				2,766	7,670
June	238	339	558	3,254	8,133
July				3,917	8,420
Aug.				4,595	
Sept.	238	382	642	5,282	
Oct.				6,280	
Nov.				6,295	
Dec.	266	439	901	6,394	
<u>Continental Motors Corp.</u> (Airplane Engine Division)					
Jan.	151	153	134	288	953
Feb.				344	1,057
Mar.	153	152	138	358	1,063
Apr.				368	1,186
May				378	1,235
June	162	144	171	388	1,245
July				398	1,230
Aug.				382	
Sept.	135	146	203	567	
Oct.				732	
Nov.				855	
Dec.	152	142	243	875	
<u>Lycoming Division of Aviation Manufacturing Corp.</u>					
Jan.	849	729	519	581	1,607
Feb.				638	1,661
Mar.	889	704	521	657	1,645
Apr.				711	1,695
May				765	1,717
June	901	549	573	819	1,729
July				873	1,706
Aug.				970	
Sept.	756	514	644	1,080	
Oct.				1,459	
Nov.				1,320	
Dec.	762	506	689	1,576	

STRICTLY CONFIDENTIAL

Employment of Selected Airplane Engine Corporations 1937-1941 (continued)

46

	1937	1938	1939	1940	1941
<u>Pratt & Whitney Aircraft</u>					
Jan.	1,931	2,567	2,264	5,642	12,287
Feb.				6,549	13,483
Mar.	2,119	2,489	2,659	7,158	14,286
Apr.				7,541	14,865
May				7,765	15,824
June	2,384	2,555	3,066	8,504	16,633
July				9,121	17,524
Aug.				9,449	
Sept.	2,471	2,384	3,394	9,406	
Oct.				9,794	
Nov.				10,377	
Dec.	2,618	2,227	5,022	11,228	
<u>Wright Aeronautical Corp.</u>					
Jan.	2,254	2,607	3,398	5,411	12,847
Feb.				6,081	13,136
Mar.	2,515	2,705	3,771	6,537	13,415
Apr.				6,984	13,849
May				7,882	14,241
June	2,800	2,930	3,997	8,682	14,643
July				9,491	15,150
Aug.				10,151	
Sept.	2,690	3,184	4,026	10,726	
Oct.				11,240	
Nov.				11,864	
Dec.	2,608	3,374	5,141	12,408	

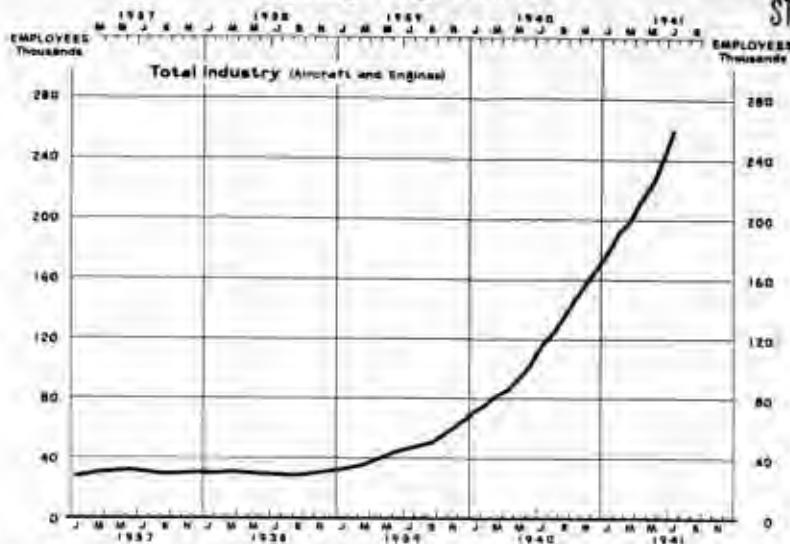
Office of the Secretary of the Treasury,
Division of Research and Statistics.

September 26, 1941.

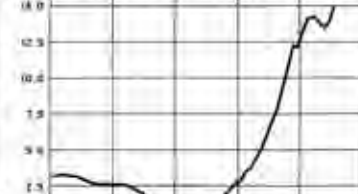
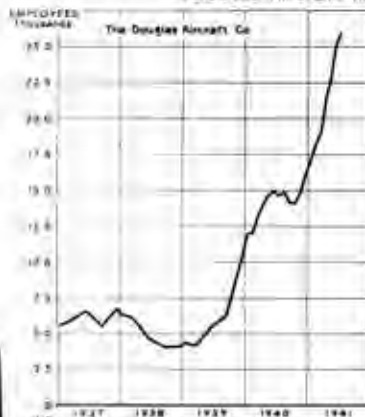
Source: Bureau of Labor Statistics.

EMPLOYMENT IN AVIATION MANUFACTURING INDUSTRY Factory Wage Earners

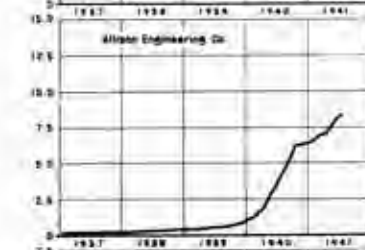
STRICTLY CONFIDENTIAL



Selected Aircraft Manufacturing Companies



Selected Airplane Engine Companies



Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

48
DATE September 26, 1941

TO: Secretary Morgenthau
FROM: Mr. Kamarok

Subject: Airplane Deliveries to the British

Summary

1. A total of 52 planes shipped is reported in the latest statement received, 30 to the United Kingdom, 12 to the Far East (to New Zealand), and 10 to the Middle East.

2. The 12 Lockheed Hudsons delivered during this period to New Zealand represent the first shipment of planes to the British Pacific forces since the middle of June.

3. In the past 33 weeks, the British have received 2,003 planes from the United States or an average of 61 planes a week. The total was divided in the following manner:

To the United Kingdom	53 percent
" " Middle East	36 "
" " Far East	11 "

Airplane Shipments to the British
(From February 1 to September 20 by air
January 11 to August 30 by sea)

Table A. - Shipments by Area

	Latest Week	Total Reported To Date	
<u>To the United Kingdom</u>			
Light and medium bombers	23	880	
Heavy bombers	0	43	
Naval patrol bombers	0	73	
Pursuit	7	64	
Total to United Kingdom	30	1,060	
<u>To the Middle East</u>			
Light and medium bombers	10	200	
Pursuit	0	516	
Total to Middle East	10	716	
<u>To the Far East</u>			
Light and medium bombers	12	18	
Naval patrol bombers	0	9	
Pursuit	0	145	
Trainers	0	55	
Total to Far East	12	227	
<u>Totals</u>			
Light and medium bombers	45	1,098	
Heavy bombers	0	13	
Naval patrol bombers	0	82	
Pursuit	7	725	
Trainers	0	55	
Grand Total	52	2,003	

Table B. - Shipments by Types

	Latest Week	Total Reported To Date
Bell Airacobra (P-39)	7	55
Boeing B-17	0	21
Brewster Buffalo	0	145
Consolidated Catalina	0	82
Liberator	0	22
Curtiss Tomahawk	0	516
Douglas Boston I	0	1
Boston II	0	72
Boston III	19	232
Glenn Martin Maryland	0	150
Grumman Martlet II	0	9
Lockheed Hudson I	0	1
Hudson III	26 *	229
Hudson IV	0	18
Hudson V	0	344
North American Harvard II	0	55
United Chesapeake	0	51
Grand Total-All Types	52	2,003

* One overdue at destination.

Table C. - Plane Deliveries to the British by Weeks

Week Ended	Light and Medium Bombers	Heavy Bombers	Naval Patrol Bombers	Pursuit	Trainers	Total
Feb. 8*	22	-	3	-	-	25
Feb. 15*	39	-	-	100	-	139
Feb. 22*	35	-	-	27	-	62
Mar. 1*	7	-	5	25	-	37
Mar. 8*	16	-	3	10	-	29
Mar. 15*	26	1	4	-	-	31
Mar. 22*	17	-	2	22	-	41
Mar. 29*	25	-	3	18	-	46
Apr. 5*	21	-	7	73	-	101
Apr. 12*	21	2	2	27	-	52
Apr. 19*	20	3	4	5	-	32
Apr. 26*	23	2	3	-	28	56
May 3*	61	1	2	15	27	106
May 10*	36	1	8	10	-	55
May 17*	61	13	7	19	-	100
May 25*	30	10	-	25	-	65
June 1*	28	5	5	21	-	59
June 8*	37	2	7	-	-	46
June 15*	26	1	4	20	-	51
June 22*	28	-	4	52	-	84
June 29*	45	-	1	50	-	96
July 6*	19	-	3	20	-	42
July 13*	34	-	3	48	-	85
July 20*	41	-	1	32	-	74
July 27*	45	-	-	24	-	69
Aug. 3*	45	-	-	11	-	56
Aug. 10*	53	1	-	15	-	69
Aug. 17*	49	-	-	12	-	61
Aug. 24*	36	1	-	11	-	48
Aug. 30*	44	-	-	5	-	49
Sept. 6*	29	-	1	4	-	34
Sept. 13*	34	-	-	17	-	51
Sept. 20*	45	-	-	7	-	52
	1,098	43	82	725	55	2,003

* The date given is for shipments by air. Shipments by water start three weeks earlier. That is, the statement reporting the shipment of planes by air for the week ending September 20 would report the shipment of planes by water for the week ending August 30.

TREASURY DEPARTMENT

52

INTER OFFICE COMMUNICATION

DATE Sept. 26, 1941

TO Secretary Morgenthau
FROM Mr. Haas

During my discussion with Dr. Lubin concerning defense employment figures, he mentioned that he prepares each week a memorandum which he calls "The Economic Picture" and which is given only to the President. The memorandum, he said, frequently contains statistics not generally available.

Dr. Lubin asked me to check with you to see if you would be interested in the memorandum. If so, he will be glad to send over a copy for your use.

Yes - Told Haas' Office
ELF

September 26, 1941

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

Dear Archibald:

The plan for placing the "Morgenthau Papers" in the Library of Congress, which you discussed with Mr. Gaer, meets with my approval. As I understand it, all Father's papers, and all my papers up to 1933, will go to the Library of Congress. All my papers and documents since 1933 will be photostated or transcribed. The originals will then go to the President's Library and the copies, in identical order, will be placed with the other "Morgenthau Papers" so that the Library of Congress file will be complete.

It is also my understanding that you will place at Mr. Gaer's disposal one room in the Library of Congress Annex, where these materials will be progressively prepared for the Document Division. The Head of the Document Division and Mr. Gaer can work out the details of this procedure.

I am grateful to you for the interest and trouble you are taking in this matter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

JG:ah

File M.M. Chauncey

RT/dh

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DEPARTMENT OF STATE

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

Hotel Richemond, Geneva
AMERICAN CONSULATE

Geneva, Switzerland, September 26, 1941

PERSONAL

Dear Mr. Secretary,

I have just spent ten weeks in France. It occurs to me that you and the Secretary of State might be interested in hearing how I was struck by what I saw there, and I have written some notes, which are going forward to you by the same valise that takes this. I am not showing these notes to anyone except the United States Consul here, by whose courtesy I am having them typed. For obvious reasons (my wife lives in France and I want to continue to go there) I should prefer that they should be regarded as strictly confidential.

It did not seem to me that the financial situation in France, in present circumstances, is worth wasting time over. About the only point of importance is that, as far as I can ascertain, the stories repeated in the English and American press about France having agreed to pay costs of German occupation in gold or convertible exchange are at least premature.

Please remember me very kindly to Mrs. Morgenthau and to your sons, and believe me, with kind personal regards,

Sincerely yours,

Royall Tyler

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

September 26, 1941

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

Dear Mr. Morganthau:

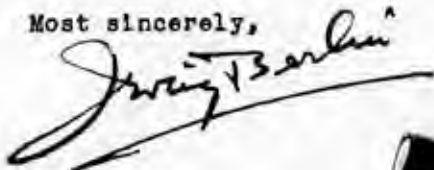
Your nice letter of September 22nd
was forwarded to me here. Please accept my
grateful thanks for it.

I need not tell you how pleased I
am about "Any Bonds Today?". The reaction to
it is much better than I ever hoped for, and
your staff deserves an awful lot of credit for
the way they handled it. Quite frankly, no
publisher could have done anywhere near as good
a job.

It makes me very happy to know that
the song has been of some help to your Defense
Bond program.

Thanking you again for that very
nice letter, I am,

Most sincerely,

A handwritten signature in dark ink, reading "Irving Berlin". The signature is written in a cursive, flowing style with a long horizontal line extending from the end of the name.

September 26, 1941.

Dear Jake:

I appreciate your telegraphing me your reaction to the newspaper reports of my recent statement before the Ways and Means Committee. It occurs to me that you might like to see a verbatim account of my press conference on the subject as printed today in the Washington Post.

With cordial regards,

Sincerely,

(Signed) Henry

Dr. Jacob Viner,
8584 Kenwood Avenue,
Chicago, Illinois.

Enclosure.

GHF/dbs

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Chicago, Illinois.

Enclosure.

GM7/4bs

Treasury Department

TELEGRAPH OFFICE

78
59

45W

WC43 FO 24

CHICAGO ILL SEP 25 1941 545p

1941 SEP 25 PM 7 35

SECY OF TRSY

WASHNDC

REPORT OF YOUR PROPOSAL FOR SIX PERCENT CEILING ON PROFITS VERY
DISTURBING HOPE YOU WILL NOT COMMIT YOURSELF FURTHER WITHOUT
CAREFUL AND CAUTIOUS CONSIDERATION

JACOB VINER

735p

September 26, 1941

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To: Mr. Harold N. Graves
Subject: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

SALE OF BONDS

Actual cash receipts from the sale of E, F and G Bonds from September 1st through September 23rd were \$173,727,000, which is a decrease of 14.7 per cent over the same period in August. Sales from August 1st through August 23rd were \$211,206,000. Sales from July 1st through July 23rd were \$250,123,000.

DIRECT MAIL

In 16 days the industrial mailing to 397,531 associations, corporations, etc. has produced \$1,571,150 in direct orders for F and G Bonds at a cost of \$4,500. Reprints of the Secretary's Boston speech mailed six days ago have brought orders of \$92,097 to date.

FIELD FORCE

Charles H. Rolosen, Jr. of Baltimore has been appointed Maryland State Chairman, and J. Francis McDermott,

Nebraska State Chairman. There are only four States for which leadership has still to be found: Delaware, Kentucky, Louisiana, New Hampshire, North Dakota and South Dakota. The status of State organizations as of this date is shown by the attached map.

PRESS

A wire to 200 principal daily newspapers suggesting editorial comment on Retailers-for-Defense week produced 57 editorials according to a partial survey. Usage of advance material on Retailers-for-Defense week by papers which have mailed in copies is shown in the scrap book herewith. See full page on the Canton, Ohio demonstration in the current issue of LIFE. Second scrap book indicates some results of distribution of Minute Man art material.

Direct reports by newspapers on use of the Defense Bond Quiz show 49,582 quizzes printed to date.

Carrier boys of the Philadelphia Evening Bulletin actually sold 100,300 Defense Savings Stamps in the first week of a campaign among Bulletin subscribers.

RADIO

Song "I Am A Military Man, Now" is scheduled for next week's "Millions for Defense" program. One hundred Navy songs have been referred for inclusion in future programs of "For America We Sing". In cooperation with the War Department, a special transcription of "Arms For the Love of America" with Army introduction and closing announcement has been sent to all stations. Transcription of "Ballad of the Leatherneck Corps" with Treasury Department introduction and Defense Savings closing was sent to all stations.

Announcements have been arranged for all broadcasts of World Series games. One-minute dramatized announcements for October have gone to all stations, with report stubs and return envelopes. Also completed and distributed: Women's and Farm program announcements for October, Women's Club scripts, and special announcements for football broadcasts.

Advance schedule already shows eight network commercial programs per day promoting the Defense Savings Program.

RETAILER ACTIVITIES

A poster "Let's Be Thankful for America" is in preparation for distribution to a million stores as part of the Thanksgiving Stamp sales program.

The Christmas retail program getting under way urges stores to promote the sale of Bonds and Stamps generally and as gifts; pay bonuses in Bonds and Stamps; install payroll allotment plans.

ANY BONDS TODAY?

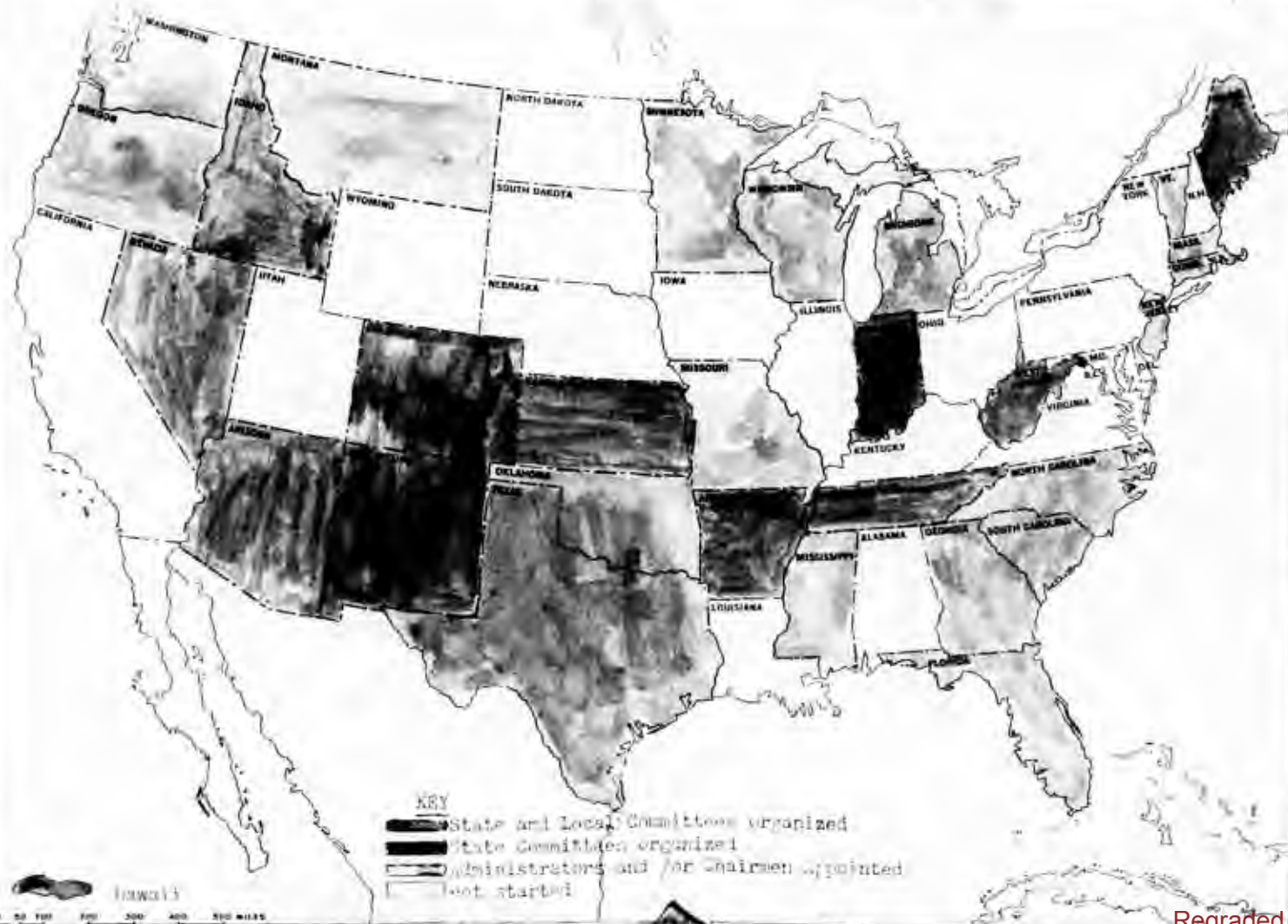
In the near future 1,020,000 copies of "Any Bonds Today" will have been distributed. The average song hit sells about 400,000 copies. Steps are being taken to place the song in the number one position on the country's 275,000 juke boxes.

TREASURY HOUSES

In New York \$22,672.35 Stamps were sold, and 4,781 albums were started in 19 days. In Boston \$34,264.80 Stamps were sold and 3,922 albums were started in 18 days.

AMERICA PREFERRED

Due to increasing number of requests from State Administrators 200 additional prints of the film have been ordered.



MEMORANDUM FOR THE SECRETARY.

September 26, 1941.

As of Friday morning, September 26th, comments on the Boston speech are diminishing, and those on the 6% statement are greatly in the majority. For this reason, the former are now grouped in the general abstract, especially as copies of this speech were sent with Defense Bond letters, and, therefore, many replies deal with both subjects.

However, comments on the 6% statement have been grouped in a separate abstract, and this will be done until they also diminish.

In general, the mail of the past week has followed the usual lines. There are a number of abusive communications, and curiously, this week the signed ones have outnumbered the anonymous ones. This applies both to letters abusive of the President and the Administration in general, and those attacking the Secretary.

Anti-British letters outnumber Anti-Russia by 4 to 3.

There was only one letter attacking Lindbergh's recent utterances and one praising them.

There were the usual letters attacking the attitude of labor, the Government's policy in regard to farmers, etc.

There were fewer letters dealing with taxation to the exclusion of any other subject. A great many communications, however, mention it in connection with the purchase of Defense Bonds.

W. F. Forbush

General Comments

Henry Pardon, President, Owensboro Taxpayer's League, Owensboro, Ky. The Housing Authority in Owensboro, Ky., has a permit from the F.H.A. in Washington to construct 125 houses in Owensboro, and we don't need the houses, as we have over 500 empty houses and apartments, and the population is about thirty thousand. Owensboro got no defense industries, therefore many families moved to other cities such as Louisville, Evansville, etc.

Anonymous postal card from Newark, N. J. After reading your wonderful eulogy of Russia and the Russians, I was wondering whether the millions of dollars you are giving that country is in payment for the wonderful work performed in 1903 in Eishineff?

The Third Assistant Postmaster General writes urging reply to his letter dated August 18th. This was in regard to a refund request by the German Railroads Information Office, the Riggs National Bank having refused to accept a check for the refund since it was not made payable to them, although it was drawn in accordance with Treasury instructions. New York Postmaster is anxious to clear this matter up during the current quarter and requests Treasury instructions.

F. Smith, Pittsburgh, Pa. Via radio we learn that you gave Russia 10 million dollars. You know what us real Americans think of this, as the American Legion of N. Y. State voted against any kind of aid to the Reds, but despite all this opposition your office and the Administration do otherwise. We don't like this - which will be shown by us voters in all elections following.

M. E. Atiam, Philadelphia, Pa. "A very small percentage of the money which Congress appropriated for national defense has been spent" -- and what has been put in defense work has been held up by endless strikes. That, in truth, should be mentioned as one of the big reasons for the miserable showing in help for England. We citizens know it.

Russell Hartranft, South Orange, N. Y. It has come to my attention from several sources that I believe reliable and have no reason to doubt, that bank examiners have been insisting that banks dispose of their Railroad Bonds, except those that are legs. This being true, may I indulge your kindness and inquire why, after carrying them all through the grief of the recent depression years, they are now instructed to dispose of them at a time when the outlook and earnings are about as bright and in many cases the brightest in their history?

Alfred M. Stebbins, Elmhurst, Long Island, N. Y. Your speech on the prevention of inflation and the release of Government owned stocks to prevent further price rises was indeed good news to the little man who is paying the bill. May I point out, however, that the Department of Agriculture is still trying to force prices higher.

Albert Gailord Hart, Iowa State College, Ames, Iowa. From your recent speech in Boston, and from your testimony before the Senate Finance Committee, I gather the heartening impression that the Treasury is at last ready to exercise real leadership in combatting inflation. As you recognize, the king-pin of anti-inflation measures must be taxation to drain off spending power; and in fairness, taxes for this purpose must be primarily income taxes. The purpose of this letter is to urge upon you the necessity of setting up a system for collecting income taxes at the source wherever possible. The argument for doing so is essentially very simple. (Detailed letter and plan referred to Mr. Sullivan.)

Anna May Mason, Secretary, Finance Dept., Willoughby House Settlement, Brooklyn, N. Y. I read your address delivered before the Advertising Club of Boston last week with great interest. We are particularly interested in this Settlement in doing our part in the defense program. I therefore would like to ask you the following pertinent questions. What percentage of his or her income do you think the following should contribute towards defense saving stamps or bonds? (Lists various incomes, \$1,200 to \$2,500, with and without dependents.)

Ethel H. Tompkins, San Anselmo, Calif. On Sept. 9th in your talk to the Advertising Club of Boston you said, "We must deal with inflation at once". You called upon laborers and farmers to curb their desires for higher wages. Appealing to laborers to cease their demands for higher wages will have no more effect than the President's frequent appeals to labor to stop strikes. * * * I am 100% for the President's foreign policy, though I think he is far too slow in taking decisive action, and by his hesitation has missed many opportunities to give Hitler a blow. * * * There have been many fine speeches made on all these subjects by members of the President's Cabinet and men high in the Administration, but no action follows, and strikes, inflation and extravagance continues. * * * I hope Chester Rowell is mistaken and that you do intend to do something and prevent inflation.

Sidney Blumenthal, New York City. It was my intention, immediately on the delivery of your address before the Advertising Group in Boston last Thursday night, to write you how admirable I considered it, and how deserving of wide general support its sound recommendations are, not only due to the quantities of agricultural products and other holdings impounded by the Government overhanging the market as a constant element of insecurity in the price level, but unless at the present time we dispose of them, the Government will lose the opportunity at another time to re-enact a similar step.

Maurice E. Vaseen, Building & Loan Association, Quincy, Ill. The writer has been particularly interested in your recent address relative to the suggested ideas concerning the prevention of inflation. One point I recall particularly was with respect to increasing the amount of savings and the purchase of defense bonds. The idea occurred to me that if the support of the Unions could be secured, those in defense industries could be paid part in cash and part in bonds in the nature of the present defense bonds being issued, and instead of having them mature in ten years, to mature in perhaps three, four and five years.

Thomas N. Hall, New Orleans, La. If we are to have inflation, it is most likely to come from the high cost of labor rather than the high cost of cotton. In spite of all the coddling shown labor for years, their answer has been a vicious lot of strikes aimed at the defense program. Have you heard of any farmers making such threats?

Rudolph W. Tollert, International Stewards' and Caterers' Association, N. Y. C. Your interest and understanding of the problem concerning the threat of inflation is a source of inspiration to the International Stewards' and Caterers' Association. Present market increases have drastically affected the gigantic task before us, that of purchasing food as well as catering to the appetite of America and if we can be of any assistance whatsoever in the fulfillment of your program, you will find the entire membership at your service.

Alfred E. Hamill, Chicago, Ill., writes with sarcasm: May I call your attention to an apparently typographical error in the reprint of your speech? You are printed as saying, "I can give you only this pledge - that this administration will do everything humanly possible to prevent inflation." It appears to me that the word "prevent" has improperly taken the place of the word "encourage", as the Administration's consistent policy has been to increase the cost of commodities and of labor. It is therefore probable that the pamphlet should be corrected as I have indicated.

"John Doe", (Member of the Middle Class), Boston, Mass. You neglected to state in your speech in Boston that responsibility for the present danger of inflation rests upon a Government that for years has been recklessly wasting billions of dollars.

Albert M. Fulton, Westfield, N. J. I like your position in advocating sales of reserve wheat and cotton to keep prices within reasonable bounds. You show a business acumen which few members of the Administration possess. The present Administration is counting this year on large increases in taxes to meet defense costs, and it is likely to be disappointed, for who pay most of the taxes? The big corporations and wealthy individuals. Big business is the life-blood of the nation; its production constitutes the greater part of the nation's wealth; it gives employment to most of the population, and it pays most of the nation's taxes.

A. Andrew Schneider, Pittsburgh, Pa. Your announcement in the morning paper, that you had advanced \$10,000,000 to Russia, did not mention the unpaid \$50,000,000 of 1919 which this same Russia has not paid to United States Citizens. (Tells of his bond holdings and encloses copies of letters from State Department, etc., in regard to them.) These letters say the loan was for Russia's war of 1918, that nothing could be done immediately after the war, and that something would be done later. Nothing was done for twenty-five years, and now this same Russia is given \$10,000,000 of which I am again a part victim.

Carl J. Baird, Columbus, Ohio. I noticed a statement attributed to you to the effect that the Russian Government had been very prompt in meeting their obligations to this country. Would respectfully call your attention to the fact that during the World War, I along with a great number of Americans, subscribed to an issue of bonds issued by the Russian Government. So far as I know, there has never been any payment on these bonds. I was under the impression that under the Johnson Act no Government could arrange any future loans in this country that was in arrears on past debts. Would appreciate very much a statement from your office as to the policy of the Treasury in respect to the collecting of these bonds, or whether I should consider them as worthless, under the circumstances.

Andrew N. Hildebrand, South Bend, Ind. This speech shows amazing stupidity as to what inflation is. Booms and depressions are caused by the inflation and deflation of credit, not by the inflation and deflation of money. Money and credit are not synonymous terms.

N. G. Fisher, Minneapolis, Minn. Newspapers of recent issue quote you as opposed to further increase in price of farm products. As a farmer who was forced to leave my farm on account of inability to exist on a farmer's meager income, may I present to you a few FACTS, not statistical figures, in relation to farm income. (Tells of own experiences.) For farmers' income would suggest you consult Auditor of Minnesota office records to ascertain the great number of farms that were acquired only through years of hard labor, reverted, in the last year or two, to the State for unpaid taxes. This should be evidence enough to convince the most skeptical that the farmers' income is far too small.

An anonymous letter from New York City. I have just read an article about inflation and calling for "mental toughness". Yes! indeed, it requires consideration for us poor people who gave our confidence with our dollars believing in you and the U. S. Government to pay us back in full. I for one will not dare to invest in any more bonds, either the "Baby Bonds or Defense". I only regret having invested as much as I did. (Lists foods on which prices have risen, etc.)

Robert B. Aitchison, New York City. I was very gratified to read your speech of last week, wherein you outlined so clearly the dangers of inflation which is now, not a possibility, but an actual fact. Whether our legislators in Washington are fully alive to this, whether they think they can arrest it at a time chosen by them or not, I don't know. I have purchased Defense Bonds and I was planning on continuing to do so. Now, I'm not so sure for in buying a fixed obligation, it is apparently certain that were I to change these into money at some later date, that money would buy less. Perhaps it would be better to use the money I would save now for purchases of necessities that can be laid aside till needed. Perhaps this may be called hoarding, but if so, then the bee and the squirrel are hoarders, but were they not, there'd be none in existence. We cannot have our cake and eat it too, hence my applause for your speech, but just as one rose doesn't make summer, neither does one speech get the point over. You should repeat the speech or part of it, or the simple sense of it over and over again.

S. Messer, Vice President, Quaker State Oil Refining Corp., Oil City, Pa. I have read your seven-point program and I am in hearty sympathy with it. I hope the country at large will be so impressed with this program that a determined effort will be made to not only put some, but all of it, in action.

Olen Robertson, Nashville, Tenn. I want to express my very profound admiration for the stand you have taken on inflation and our crop reserves. In my opinion your brand of courage and patriotism is badly needed, and I hope it gains more and more of the recognition which it deserves.

George G. DeVitt, New Haven, Conn. From your speech I understand that you advocate such principles as to saving money, increased taxes, less spending and increased regulation. Although I am not an authority on this matter, I would like to present a few dissenting opinions; first, it is, in my belief, that by augmenting the burden of taxes, which are mounting daily, the common laborer and the business man must demand more for his labor and also more for his product. If such a case be true, the valuation of whatever the circumstance may be exceedingly high.

J. P. Johnston, Chicago, Ill. I read that you "hope we may extend the social security program". As a salesman working strictly on commission basis, and representing more than one firm, the Social Security laws do not permit of my enjoying this security. In other words, you are supposed to be your own boss, which is not true, as you are subject to the same dictates from any individual firm as you would be if you represented only one. If you represent only one concern, then you are eligible for Social Security. I bring this to your attention in behalf of all of us, who gladly would pay our stipend, and if this were clarified, am sure the firms we represent would gladly want to pay their share.

C. C. Gosney, Clarksburg, W. Va. Laws protect everyone but the salesman. He is supposed to be an executive or manager of his territory. Then you say we have to make more sacrifices and do without more. Give me a job paying my old salary of \$3,000 a year and I will be a happy man supporting a family of four. Now understand, I am not writing you to criticize you but after your Boston speech, I could not resist saying something. Lots of good luck.

Bert Address, Chairman, Executive Committee, The Central Good Neighbor Committee, N.Y.C. At the request of Mr. McCracken of your Department, we are addressing envelopes to a selected number of key people, to send copies of your recent address on the dangers of inflation. While ordering this job done, I have read the address myself, having previously seen only excerpts from it in the newspapers. Having read it through, I am all the more happy to cooperate at least in some small way in its distribution. If I may, I should like to congratulate you upon the directness and simplicity of your presentation of a subject which so often is complicated by technicalities. This address brings the subject straight into the average kitchen and living room where it needs to be considered, and where Defense Bonds and Stamps must be understood as one means of preventing inflation.

Cecil J. Medvedeff, Baltimore, Maryland. I received your letter of September 20th, and I have heard your radio speech. There is no question at all that you are right in what you say. However, there is no way to stop inflation unless you stop first inflation of labor. Every time labor gets higher, and still higher pay, the dollar is worth less, and if this is not inflation, what is it?

Eugene K. Quigg, President, Richmond Baking Co., Richmond, Ind. I have recently read your comments with regard to the necessity of controlling prices and preventing inflation. I have thought several times of writing you and expressing my complete agreement with your views and also my appreciation for the courage you have shown in making these statements publicly. Today, I am in receipt of a letter from the Collector of Internal Revenue in Indianapolis, who is also the State Administrator, Defense Saving Staff. In this letter it is urged, and properly so, that we interest our employees in the purchase of Defense Savings Bonds. As I read the letter my thinking was quite confused as to whether or not I should urge our employees to invest their money in this type of an investment when the spectre of inflation is hanging over all of us. * * * So I sincerely trust that you will exert every effort possible to stay the advancing prices that are coming along every day now in commodities, in goods, wages, rents, etc. Anything I might do to help secure proper Governmental control over prices, wages and rents, I shall be glad to do.

Comments on Bonds

J. Henry Thorpe, Treas., Cooley, Inc., Aristocrat Fabrics, Pawtucket, R. I. I am pleased to give you, below, a copy of notices that will be posted in our two mills tomorrow morning. I think possibly you may be interested: "The Directors of Cooley Incorporated of Pawtucket, R. I., have voted to give to all of their employees a bonus of 10% figured on their base pay of 40 hours per week and dating from the beginning of their fiscal year October 1, 1940 to September 30, 1941. All those will share in this bonus who are at present in the employ of the company regardless of the time that they began to serve. This bonus will be paid 50% in cash and 50% in Government Bonds or Defense Stamps, prior to December 1st. The thought of the Directors in making partial payment of this bonus in Bonds is to encourage their employees, not only to build up a savings account, but also to have a share in the National Defense Program".

Alfred I. Warren, President, Consolidated Appraisal Co., New York City. In looking over your defense bond circular, I am prompted to inquire why an apparent deliberate withholding of necessary information regarding the status of these securities appears in this circular. Why not show a table of redemption values and not keep patriotic citizens in the dark as to what they are actually getting for their money? This actually savors of the kind of deal one would have, in years past, expected to get in Wall Street.

Harry E. Gilbert, Combustion Engineer, Bridgeport, Conn. Replying to your letter of September 16th on the subject of buying U. S. Savings Bonds. Like millions of fellow Americans who say nothing but keep on doing, myself and wife do regularly invest in these saving certificates all we can afford and we shall continue to do so to the exclusion of all other investments other than in our house and home. Our home is under F.H.A. mortgage now going into its fourth year, and our faith is in our Government entirely. Our desire has been to purchase income tax certificates but we cannot subscribe to the plan that requires an application to be filed. Not that it would be a burden to us to file the application but we feel that the plan is incorrect and that as it stands, there is no advantage as compared with the straight purchase of saving bonds. "If you want to see people invest in a large way, make it easy as possible and remove the formality."

Alvin Gerlack, Attorney at Law, San Francisco, Calif. As a result of my Army service in the first World War, I lost the complete sight of my right eye. I am now drawing Government compensation for the loss of the sight of this eye, which compensation was recently increased. By making some personal sacrifices I find I will probably be able to get along without the use of this money and believe that, it being the "spirit of the times", we should all make sacrifices in the present emergency. I have decided, therefore, to purchase Savings Defense Bonds and should appreciate your advising me as to the most advisable type of Government Bonds in which to invest.

"John Citizen", Texas. (Copy of letter sent to the President.) In your fireside chat will you please tell us - about 90% of the American people - WHY WE SHOULD BUY BONDS? WHY WE SHOULD JOIN THE ARMY? WHY WE SHOULD PAY HIGH DEFENSE TAXES? WHY WE SHOULD WHOOP YOU UP? when we apply for a job from our own Government we are referred to a labor union secretary who tells us we cannot work for our Government unless we join a labor union, pay a large fee for joining, and then continue to pay a large tribute to this labor union as long as we work for our Government!

Monte J. Gouldman, Manchester Welfare League, N. Y. C. Sometime ago you were good enough to send 100 copies of the song "Any Bonds To-Day" for distribution within our League. At our Open Meeting held last night, we were able to obtain pledges among our membership of over three hundred, of 100% in either bonds or stamps.

Paul J. Lichtenstein, (Clothing Store), Grand Mount, Iowa. I have before me four cigarettes - the last I am going to smoke. After that when I have the urge to smoke, I'll go and buy 19¢ worth of War Savings Stamps.

K. L. Fisher, President, The Farmers & Merchants Bank, Spencer, N. Y. Why may the Post Offices frank returns on Defense Bonds sales while banks must pay their own postage? Isn't that class differentiation?

Val Beach, Manhasset, Long Island. By neglecting to enlist Wall Street dealers in Defense Bond campaign, the Government has not only alienated these salesmen but has failed to take account of the average man's point of view. The latter has lost considerable faith because of the way his money has been treated. He remembers he used to get 4% from Savings Banks, and feels the Government responsible for cut in interest rates, poor stock market, etc.

Theodore Gould, President, Baltimore Stock Exchange. I am the owner of a number of U. S. Savings Bonds and of Defense Savings Bonds, and am a firm believer that every American should own these securities, both from the standpoint of the country's welfare and his own best interests. Believes, however, investment bankers and securities salesmen of the country have not been aroused to interest. These men are as patriotic as others and will volunteer expert service. However, Mr. Gould believes they are entitled to compensation just as companies making tanks and airplanes or other defense workers are paid for their skill. He suggests cooperation with National Association of Security Dealers as recognized agency ready and willing to do the job.

David Rapport, Astoria, Long Island. I would like to know why the Astoria Post Office, as well as several Astoria Banks, have no Defense Stamps. After my wife stood in a long line for a half hour, she was told at the Post Office that they do not keep them. Is that the way to encourage citizens to aid the Defense program?

Thomas F. Wallace, Chairman, The Farmers & Mechanics Savings Bank, Minneapolis, Minn. I have been a purchaser from time to time of Savings Bonds and the old Baby Bonds. In most of these I name a beneficiary to whom they would be payable in case of my death upon the belief that this beneficiary could be changed at my option, and a renewal bond with the original issuance date issued. Upon inquiry I find that this is not so and that my only option is to cash the bond or allow it to stand as it was originally issued. The Federal Reserve Bank in Minneapolis said this was to discourage discontinuance of these bonds and to encourage their retention until maturity. This did not sound reasonable to me and it will result in my having to cash several of these bonds owing to changes. In each case if I could have changed the beneficiary I would have allowed the bond to remain in force until its original maturity. The regulation as it now stands encourages holders of bonds to cash their bonds instead of holding them and therefore defeats its purpose.

Wilma K. McFarland, Editor, Child Life, Chicago, Ill. I am the Editor of Child Life, a national magazine for children. The magazine is read by at least one-half million children, by many teachers who use it for supplementary purposes in their schools, by librarians, and by most of the parents. We have been very eager to help the Government in spreading information about the National Defense Stamps and Bonds. During your absence I have been in touch with two members of your staff who seem to have sent me all of the material on hand for publicity purposes. In that material I do not find one sentence that carries a message to children. There are general suggestions to teachers and I have used these in my teachers' supplement, but I had saved one of my November cover pages to devote to the National Defense Stamps. And for over six weeks I have been attempting to get some sort of material from your staff that would be directed to children and would tell them simply and clearly what your plan is for their cooperation. Last week I telegraphed your office again calling their attention to my need and have received no reply. Because you are a very busy man I do not want to bother you, but I do honestly feel that a message in Child Life, particularly one signed by you, would be of value. But if it cannot bear your signature, there must be something in your files addressed to the youth of the country which we could at least quote.

Don Delaney, Company "G", Camp Bowie, Texas. I have talked to quite a few of the enlisted men in my regiment and find that many of them would welcome the opportunity of buying Defense Bonds and Stamps if they were available through Post Exchanges. Usually a Post is located so far from town that a soldier cannot readily get in to a bank or Post Office in the hours which he has free from his duties. By the time he does have a chance to get into the city, he finds that his money has dwindled away so he just spends what is left.

R. M. Telfer, Jr., The Insurance Examiner, Chicago, Ill. You are in there every day pitching for the sale of Defense Bonds, but we honestly don't believe the moguls of our big life insurance companies are giving you anything but lip service. We have an idea that will test the sincerity of the boys that boss some 35 billions of dollars of assets. As you probably know, there are 3 or more billions of dollars of life insurance tied up in policy loans on which rate of interest is either 5 $\frac{1}{2}$ or 6 per cent per annum. These loans put policy-holders right behind the eight ball since they must pay same premium as always. Why not lift these policy loans with Defense Bonds through our Federal Loan Agency? (Outlines system of repayment.)

Michael T. Kelleher, U. S. Postal Clerk, Kansas City, Mo. I have been buying Government Bonds for the past 5 years. I couldn't find a better place to invest my money, and figured that my money was safer with the U. S. Government than the banks. I have been told by many people that it is not a good investment on account of the way the Government did with the Liberty Bonds in the World War. I presume that there are many people have the same ideas about these Defense Bonds, and are afraid to put their money in them. I will leave my money with Uncle Sam any day, and feel that my money is doing some good for the National Defense Program, and will cash them in when they mature in 10 years. Therefore, I wish that the American Citizens would forget about the last World War and the Liberty Bonds, and protect our country by buying as many Defense Bonds as they possibly can.

Peter H. McCarthy, Dubuque, Iowa. I read your article from Pontiac, Mich., that you felt called upon to praise the workmen for the Defense Bonds they took, so you said. Well, isn't that very nice! The defense workers get the highest wages they ever received, some of them getting the outrageous wages of \$80 to \$100 per week, while the rest of us are sweating our brow and paying every cent of tax possible to meet the taxes that pays these exorbitant wages to the workers. And then you feel called upon to issue a special vote of thanks to these defense workers for buying a defense bond or two. Well I want to say that your talk to me seems just 100% "Pure Bunk". I was on the Liberty Loan drives in the last war and when we got to the plant that had war orders we thought we would clean up on orders and we got less in the plants with war orders than in any other. I guess the rest of us don't count, only Union men.

Mrs. George Jungels, Chicago, Ill. In your Pledge and Speech, as printed in your "Plea for Defense Bonds" you say, "The present Administration is doing everything possible to prevent inflation". Let me ask you, is being the tool and fool for the hostile Soviet invasion in the U.S.A., and also compelling the American citizens to war with our hostile invaders to justify the Soviet invasion of other helpless countries in Europe and elsewhere, called doing everything to prevent inflation? Are we to be the victims of Soviet programs because of the bait inflation?

B. U. Zaidler, Conference Claimants' Funds, Inc., Baldwin City, Kan. I have yours of Sept. 19th, in reply to some United States Savings Bonds which I purchased a short time ago. I will say that I expect to buy more bonds as time goes by, and I am able to accumulate a few savings. It has always been my principal to support the Government in every way possible. In the same envelope also came the speech and the pledge by yourself that was made to the public over the radio a short time ago. I have carefully studied this speech and I heartily agree with you in many instances. I hope that the President and our Representatives and Senators will do everything in their power to avert an inflation. (Cites food prices, farmers' problems, Union demands, etc.)

John J. Morris, Jr., Morris Hardware Co., Lake Wales, Fla. Replying to your letter of September 17th will say that this is one of several such letters I have received lately, only this is the first time you have given me credit for buying any bonds at all. (Tells of purchases, family service to Government, etc.)

Charles S. Adelman, The Real Estate Advertiser, Chicago, Ill. Regarding your letter dated September 17th, may I call your attention to the esteemed Tribune's front page broadcast of the Associated Press report on Senator Clark's late prediction. If half his statement is true, what becomes of the redemption value of our Savings Bonds? How could they be paid, principal or interest? Will they have to go the way of Government securities in other countries, where such paper was burned, while other equities retained some value? I have done my share in the past, but many doubts and whispers are passing through this territory now. If they can be answered, I think such action is imperative.

E. L. Florance, Washington, D. C. I appreciate the purpose of your letter of September 16th, thanking me for buying U. S. Savings Bonds, but the suggestion that I start to buy them periodically seemed to me unfortunate in view of the fact that for several years I bought them regularly under our company's payroll deduction plan, and only last month discontinued my purchases due to the necessity of accumulating the means of meeting 1941 income taxes.

Benjamin F. Bills, Chicago, Ill., marks the following paragraph in the form letter sent out by the Secretary under date of Sept. 17th. -- "Now, as never before, I believe that all of us are ready to demonstrate, in concrete form, our partnership with the Government - a partnership, as the President said, which is entered into to safeguard and perpetuate all those precious freedoms which the founders of our Republic gave us as our heritage", and adds his own comment as follows: "I know of no freedom which you are safeguarding -- and of no freedom which you are not invading".

W. W. Cloud, Baltimore, Md. I have yours of the 20th instant, personally acknowledging my recent purchase of United States Savings Bonds. Since the above-mentioned purchase I have bought additional of the same bonds being an American, a patriot and last, but not least, a Democrat. You men of the Treasury are doing a fine job, keep it up. I write from over fifty years of past banking and present business experiences. Many problems ahead, but they will be solved, not by the mass minds but by men of your courage and intelligence.

John J. Wagner, Cedar Rapids, Iowa. I have your general circular of Sept. 18th. I am in thorough accord with your program of regular purchase of Defense Bonds, and I am making such regular purchases through a local bank.

James Calhoun, Denver, Colorado. On September 8th I wrote your Department protesting over the length of time I have been caused to wait to cash Baby Bonds, and the levying of a charge of 29¢ for the privilege of cashing them. You know all the literature the Treasury has issued to promote the sale of these bonds, none that has come to my attention has left any other impression than that these bonds could be cashed at any Post Office on presentation, and without one penny of cost. In this case I have either been taken advantage of or the Treasury Publicity Dept. has been guilty of neglect. I might add that the local Postmaster has refused to do anything to expedite the cause because, as he said, he got no commission for taking care of such matters. I have never received a reply to my letter of September 8th, and am taking this method of protesting this neglect also. I would like some assurance that in the future, when I wish to cash bonds, that I will not be compelled to wait for ten days to two weeks, and that I am not going to be charged for that privilege, even though the charge goes under some other name.

Anonymous - As a buyer of Defense Bonds I am beginning to wonder if I am really buying something that will be of any value in ten years at the way I notice the agents of the Government are wasting and spending money here in Des Moines in building this defense plant. I think it is time some of you people in Washington did something besides ask people to buy bonds. America is going to be so heavily mortgaged and for what??? What foreign country would do the same for America?



IT'S YOUR RESPONSIBILITY

THE RIGHT SLANT

NO APPETITE



...strongly believe that it is the responsibility of the management to create the opportunity and further to support by financial means the activities of the employees. These activities, however, must be within the framework of the business and must be profitable. It is the responsibility of the management to create the opportunity for a good salary for its employees and for the

NO APPETITE

FLIGHT LIFE
THE RELIANCE ON REMOTE-CONTROLLED DRONES

of the side vertical of the cavity, most noticeable of shelling which can be removed but as the shell is being removed, the surface of the cavity is not sufficiently smooth as the cavity is being removed.

Reception Delays: 202-181-1000.

In 1916 he joined Quaternary Expedition Dispatched to Svalbard, being transferred to Baidaro in 1917.



DATE _____

Handle With Care—Fiduciary trusts in post-graduate work have been around since the 1930s, but the IRS is now looking at them more closely.

Training Exercises: To be used with 12 or more of the high points of the course, including the summit.

Goal: Type of exercise used, as well as sufficient time, strategy, and

The second staff of the
the Maine Cold Storage and
Market, Mr. Mike Brown.
The second staff of the

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

TREASURY DEPARTMENT

80

INTER OFFICE COMMUNICATION

DATE

September 26, 1941

TO Ferdinand Kuhn, Jr.
FROM Alan Barth

EDITORIAL OPINION
ON FOREIGN AFFAIRS:
FACING THE ISSUE

Mandate

The newspapers want a final showdown on foreign policy. They believe that the Neutrality Law affords an appropriate issue for such a showdown.

Repeal or modification of the Neutrality Law is generally regarded as a determining factor in America's relation to the war. Isolationists insist, of course, that repeal would constitute the final step toward American participation; interventionists argue that it would bring this country neither more nor less near to full belligerency, but would serve merely to make the influence of the United States more effective. Both want the issue referred to Congress -- the former because they hope it can be defeated there, the latter because they feel that the legislative branch of the Government should share the burden of so weighty a decision.

The Cleveland Plain Dealer -- to cite a strong interventionist example -- reasons: "Because the issues now before

the country are of the greatest importance to the success of the defense program, because it is imperative that the nation present a united front in everything it does from this time forth, the President owes it to the nation and to himself to proceed in a manner that will recognize fully his powers and responsibility in matters of foreign affairs, but will also take cognizance of the co-ordinate authority of the Congress."

The prevailing judgment of the press is that the Neutrality Law has wholly failed in its purpose and has become an embarrassment. The fact that the Robin Moor and the Greer were attacked in zones outside of those defined as belligerent under the Neutrality Law is commonly cited as proof that self-denial afforded no protection for American shipping. Some commentators argue that we have engaged in a discreditable subterfuge by sending American vessels into dangerous waters under the flag of Panama. Most of them agree that the failure to arm merchant ships, when we have already promised them naval protection, is a fatuous quibble.

No clear preference has emerged in the press as between modification of the Neutrality Law and outright repeal. The common feeling appears to be that it doesn't make much difference, so long as the inhibiting features of the act are excised. The important thing, in the view of a great majority of editorial writers, is that the President obtain an unmistakable mandate for

the full and effective prosecution of his foreign policy.

Aid to Russia

"The Russian news is going badly," observes The New York Post with rather refreshing candor. "It is too late in the day for us to comfort ourselves with the old cliches about Hitler's 'lengthening line of communications,' or even to hug the famous Russian winter to our breasts for cold comfort. Hitler's line extends from Norway to Athens, and is still seemingly firm; and we are not going to defeat him with winter and rough weather."

This sort of thinking is in marked contrast to the general run of Pollyanna platitudes which have filled most editorial comments on the subject. It has been common to dismiss Nazi territorial gains as meaningless, to discount reports of Russian casualties with reiterations that the bulk of the Red Army is still intact.

The reverses of the past week in the Ukraine have partially shaken this complacency. Editorial writers are now coming to realize that the opportunity offered by the creation of an eastern front may be a fleeting one. The stubbornness and courage of Soviet resistance have, in considerable measure, diminished the objections to sending American aid directly to Russia itself.

Some newspapers, however, still balk at such close association with Communism. The New York Times is representative of a

group which, while it insists that Russian resistance must be maintained in the interest of the United States, feels that any assistance should be sent via the British. "Stalin's record of treachery cannot be simply forgotten," says The Times, and adds the caution that "in a war on land, victory for the panzer divisions could mean that the help America sent to Russia would actually fall into Hitler's hands."

But a majority of commentators are less squeamish. Even so conservative an organ as The Los Angeles Times urges greater speed in giving the Russians a helping hand: "The naming of the American war mission to Russia, headed by W. Averell Harriman, is pretty belated . . . the delay in naming it might have had serious effects on Russian morale."

In general, the press may be counted upon to support the Administration in resisting any prohibition against aid to Russia under the new Lend-Lease appropriation. "Such action," remarks The Baltimore Sun, "would be inconsistent with everything we have done to aid the British up to now. By such measures we have said that our naval help and our material resources are available to those who fight Hitler in the west. But if we were to vote against aid to Russia, we should, in effect, be inviting Hitler to make himself strong against the Soviets and in the Near East so that he can turn next year and fight more effectively against those we have promised to help in the West."

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

84

DATE

September 26, 1941

TO Ferdinand Kuhn, Jr.
FROM Herbert Merillat

PRESS COMMENT:
PROFITS, PRICES,
AND WAGES

Secretary Morgenthau's proposal to limit corporation profits to 6 per cent on invested capital stole the show from his other recommendations to the House Banking and Currency Committee. It captured the headlines and produced a quick, and negative, reaction in editorial writers. The remainder of the Secretary's anti-inflation program, when mentioned at all, has generally been approved, except for the failure to recommend restrictions on wages.

Profit-Limitation Proposal

The press has seemed uncertain whether or not to take the profit-ceiling proposal seriously. Some papers have denounced it in the harshest terms possible; some have adopted a sweetly reasonable attitude -- "Of course we need to take the profit out of war, but is this the wise way?" etc.; other papers, agreeing with most of what the Secretary said, have reproved him, as a friend gone wrong, for bringing up the profit-limit plan. There is a surprising amount of comment falling into the category of

mild disapproval. No paper, however, has supported the proposal in the form outlined by the Secretary.

The following catalogue of objections to the profit-limitation proposal is found, in whole or in part, in most editorials on the subject:

- (1) The plan would unfairly penalize businesses of a type which do not need large amounts of capital.
- (2) It would hit small and young corporations hardest.
- (3) It would be disastrous for cyclical industries, "feast and famine" businesses which must accumulate reserves in good times to tide them over bad times.
- (4) It would discourage risky investments, particularly in defense industries whose periods of prosperity are short and uncertain.
- (5) It would penalize conservatively capitalized and inefficiently managed companies.
- (6) It would tax "normal" profits as well as profits due to the defense program.

The more violent denunciators have compared the proposed profit-ceiling to similar measures in Germany and assailed it as a step toward Nazism. The Philadelphia Record, the only liberal paper which has commented so far, attacked the proposal in the most violent terms.

Wage-Control

In line with the press demand for control of wages along with control of commodity prices, the Secretary has been criticized for failure to recommend a ceiling on wages. The

omission was regarded as especially unjustifiable because of the recommendation to limit business profits. Where is the justice, it has been asked, in putting a ceiling on profits if there is to be no ceiling on wages? The omission is said to vitiate the Secretary's program for restrictions on all, sacrifices by all, in order to prevent inflation. The Secretary and the Administration are accused of playing politics, cracking down on business and coddling labor.

The remainder of the Secretary's program has been generally endorsed: curbs on farm prices, controls of credit, heavy taxes, curtailment of non-defense expenditures, and encouragement of defense-bond sales.

Baruch v. Henderson

Between Mr. Henderson's selective price-fixing and Mr. Baruch's over-all price freezing, the press gives the decision to the Baruch plan. These are the arguments cited most frequently in favor of the Baruch plan:

- (1) Control of a relatively small number of selected commodity prices will result in hardships which could be avoided if the prices of all commodities were controlled.
- (2) It is impracticable to try to keep all prices in line by controlling only a few basic commodity prices.
- (3) The Henderson plan omits control of wages and is not sufficiently restrictive of farm prices.
- (4) Mr. Baruch's "voice of experience" should be heeded.

Mr. Henderson is accused of avoiding over-all price control out of fear of antagonizing politically powerful farm and labor groups.

The press has become resigned, however, to seeing a price-control bill on the Henderson model adopted by Congress. Political pressures, it has concluded, will prevent the passage of a bill which would effectively limit price advances.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

88

PROCUREMENT DIVISION

WASHINGTON

September 26, 1941

REPORT TO THE SECRETARY:Weekly Report - Lease-Lend Purchases
(9/19 - 9/26/41)

<u>Requisitions</u>	<u>Estimated Cost</u>
Cleared by O.F.A.....	\$ 210,154,443.76
Awaiting clearance by O.P.A.....	12,440,015.13
Total Pending Requisitions.....	\$ 222,604,463.94
Less: Requisitions for metals and textiles, where contracts will be made for term periods (allocations required from O.P.A.....)	112,040,322.97
Total Pending Requisitions for Spot Purchases.....	\$ 110,565,140.97
Purchases to 9/19/41.....	140,480,961.80
Purchases 9/19 to 9/26/41.....	7,840,610.40
Total to 9/26/41.....	\$ 156,421,566.70

Hearings were held before the House Appropriation Committee yesterday afternoon relative to the budget requirements of \$542,075,000 to cover British and Chinese purchases up to February 28, 1942. Certain detailed information has been requested by the committee which is now being prepared.

C. K. Hoar
 CLINTON B. HOAR
 Director of Procurement

Attachments-

DA-TPS-1352	U.S. Steel Export Co.	W.H.	Concrete Reinforcing Bars	4,000LT.	222,075.20
DA-TPS-1361	Republic Steel Corp.	"	Carbon Manganese Steel	727LT.	54,261.81
DA-TPS-1362	Algonquin Steel Co.	"	Ingots	2300LT.	92,400.00
DA-TPS-1363	Armco International Corp.	"	Slabs, Ingots	7300GT.	296,541.00
DA-TPS-1364	John A. Roebling Sons, Co.	"	Wire Rope	252+.	17,547.50
DA-TPS-843	Wisconsin Steel Co.	"			-84,960.00
(Adj. Deduct)					
DA-TPS-201-9	Copperweld Steel Co.	"	Hi. Chr. Steel	77GT.	38,533.60
DA-TPS-1380	Keystone Steel & Wire Co.	"	Reinforcing Bars	150GT.	10,483.00
DA-TPS-1387	Crucible Steel Co. of America	"	Tungsten hot die steel	5.80GT.	12,384.25
DA-TPS-1404	Colorado Fuel & Iron Co.	"	Rails	7100GT.	423,586.00
DA-TPS-1405	Alpha Portland Cement Co.	"	Cement	1192Bbls.	2,503.20
DA-TPS-1407	Crucible Steel Co. of America	"	Steel	5.536GT.	2,241.00
DA-TPS-1418	Bethlehem Steel Export Corp.	"	Rails & Splice Bars	7500 LT.	339,362.80
DA-TPS-1418	Pollensbee Steel Corp.	"	Electrical Sheets	11,200#	755.86
DA-TPS-1420	Armco International Corp.	"	Stainless Steel	26.892GT.	36,918.65
DA-TPS-1444	Great Lakes Steel Corp.	"	Panel Sheets	95GT.	7,640.64
DA-TPS-1454	Bethlehem Steel Export Corp.	"	Wheels and Axles	4,045Pcs.	566,964.50
DA-TPS-1455	U.S. Steel Export Co.	"	Wheels and Axles	4,045Pcs.	566,964.50

<u>COMPANY</u>	<u>CONTRACTOR'S NAME</u>	<u>UNIT</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>UNIT PRICE</u>
DA-TPS-1403	Sandvik Steel Inc.	U.S.	Sandsew Steel	5,500#	\$ 1,483.80
DA-TPS-1151	Prior Chemical Corp.	"	Ammon Dichromate	1120#	246.40
DA-TPS-1309	American-LaPrene-Foamite Corp.	"	Fire-Extinguishers	100	17,731.60
DA-TPS-1152	The Dow Chemical Co.	"	Carbon Bi Sulphide		451.65
DA-TPS-1310	The General Fire Truck Corp.	"	Calcium Chloride Solids Etc.		
			Fire Extinguishers	200	1,726.00
DA-TPS-1104	R. G. Le Tourneau Inc.	"	Scrapers, Wagon	7	18,920.30
DA-TPS-1173	Harrisburg Steel Corp.	"	Cylinder, Nitrogen	2,000	19,120.00
DA-TPS-1105	U.S. Rubber Co.	"	Jointing Material		1,290.00
DA-TPS-1339	Ford Motor Co.	"	Bearings	32,000	3,412.00
DA-TPS-1342	General Motor Sales Corp.	"	Bearings	40,000	28,800.00
DA-TPS-1340	Bower Roller Bearing Co.	"	Bearings		43,856.78
DA-TPS-1341	Aetna Ball Bearing Mfg. Co.	"	Bearings		13,250.00
DA-TPS-1281	Detroit Sulphite Pulp Paper Co.	"	Easy Bleaching Sulphite	1,000T	59,720.00
DA-TPS-1251	R. G. Le Tourneau, Inc.	"	Spare Parts		22,838.40
DA-TPS-1262	River Raisin Paper Co.	"	Boxes Fiber	50L	8,750.00
DA-TPS-1174	Ingersoll Rand Co.	"	Devices Hand Threaders		5,415.00
			Hand	10	
DA-TPS-1356	The Gorrington Co.	"	Bearings		2,538.57
DA-TPS-1074	Monsanto Chemical Co.	"	Vanadium Catalyst	7040Liters	28,956.00

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-1146	Colgate-Palmolive-Peet Co.	U.S.	Glycerine	32,500#	\$ 4,623.12
DA-TPS-1349	Chesapeake-Camp Corp.	"	Kraft Pulp	500ST..	30,000.00
DA-TPS-1348	West Virginia Pulp and Paper Co.	"	Kraft Pulp	2,000T	120,000.00
DA-TPS-1346	Hollingsworth and Whitney Co.	"	Kraft Pulp	800T	48,000.00
DA-TPS-1167	Eastman Kodak Co.	"	Sod. Carbinat Mono;		
			Sod. Sulphite etc.		239.57
DA-TPS-1210	Harrisburg Steel Corp.	"	Cylinders Nitrogen	1000	9,560.00
DA-TPS-1345	Hummel Ross Fibre Corp.	"	Kraft Pulp	800T	48,000.00
DA-TPS-1231	Bay City Shovels Inc.	"	Soare Parts for Excavator		8,388.74
DA-TPS-1325	The Firestone Tire & Rubber Co.	"	Tires and Tubes	1,000	40,190.00
DA-TPS-1179	The Goodyear Tire & Rubber Co.	"	Tires and Tubes	500	8,580.00
DA-TPS-1180	U.S. Rubber Export Co.	"	Tires and Tubes	1,000	36,830.00
DA-TPS-1082	E.Z. Du Pont Nemours & Co.	"	Thermoflox	22,400#	13,104.00
DA-TPS-1176	Ralph B. Carter Co.	"	Pumping Sets	200	40,700.00
DA-TPS-1354	R. Leach Mch Co.	"	Bearings		982.20
DA-TPS-1366	The Timken Roller Bearing Co.	"	Bearings		21,935.00
DA-TPS-1365	Ford Motor Co.	"	Bearings		60,022.00
DA-TPS-1358	Leilig Brothers Co.	"	Cloth Wire,	50 rolls	750.00
DA-TPS-1043	Caterpillar Tractor Co.	"	Tractors	11	67,252.00

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>REQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-718	The Hughes, Keenan Co.	U.K.	Dumpers	45	\$ 149,206.45
DA-TPS-786	International Pulp Co.	"	Asbestine	560ST.	8,120.00
DA-TPS-1295	Lapp Insulator Co., Inc.	"	Insulators		81,535.00
DA-TPS-1228	The Terrington Co.	"	Bearings		33,750.00
DA-TPS-1214	The Fafnir Bearing Co.	"	Bearings		40,146.60
DA-TPS-1213	Bearing Co. of America	"	Bearings		9,112.50
DA-TPS-1211	Bearings	"	Bearings		1,860.00
DA-TPS-1233	General Motors Sales Corp.	"	Bearings		1,112,282.50
DA-TPS-1232	S.E.F. Industries, Inc.	"	Bearings		45,875.00
DA-TPS-1230	H oover Ball & Bearing Co.	"	Bearings		1,980.00
DA-TPS-1229	Bower Roller Bearing Co.	"	Bearings		188,130.00
DA-TPS-1209	Ahlberg Bearings Co.	"	Bearings		306,300.00
DA-TPS-1355	The Timken Roller Bearing Co.	"	Bearings		1,326.00
DA-TPS-1149	E. I. du Pont de Nemours & Co.	"	Potassium Cyanide		1,155.00
DA-TPS-1129	Woodings-Verona Tool Works	"	Chisels		1,240.00
DA-TPS-1181	The Noble & Westbrook Mfg. Co.	"	Marking Machines		3,264.00
DA-TPS-1252	Verson Allsteel Press Co.	"	Brake, Press		3,215.00

DA-TPS-1403	General Motors Sales Corp.	"	Bearings, Ball	356,000	394,000.00
DA-TPS-1399	Bower Roller Bearing Co.	"	Bearings, Roller		76,729.85
DA-TPS-1398	The Timken Roller Bearing Co.	"	Bearings, Roller		135,790.00
DA-TPS-1411	SKF Industries, Inc.	"	Cages, Bearing	15,000	1,500.00
DA-TPS-1410	The Abbott Ball Co.	"	Balls, Bearing	240	403.20
DA-TPS-1353	George F. Pettinos	"	Compound Binding	128 lbs.	7.56
DA-TPS-1417	General Motors Sales Corp.	"	Balls & Rollers		121,488.00 ⁶

<u>CONTRACT NUMBER</u>	<u>CONTRACTOR'S NAME</u>	<u>ACQUISITIONER</u>	<u>COMMODITY</u>	<u>QUANTITY</u>	<u>TOTAL VALUE</u>
DA-TPS-1347	Union Bag & Paper Corp.	U.K.	Kraft Pulp	2,000 T	120,000.00
DA-TPS-1330	Shell Oil Co. Inc.	China	Special Propeller Oil	1,470#	102.90
DA-TPS-657 (Cancelled)	Mc Cabe & Sheeran Mchy. Corp.	U.K.			- 40,000.00
DA-TPS-886 (Cancelled)	Mc Cabe & Sheeran Mchy. Corp.	"			- 5,150.00
DA-TPS-1169	E.C. Atkins & Co.	China	Blades, Hacksaw		84,729.97
DA-TPS-1170	Henry Disston & Sons Inc.	"	Saws, Band		30,560.83
DA-TPS-1376	Gulf Oil Corp.	"	Paraffin	1,000#	76.50
DA-TPS-1332	Standard Oil Co. of N.J.	"	Lubricating Oil	736,500 gals.	320,377.50
DA-TPS-1331	Sterns, Inc.	"	Special Propeller Oil	12,600#	1,455.02
DA-TPS-1329	Socony-Vacuum Oil Co. Inc.	"	Blade lubricant, Reduction Gear Oil, etc		1,678.05
DA-TPS-1333	R. M. Hollingshead Corp.	"	Rocker Arm Grease, Spark Plug Grease, etc		2,512.50
DA-TPS-1421	U.S. Steel Export Co.	U.K.	Rails and Splice Bars	21,704 GT	1,006,452.55
DA-TPS-1120 (Adj. Ded.)	Bethlehem Steel Export Corp.	"			- 1,310.84
DA-TPS-1122 (Adj. Add.)	Russell Burdall & Ward Bolt & Nut Co.	"			1,310.84

Total Purchases 9/19 to 9/26/41 \$ 7,940,618.40

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

COPY

Box 680
Benjamin Franklin Station
Washington, D. C.

September 26, 1941

Mr. Frank Dietrich
United States Treasury
Washington, D. C.

Dear Mr. Dietrich:

I have heard further from London regarding the text of the announcement about Niemeyer and Cochran. They accept the form of words suggested here except that they wish to add a few words at the end.

The note to be issued by London will read:

"At the request of His Majesty's Government and on invitation of the Chinese Government Sir Otto Niemeyer has undertaken a financial and economic mission to China. Sir Otto has recently been in Washington consulting with American officials. Mr. H. Merle Cochran, Foreign Service Officer and Technical Assistant to the Secretary of the Treasury of the United States is travelling to China with him. Sir Otto Niemeyer will be accompanied and assisted by Mr. James Baxter, Financial Adviser to the Governor of Burma who has lent his services for this purpose."

Yours sincerely,

(Signed) T. E. Bewley
T. E. Bewley

I now hear they are issuing tomorrow 27th. I have told Bell by phone.

Copy: lsn 19/27/41

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TREASURY DEPARTMENT
UNITED STATES COAST GUARD
WASHINGTON

96

SECRET

26 September, 1941.

From: Spagett, Shanghai, China.
To : Secretary of the Treasury.

—
Hall Patch and I have agreed on joint statement regarding your "Manila" plan and London's telegram of September 18th. Because of cable congestion here statement is being forwarded to you and Phillips via London. I am postponing the trip to Chungking for a few days.

(Signed) FOX

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TREASURY DEPARTMENT
United States Coast Guard

SECRET

Washington

26 September, 1941.

From: Spagunt, Shanghai, China.
To : Secretary of the Treasury.

Message from Mr. Fox.

Hall Patch has belatedly informed me that there would be a two day's delay in messages from London to Washington, and therefore I am sending our joint statement in sections as fast as possible.

JOINT STATEMENT OF HALL PATCH AND FOX

1. We have discussed the contents of the telegram from London of September 15th regarding plan for board and agency, i.e., Exchange Control Commission. We are of the opinion that as soon as an agreement is reached between Washington and London steps should be taken to communicate with the Chinese Government to prevent their taking any ill considered measures.

2. Clarification of the position of the board: It is apparent that there is danger of a clash between the board and the commission. This question was discussed at the inaugural meeting of the commission but was not resolved. The commission announced a cooperative attitude toward the board, but the situation is precarious as the board has assumed and is discharging duties which have been formally announced as belonging to the commission.

3. H. H. Kung intends apparently to adhere to the terms of the agreements and exchange of letters of April 25th, as the latter has given wide powers to the commission which he controls.

SECRET

4. The detailed plan for the working of the commission was in final form when the members appeared for the first meeting. The document is being translated, and a further telegram will follow should the plan differ in any important respect from the texts already telegraphed.

5. There have been almost daily press releases about the commission and the wide powers assigned to it, but since its inaugural meeting, the commission has taken no steps to put into effect any ideas publicly announced and the allocation of exchange has been left to the board.

6. H. H. Kung and the commission expressed satisfaction with the board's operations and particularly with the steps taken towards closing the black market at Shanghai, but the board conducts its operations on sufferance and at any time action may be taken by the commission or Ministry of Finance to cripple it. It is urgent, therefore, to clarify the situation.

7. The board has found it feasible to operate from Hong-kong, even though some delay is imposed upon merchants in Shanghai. Chungking has tacitly acquiesced in this agreement which is desirable to continue if present amicable agreement with Shanghai bankers is to be maintained. The present agreement is working fairly well, but branches of the board in other and less important centres may be necessary. With the clarification of the functions of the board and provision for incoming foreign exchange being credited to the board, there are reasonable chances of continued successful operation of present arrangements. It is at least worth a longer trial.

S H O R T

5. To clarify the position there are the following alternatives:

A. That British and American members be added to the standing committee of the commission.

B. Setting up of a joint policy committee suggested in conversations with Fox at Manila to serve as a link between the commission and the board.

9. The first alternative would directly associate foreign members with an organization whose political complexion causes concern to all Chinese members of the board and in which there are many undesirable elements. Fox feels these considerations rule out this alternative. On the other hand, Hall Patch thinks the second alternative will entail a loss of face which Heng will go far to avoid. If forced upon him, he may well stultify any action by the policy committee through his control of the commission, to which the policy committee would be subordinated. In any case, it will be impossible for the foreign members to avoid some connection with the commission, however undesirable that may be. In Hall Patch's view any solution which invites the active opposition of Heng will prove unworkable. He feels the second alternative would invite this opposition but that with skillful handling Heng might accept the first. Fox does not share this view and thinks every effort should be exerted to secure the joint policy committee and believes that Heng would be willing to accept it as the connecting link between the large commission and the board. Furthermore Fox feels the fact that American and British treasuries

would be willing to cooperate with the policy committee on freeing matters of the committee as instituted but would otherwise cooperate with the board and not the commission would be a powerful factor in inducing the Chinese Government to accept the committee. He also believes that in the atmosphere prevailing now this joint policy committee could most certainly formalize exchange operations of the board and suggest other steps which would be more acceptable coming from it than if they were forced upon the Chinese Government by United States and United Kingdom treasuries directly. Whichever solution is adopted, present operations of the board should be covered by some formal authority at an early date (See last sentence of paragraph 6 above).

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TREASURY DEPARTMENT

101

United States Coast Guard

Washington

SECRET

From: Spagnum, Shanghai, China.
To : Secretary of the Treasury.

(Continuation of message of September 26th, joint
statement of Hall Patch and Fox)

10. There is urgency for canalizing exchange from exports and remittances. The board is spending its funds, but there is no replenishment. Assurances have been given that exchange accruing from exports and remittances would be turned over to the board, but this has not been done. H. H. Hwang's ideas now seem to be as follows:

A. -- Such funds should be held in an expense account to the board's credit.

B. -- That before exhaustion of the board's present funds, the three governments to concert as to replenishment, China's contribution to be that under A.

This is a deplorable idea, and early steps to canalize in payments for the board's credit are advisable.

11. A. - Exports. - We agree that control over export proceeds can only be made effective through the cooperation of American and British authorities.

B. - Remittances. - Fox, after his visit to Manila and conversations with Walder of H.K.I. exchange control, believes that this can best be done by having foreign exchange canalized to the Central Bank of China for the credit of the board through various collecting banks, the counterpart in fapi being made available by the board to

the Central Bank of China for distribution to the normal agencies in China of collecting banks. This would place a great responsibility in the hands of the Central Bank of China, but he thinks in spite of the recognized inadequacy of that bank, it would undertake this work if its personnel is strengthened. Hall Patch considers this plan places too much power in the hands of the Central Bank of China and that the machinery would be too cumbersome. He would prefer an arrangement by which the collecting banks could remit to any of the licensed or authorized banks in China for the credit of the board, who would supply the counterpart in fupi for distribution.

12. The telegram under reference suggests that foreign currency be held "either in the name of the agency or better still in that of the board." After reviewing the constitution and personnel of the commission, it seems most unwise to have foreign currency canalized there. But, the suggestion to canalize them with the board directly would clearly show a lack of confidence in the Chinese government and might be resented.

13. Control of imports into Shanghai. Many of the difficulties faced by the board with respect to Shanghai operations arise from the need for export and import control. It is clear:

A. There are large stocks of commodities in Shanghai

B. With reduced speculative opportunities in other fields, there will be increased speculation in commodities, and that apart from the reduction caused by shipping difficulties, etc., it is

desirable to hold down imports into Shanghai. Now this can be accomplished raised a difficult question to which further study needs to be given.

END OF JOINT STATEMENT

PMX

Don. 206

RECEIVED

ENCLOSURE

Shanghai, China.

164

September 25, 1941.

For Secretary of the Treasury:

Shanghai trade returns show import surplus for eight months current year amounts to over sixty million U. S. dollars or monthly average seven one half million. This indicates the demand likely to be made on Stabilization Board. Shanghai total foreign trade in August showed decline of four million sixty two thousand U. S. dollars or approximately twelve nine half percent. Decline due to drop of over four million or approximately twenty percent in imports set off to some extent by rain in exports of three hundred forty thousand or three one half percent. Increases in imports were mainly from Siam and French Indochina. There was drastic drop in goods sent to Kwangtung leased territory which fell from sixteen million in July to two million in August due to closure of trans Siberian Railway was most of goods destined for Germany. This loss, however, was more than balanced by increase of fifteen millions in exports to Netherlands Indies and increase to Hongkong of thirteen million. U.S.A. still remains largest importer into Shanghai although her share has fallen to twenty percent as against thirty five last year. Imports from Great Britain have declined forty two percent compared with January August period last year. Imports from Germany increased eighty six percent and amounted to twenty million customs dollars, however, this coming to end. Twenty five percent Shanghai exports so far this year have gone to U.S.A. fifteen percent to Hongkong ten percent to Kwangtung leased territory. Last year percentages were thirty two fifteen and two one half respectively.

NICHOLSON

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(CONFIDENTIAL)

PARAPHRASE

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A telegram (no. 67) of September 26 from the officer in charge of the American Embassy at Nanking reads substantially as follows:

There are few sources of information in regard to revenues of Japanese-sponsored regimes and these sources are difficult of access. The best information available, however, is to the following effect:

It is said that during the year 1940 the total monthly revenue collections averaged \$25,000,000 (Chinese currency) and the expenditures about \$20,000,000. However it is reported that recently the collections and expenditures increased to something like \$40,000,000 and \$36,000,000, respectively.

It is said that the monthly income from the Chinese Maritime Customs allocated by the Japanese to the regime in Nanking amounts to about \$22,000,000 at the present time - an increase of about \$1,000,000 compared to that of August 1940.

Although in August 1940 the consolidated tax amounted to only \$7,000,000 that tax is now said to be bringing in about \$10,000,000 a month.

The actual collections of "special" tax (mostly on opium) are not known. It seems that this tax is "farmed out", presumably to Japanese interests, as it is reported

the

the income is fixed at military yen 1,500,000 a month.

The amount of income tax received remains negligible although it is now reported that this tax is being collected from interest on stocks and savings accounts and business profits besides those on Government salaries which were collected in 1940.

Although there is no increase in tax rates officials in Nanking claim that the same is true in Chungking. Partly at least as a result of the increased tax burden, the cost of living in the past three months has gone up almost 20 per cent.

It is reported that the percentages of collections are: tax receipts and land revenue, 55; salt tax, 6; consolidated tax, 25; other taxes, 14. It is reported that percentages of disbursements are: military expenses, 35; enterprises - most of which consist of reconstruction - 15; subsidies, 15; domestic expenses for operation of the Government, 11; administrative operations of the customs, 10; finance, 5; education, 5; grants for Sino-Japanese societies for students in Japan, and other cultural work, 4.

The British Consul states that on September 23, during the course of an interview, he was informed by a member of the Ministry of Industry that arrangements with the

-3-

the Japanese were almost completed providing for full control by the Nanking regime of taxation on and the trade in tea and egg products with partial control over silk and possibly rice.

Civic or other improvements observed in Nanking do not reflect the seemingly improved condition of the Nanking regime as indicated by the above reports. All of the revenue made available to the regime in Nanking remains in Nanking by grace of the Japanese subject to a continued compliance with Japanese demands and may be shut off whenever the Japanese see fit.

It is difficult to learn whether contributions made by the Japanese Government to the regime in Nanking are greater than the Chinese subsidies in Nanking toward occupation expenses. However, it seems likely that the Japanese contributions are greater and that profits going to Japan from Nanking do not accrue to the Japanese Government, but increase the wealth of individuals and firms connected with the armed forces of Japan. There is reason to believe, however, that a portion of the yen 300,000,000 credit from the Japanese Government in Nanking, announced in June, is being used to expand the Chinese military establishment at Nanking.

Lima, September 26, 1941.

Subject: Two hundred sixty-three Kilograms of Gold Imported
from Japan.

CONFIDENTIAL

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to inform the Department that the Japanese steamship Noto Maru on September 22 disembarked in Callao seven boxes containing two hundred sixty-three kilograms of gold in bars consigned to Yoshio Kobayashi, Lima.

This matter was discussed with the Minister for Finance and Commerce who explained the gold is for purchases of cotton and wool which the Japanese desire to obtain in Peru. According to the Minister, the Peruvian government was not disposed to accept yen exchange which the Japanese offered. It was mentioned the Japanese also had proposed barter transactions in which textiles, toys, and other Japanese goods would be exchanged for cotton and wool.

Respectfully yours,

For the Ambassador

Julian Greenup,
Commercial Attache.

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JG/tp

A true copy of
the signed orig.
tp

eh:copy
10-7-41

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE September 26, 1941

TO ^{Secretary Chanossy} Secretary Morgenthau
FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£130,000
Purchased from commercial concerns	£ 8,000

Open market sterling was quoted at 4.03-1/2. The only reported transaction consisted of £2,000 purchased from a commercial concern.

The Argentine free peso again experienced a moderate decline. The closing rate was .2355, as against .2358 yesterday.

The Venezuelan bolivar moved off to a final quotation of .2685. It will be recalled that, earlier in the week, the bolivar dropped from .2755 to .2735.

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

Canadian dollar	11-1/8% discount
Brazilian milreis (free)	.0505
Colombian peso	.5775
Mexican peso	.2070
Uruguayan peso (free)	.4400
Cuban peso	3/8% discount

There were no purchases or sales of gold effected by us with foreign countries today.

No new gold engagements were reported.

In London, spot and forward silver were unchanged at 23-1/2d and 23-7/16d respectively. The U.S. equivalents were 42.67¢ and 42.55¢.

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 purchases of silver today.



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BRITISH EMBASSY,
WASHINGTON, D.C.

PERSONAL AND
SECRET

September 26, 1941.

Dear Mr. Secretary,

I enclose herein for your
personal and secret information
a copy of the latest report re-
ceived from London on the military
situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

R. J. Campbell

His Honourable

Colonel F. Knox,

Secretary of the Navy,

Navy Department,

Washington, D.C.

TELEGRAM RECEIVED FROM LONDON DATED
SEPTEMBER 24, 1941.

U/E p.m./21 set on fire Palestine schooner
on passage from Beirut to Haifa; crew landed at
Tyre.

Further attacks L convoy at 2255/23 re-
sulted in British ship of 3,753 tons being sunk.

Air attacks on Benghazi harbour continue
almost every night and night of 21/22 hits on
ships at Italian mole observed.

About thirty enemy aircraft operated
mostly in Bristol Channel area night of 23/24th.

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G-2/2657-220; No. 503 M.I.D., W.D. 11:00 A.M., September 26, 1941

SITUATION REPORT

I. Eastern Theater.

Ground: Both German and Russian reports indicate heavy fighting around Leningrad.

East of Kiev, the mopping up of Russian forces continues. The German official communique asserts that the number of prisoners captured in this area has reached 492,000.

In the Crimea, German attacks are reported against the Isthmus of Perekop.

Odessa continues to offer strong resistance to the besiegers.

Air: It is reported that the Germans are using parachute troops in the battle of the Crimea Peninsula.

II. Western Theater.

Air: German claims of having set fire to a large merchant ship in the Thames estuary constituted the only report of action received from this area.

III. Middle Eastern Theater.

No information received.

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MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, September 26, 1941

TENTATIVE LESSONS BULLETIN
No. 163
O-2/2657-235

NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed. The lessons necessarily are tentative and in no sense mature studies.

This document is being given an approved distribution and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction, see Letter TAG 350.05 (9-19-40) M-B-M.

TANKS IN COMBAT - JUNE 5, 1940

SOURCE

This bulletin is based upon the report of an American official observer in Berlin. The report, dated May 10, 1941, contained a translation of one of a series of articles published in Deutsche Allgemeine Zeitung, a Berlin daily newspaper.

The articles, which were written by a German tank commander, are believed to have been approved by the German General Staff before publication.

Intended propagandistic effects should not be overlooked.

CONTENTS

1. INTRODUCTION
2. BREAKING THROUGH THE WEYGAND LINE
3. COMMENTS OF OBSERVER

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TANKS IN COMBAT - JUNE 5, 19401. INTRODUCTION

This bulletin deals primarily with the action of a tank company in a panzer division which participated in the attack, on June 5, 1940, against the Weygand Line south of the Somme River, about 20 miles west of St. Quentin. It contains information on the general formation of a tank regiment in this attack, the missions assigned to the tank assault echelons, and the difficulties encountered by subordinate tank units and individual tanks during the attack. It also illustrates the rather long distance at which the tank assault echelons operated ahead of the foot troops, and the resulting difficulties which were encountered by the foot troops and the tank supply and maintenance elements. While it is true that the foot troops eventually regained contact with the tanks, the possibilities of a strong hostile counterattack during the interim should be considered.

The following sketch should be used in connection with the action described in part 2 of this bulletin:

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3. BREAKING THROUGH THE WEYGAND LINE

"During the night of June 4, our regiment marched via Moislains, over the temporary pioneer bridge between Clery and Feuilleres - five miles west of Peronne - to its position of readiness, east of the Feuilleres-Assevillers road. Our company arrived at its designated area in the regimental position at 3 A.M., just before daylight of the 5th. The lowland along the Somme was behind us; in front of us stretched the crest of a smooth ridge, the far, or southern, slope of which was under hostile observation. As soon as we reached the cover of this ridge, we established local security. Then we refueled and ate breakfast.

"At 4:30 A.M. the captain, in a low voice, gave his last-minute instructions: 'In the regiment's attack against the Weygand position, the 2d Battalion will constitute the leading echelon; the 1st Battalion will be the second echelon. The 4th Company will be the foremost unit of our battalion, which is to attack the railroad installations in the small town of Chaulnes, the initial battalion objective.'"

"Careful preparations had been made for this attack. Heavy artillery had been placed in position, and the terrain had been reconnoitered by the company commanders during the preceding days of rest. Exactly at 4:45 A.M., the initial barrage of the German batteries broke loose against the enemy lines. Muzzle flashes flared up behind us as far as we could see, and the thundering shots shook the air for a quarter of an hour and inspired us with confidence during the last few minutes before the attack.

"At 5 A.M., June 5, 1940, just as the sun was rising, the tanks lined up for attack. The villages within the zone of attack were passed by on right and left. We pushed through our foremost foot elements at Assevillers, approximately 4,000 yards from the tank company's position of readiness, and soon were in contact with the enemy. At Belloy we encountered machine gun and rifle fire, but our tanks continued their rapid advance, firing upon the edge of the village as they moved around it without deviating from the direction of attack. Travelling across country, we pushed on to the Roman Road which ran across our direction of attack. As soon as we had crossed the two roadside ditches and the broad asphalt highway, we arrived at Estree, on the enemy's main battle line.

"Estree itself had been transformed into a small fortress; anti-tank guns had been so placed that they could fire through small holes in the walls of the buildings. Hostile infantry was concealed in clever

"Chaulnes was approximately six miles from the German front line at that time.

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camouflaged positions and miniature armor-covered bunkers. This resistance was temporarily overcome by the 2d Battalion, which was leading the advance, but once the tanks had passed, the resistance was renewed, and the infantry following could make little progress against the heavy fire. From that point on we found that every village and every small woods had been transformed into strong nests of resistance, from which we faced fire from antitank guns.

"As the tanks approached the decisive battle zone, we heard through our earphones the captain's voice, repeatedly warning us of the enemy artillery positions.

"On the horizon, four or five kilometers ahead of us, we suddenly saw innumerable muzzle blasts from hostile artillery; the leading echelon was immediately enveloped in shell bursts. But the advance continued without slowing up, the leading echelon shifting to the left to avoid this artillery fire. The 1st Battalion, moving in a south-westerly direction, pushed past Ablaincourt and Presseoir.

"A mighty battle scene was presented. In front of us, the advancing 2d Battalion overran the enemy artillery, some of whose guns were firing directly at our tanks. A few crews abandoned their pieces when they realized how rapidly the foremost tanks in our battalion were advancing towards them. In the foreground, and on the flanks of our advancing tanks, trajectories of tracer projectiles from German tanks and French antitank guns crossed each other. In my company, three tanks were hit by French 25-mm. antitank projectiles, but there were no losses.

"The decisive encounter between our advancing tanks and the directly opposing field or heavy artillery, soon ended, and we in the 4th Company found that we were in the foremost company of the leading echelon. We put several artillery pieces and antitank guns out of action at the stubbornly defended edge of Chaumes, and we then moved around the western limits of town to the railroad station south of it.

"The tracks in the railroad yard were quite an obstacle. In crossing them, the assault formation of the company became so disorganized that it could not be reformed until we had arrived at the ridge south of Hallu, where we took up a covering position towards the south, 300 yards north of Hattencourt.

"Thus, by noon we had already passed our objective; but artillery and antitank guns in Hattencourt were firing at us in the 4th Company and at the battalion staff in front of us. Acting upon orders, we moved about 100 yards towards the rear. During this move the battalion adjutant's tank fell into a tank trap about four meters deep, and the battalion commander's tank bellied down at the edge of the same hole.

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Inasmuch as salvage work was hindered by well-aimed rifle fire from Hattencourt, heavy tanks were utilized in the efforts to drag out the trapped tanks. At the same time two other heavy tanks from the 4th Company drove towards Hattencourt and swept the edge of the village with machine gun fire. One tank pushed on into the village and brought down several enemy riflemen before it encountered a barricade and had to turn back. In the meantime, the other tank, while observing the edge of the village, was damaged slightly by a 25-mm. antitank projectile which struck its turret. Since a third heavy tank was needed for the salvage work at the hole, and as the tank which had been driven into the village had a damaged gear, the platoon commander's tank eventually assisted, and finally the two trapped tanks were pulled out of the hole.

"Meanwhile, the Commander of the Battalion Light Platoon had discovered the hostile sharpshooter who was hindering the salvage work. The latter was operating through an opening in the roof of one of the village houses. His fire was silenced by one round from the platoon commander's tank weapon.

"Our company advanced farther south and southwest. In the evening we received heavy fire from French artillery on our front and on our flanks, the latter not yet having been rolled up by our deep tank thrust to the south.

"At 10:30 P.M., our company, less two of its heavy tanks, was withdrawn to protect Hallu. Those two heavy tanks continued to cover towards the south until 2 P.M. the next day, taking a few prisoners as they went.

"Since the foot infantry was unable to reach the tanks, the combat echelon remained cut off from all connection to the rear during the night, and urgently needed supplies could not be brought to the forward elements. It was essential that we have transportation in order that we might bring up several hundred shells and several thousand rounds of machine gun ammunition, and might carry back the battalion wounded.

"The experiences of Corporals Sch. and M., commander and driver respectively of a machine gun tank, give a vivid picture of the events which later occurred. After crossing the Roman Road and entering the enemy's main battle position, those two NCO's furnished protection for another machine gun tank that had lost its track when it had been rammed by a heavy tank. While the repair work was being completed under hostile fire, Corporal Sch.'s tank put two enemy machine gun nests out of action, thus assisting the riflemen to cross the Roman Road. After the track had been repaired, Corporal Sch. started across the battlefield in an effort to catch up with his company. Near Ablaincourt his tank was put out of action by a hit from a 25-mm. antitank gun. As his

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radiator had been pierced, it was only with the greatest difficulty that he drove to cover in a sunken road. There he found several wounded tank crewmen who were also taking advantage of the cover. Corporal Sch.'s crew set up a machine gun for protection against the enemy. By this time, our tanks were far ahead and our riflemen far to the rear. A disabled German tank, burning nearby, made a large smoke cloud, under cover of which the two NCO's moved their machine gun a few meters forward in order to get a better field of fire. But the wind changed and cleared the smoke away from in front of them. As this enabled the enemy to observe them and to keep them under fire for several minutes, they decided to come out in the open and to summon the French to surrender. The latter retreated into the village, from which point they began to find the range to the sunken road with their antitank guns and machine guns. At this dangerous moment the tank crew, and the wounded in the sunken road, were relieved from their predicament by the arrival of German tanks from the rear.

"The company headquarters group, with its open cross-country car and several motorcycles, was to follow the combat platoons half an hour after the assault had begun. An account of the activities of this group illustrates the cooperation that existed between the tanks ahead and the infantry following.

"After passing through Belloy, this group, also, encountered heavy fire from machine guns and antitank guns, and from the enemy artillery barrage, 200 meters deep, which still fell in this area. The company headquarters took cover for an hour; then its men jumped into their vehicles and drove toward the rear, despite the machine gun fire which followed them in rapid bursts. A few hours later they decided to venture another dash up to the Roman Road. But this too failed, for although it was already afternoon, the enemy machine gun fire was still so heavy that the open cross-country car, in spite of increased speed, had to turn back again. Upon its return to Clery, the group met the combat train that had meanwhile arrived from the rear. Not until the next day were these two groups able to move up to the front; not until 9 A.M., at the southern exit of Hallu, were the rations handed out.

"Sergeant-Major Kn. gives the following report on the command of the company combat train and maintenance squad:

"When the combat platoons left the position of readiness to begin the attack, I followed after them with two side-car motorcycles until I had almost reached Estree. There I was stopped by enemy infantry fire. My next bound took me up to the Roman Road where the combat platoons had halted. Since hostile fire made it impossible to cross that road, I decided to drive back to my supply vehicles and guide them into Estree. As I had driven forward across country, I had some difficulty in finding their camouflaged

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position, but at last, after much running to and fro, I finally discovered it. I detached my company section from the regimental maintenance company and led it to Estree on a route which had been reconnoitered previously. Following our arrival there, I deployed my vehicles and tried to resume contact with the combat platoons, which, meanwhile, had advanced far ahead. In front of me, I saw only the vacant battlefield which was still covered by French fire.

'Returning wounded reported that one of our tanks had broken down about two kilometers ahead, the machine gun tank of Corporals Sch. and M.. I tried to advance on foot, but the enemy fire stopped me. Then I attempted to drive around the village of Estree and continue forward. About 1,000 yards from our combat platoons, I was met by such heavy artillery fire that I found further advance impossible. Between shell bursts, I led my repair group back about 1,500 yards to a point beyond the hostile fire. Leaving the vehicles behind, I tried a third time - alone on my motorcycle - to establish contact with the combat platoons. In the meantime, Estree had been taken by our riflemen; the heights beyond it, however, were still subjected to effective hostile infantry and artillery fire. I turned back again, but this time I drove to the division command post to obtain information about the leading echelons - radio contact with them was unsatisfactory. At the command post I learned that the tanks were already 15 miles ahead and that it was impossible for them to make further headway.

'Shortly after this, word came back that the regiment was surrounded and was in great need of ammunition, fuel, and spare parts. The hour for bringing up the combat trains was still unannounced. I left a messenger behind at the division command post, and then made contact with the regimental maintenance company. The only thing left for us was to wait for the order to bring up supplies; this order did not come until after midnight.

'The situation on our right and left was unknown. Just before arriving at Chaumee we saw disabled German tanks on both sides of the road. We drove through Chaumee at daybreak, and as the battalion combat train included trucks which carried ammunition, fuel, food, tools, and spare parts, we were able to move cross-country and to deliver the needed supplies to the combat platoons.'

3. COMMENTS OF OBSERVER

a. In the described employment of tanks against a prepared position such as the Weygand Line, it will be noted that prior reconnaissances were made by tank unit commanders down to company commanders. This is in contrast to German procedure after the breakthrough of the Dyle position, northwest of Namur, on May 15, 1940, where one tank company

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commander, during the movement of his unit towards the front line, used his attached Battalion Light Platoon to locate suitable tank routes across railroad tracks, through obstacles, and over difficult terrain.*

There may be several reasons for the more detailed reconnaissance which was made prior to the attack on June 5, 1940, against the Weygand Line. Undoubtedly there was more time available, since it is stated that reconnaissance in the Chaumes area was accomplished during the preceding days of rest. That the Germans thought advisable this utilization of the rest period, should be remembered. In addition, the nature of the hostile defenses, the terrain, the distances involved, the dispositions of friendly troops, the plan of attack, and other considerations may have demanded a detailed reconnaissance in that section. Lastly, it is probable that the experiences resulting from their attack against the Dyle defenses without thorough prior tank reconnaissance proved to the Germans that such reconnaissance is necessary to ensure success.

b. The German artillery preparation, just preceding the tank attack against the Weygand Line in the Chaumes area, began at 5:45 A.M.. Fifteen minutes later, the tanks formed to depart from their position of readiness for the attack.

c. It will be observed that the German position of readiness was approximately 4,000 yards behind their front line; Chaumes, the tank battalion's initial objective, was approximately 6 miles, or 10,500 yards, beyond their front line.

d. According to the picture presented in the above account, the German tanks passed to the right and left of the towns in their zone, or route, of attack, firing with their weapons into the edges of the villages as they moved around them.

It is stated that the tanks did not change their direction of attack when passing villages, and that they advanced cross-country in places. No mention of unit boundaries is made. It is believed that German tank units are assigned objectives and general directions or routes thereto, utilizing terrain to the best advantage, rather than boundaries or zones of action within which they are to operate.

e. The description of the combat between the two German tank battalions and the hostile artillery indicates the advantages resulting from the employment of an overwhelming mass of tanks against such targets.

*See Tentative Lessons Bulletin, No. 147. G-2.

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f. It appears that after the battalion had passed its initial objective at Chaulnes, the battalion staff of the 4th company - the leading company - received fire from artillery and antitank guns in Hattencourt. This indicates that the battalion commander and certain members of his staff must have accompanied his unit, and at times led it in the attack. It should also be noted that the tanks of the battalion commander and his adjutant both were immobilized in the same tank obstacle.

g. The account reveals that two heavy tanks, although they were under small-arms fire, assisted in towing to solid ground the immobilized tanks of the battalion commander and his adjutant. It should also be observed that tanks, partially disabled on the battlefield, moved to cover where repairs were initiated or completed. When no foot troops were present, friendly tanks - in one case the Battalion Light Platoon - attempted to neutralize the hostile fire which was hampering the repair work.

h. The experiences narrated by the NCO in charge of the company combat train indicates the difficulties involved in supplying a rapidly advancing tank unit in combat. Intelligence, initiative, energy, and endurance are some of the qualities that should characterize officers and NCO's charged with the supply of such units.

This same NCO, with certain assistants riding in two side-car motorcycles, followed the assaulting units as closely as hostile small arms fire permitted. Apparently acting on his own initiative, he tried to keep his vehicles as far forward as possible.

It should also be noted that he apparently was in charge of the movements of the company maintenance group, which remained with, or in the vicinity of, the regimental maintenance company until the NCO led it forward in an effort to reach the assault platoons.

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September 27, 1941

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Memorandum for the Secretary's Files

Mr. Bewley requested an interview with the Secretary to transmit an inquiry he had received from his Government. He called on September 26. Mr. White was present.

Mr. Bewley informed the Secretary that his Government had been told by the Russians that Mr. Jesse Jones had stated to the Russians that they could not employ any of the dollars which Mr. Jones was making available to the Russians to pay for goods obtained from the British. Mr. Bewley stated that the arrangements which his Government had made with the Russians was that 40 percent of the export excess (excluding armaments) sent to Russia was to be paid for in gold. In view of the statement which the Russians reported Mr. Jones had made, his Government had requested Mr. Bewley to ascertain the views of Secretary Morgenthau as to the propriety of their receiving payment in gold from the Russians as the arrangements called for.

The Secretary said that he would transmit the inquiry and the memorandum which Mr. Bewley left outlining their arrangements with the Russians, to the President, and would let Mr. Bewley know the President's decision as soon as it was received by Secretary Morgenthau.

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FIELD ORGANIZATION *News Letter*¹²³

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



September 27, 1941 Number 19.

TO THE FIELD STAFF:

This issue of the NEWS LETTER is devoted entirely to a description of the way in which the Defense Bond Pay Roll Allotment Plan was presented to employees of the Metropolitan Edison Company of Reading, Pennsylvania.

This highly successful presentation has already been referred to in the NEWS LETTER (August 23, Number 14) but at that time the charts which are pictured in this issue were not available. Mr. E. J. Ingram, now business manager for the Company has now made available to us not only the charts but also a resume of the talk which those charts served to illustrate.

The way in which an allotment plan is presented will have a great deal to do with the enthusiasm with which it is received. A well thought out and well illustrated talk, such as Mr. Ingram's, will undoubtedly help to secure a favorable reception for an allotment plan; although, of course, no one talk will be entirely suitable for all occasions and all audiences.

Members of the Field Staff will surely find of great interest this full resume of a highly successful pay roll allotment presentation. How successful it was may be indicated by the fact that within one month after the plan was presented, over 80% of the more than 2,000 employees of the Metropolitan Edison Company had enrolled.

We are indeed indebted to Mr. Ingram and to the Metropolitan Edison Company for the privilege of bringing this presentation to all members of the Field Staff.

Sincerely yours,

GALE F. JOHNSTON

Field Director, Defense Savings Staff

PRESENTING A DEFENSE BOND PAY ROLL ALLOTMENT PLAN

By E. J. Ingram
New Business Manager
Metropolitan Edison Company

FOREWORD

Even though a systematic savings plan of pay roll allotments for U. S. Defense Savings Bonds is the thing, it still must be sold to the key organization and to the rank and file personnel of any company which has agreed to the installation of such a plan. A mere statement of the availability of an allotment plan will not result in high percentage enrollment.

A pamphlet embodying the essential features of the allotment plan as it is to be operated, is highly desirable. But necessarily such a booklet is an informative and factual rather than a promotional piece of literature. Therefore, in addition to any such booklet, there should be a dramatized presentation to arouse interest in, explain and "sell" the Defense Savings idea.

Science tells us that 87% of all impressions motivating us, are received through our eyes. By designing charts or posters to supplement an oral presentation, the audience's attention is focused on the matter in hand, and its imagination is stirred by the pictorial presentation. Then too, a talk based on carefully prepared charts assures that all important points are developed in an orderly sequence, building up to a climax resulting in positive favorable action.

"Setting the Stage"

During the period while those expected at the meeting are assembling, the stage should be set for what is to follow. The posters, which should previously have been placed in a prominent position on an easel and covered with, for instance, a filtered gold cloth, should be spotlighted. This simple little setting arouses curiosity.

The Company Plan Book should NOT be passed out at this time.

During this period such recordings as the following should be played: "Arms for the Love of America"; "He's My Uncle"; "Oh! They're Making Me All Over in the Army"; and other popular numbers. (Note: Do NOT play "Any Bonds Today" at this time.)

The musical introduction should be so timed that the following two pieces may be played in the order listed, and the meeting then brought to order immediately thereafter: (1) "Wrap Your Dreams in the Red, White and Blue"; and (2) "We're All Americans" (Kate Smith vocal).

The speaker should be introduced by the Company's local ranking official. The introduction should be short and to the point.

Presentation

"Kate just did a grand job on that song 'We're All Americans', didn't she? It does something to me, just as I know it does to you - I'm glad I'm an American! - Aren't we all! - That song gives you a 'lift', a feeling of hope in this war crazy world, a swelling of pride - We're All Americans!

"America - what is America? - It's the greatest democracy, the greatest nation of still free people in the world - and we're resolved to keep it that way.

"Our country has brought forth many great men - one of the greatest among them being Abraham Lincoln - a simple, plain man, a real, heart warming, typical American. Lincoln made one of the greatest addresses of all times - his Gettysburg Address. We all know it - learned it in school - foreign-born seeking to gain the coveted honor of American citizenship learn it by heart. Its passages are probably quoted, and oft times in reverence, more often than any other utterances in history".

(Remove cloth, showing Poster #1)



...that **THIS Nation....**
shall not perish
from the earth

Lincoln: Gettysburg Address

"Lincoln in dedicating as hallowed ground the battlefield at Gettysburg said in his plea for the unity of our nation - 'That these dead shall not have died in vain, that this nation . . . shall not perish from the earth'. That utterance had significance then, and far greater significance today, as we read the European war communiques, mindful of France, Belgium, The Netherlands, Poland, Norway, Greece, the Balkans - fallen nations - felled at the point of a gun by aggressor powers.

"Who knows but what when this is all over those nations or some of them may have perished from the earth. So Lincoln's words, prayerful then, must today become our firm resolve - that this Nation shall not perish from the earth."

"A tremendous war - an all-out war is being waged in Europe. Every nation of the world is affected, directly and indirectly. America is affected, vitally so. There is no need to relate the piled up facts. The destroyer swap for hemisphere bases - the Lease-Lend Bill - the Iceland occupation - the Roosevelt Churchill meeting - the Greer incident - and many, many others."

(See latest newspapers for timely references.)

(Remove Poster #1, showing Poster #2.)

YOUR



AMERICA

"All these things add up to one all important conclusion - self evident - your country, your America faces an emergency, an unlimited emergency, an emergency that is, without a doubt, the gravest in our history."

* * * *

"In time of dire national peril, the free people of a free country have always rallied round. So today, as the situation becomes more tense, more critical, more and more people are asking: 'What can I do to help?' Well let's see what you and I and every red blooded American can do, right now.

"You've all heard of 'M' day - Mobilization Day. This has been written up many times in the popular periodicals - the plans for the mobilization of the resources and of the man power of our country as, if, and when we should declare war on any foreign power or they upon us - the plans which show where you and I and all of us fit in. Our country is not at war . . . Yet we face an emergency - we are to be the Arsenal for Democracy - we must perfect our own all-out defense. So at peace, 'M' still has tremendous bearing on our lives."

(Remove Poster #2, showing Poster #3.)



Men
Materials
Money

"M stands for Men - the men who have volunteered and who have been inducted into the armed services of our land. Think of the tremendous sacrifices that they have been called upon to make - parted from their families, their friends, their former way of living, their jobs - some to be away for two and a half years - maybe longer, for the duration - -

"M stands too for Materials - the priority materials required for the fabrication of armament items, planes, ships, guns, tanks, etc. Here again great sacrifices will have to be made. Consumer durable goods have been curtailed and will undoubtedly have to be curtailed much further. Many of us will have to go without some of the new things we'd like, cars, refrigerators, stoves, furniture, silk stockings, etc., etc. The list is long and will grow longer daily. Many hardships will be worked upon individuals, even upon whole communities, through the closing of some plants due to inability to secure priority raw materials for normal production. It will not be and it cannot be 'Business as usual' as well as Defense.

"Then M stands for Money, the closing of our triangle, the necessary base upon which the whole of our efforts of men and materials must stand to assure and to point to a glorious success."

* * * *

"Our present day world crisis did not develop over night. It has been forming and fostering for years. Our country's officials saw it coming years ago and started to prepare for it then, but a democracy at peace and with the rest of the world at peace, was hard to arouse.

"Our Government is one of the people. Yet one of the greatest problems of our Government is to get its people to take an active, intelligent, informed interest in it.

"Foreseeing an impending crisis and in an endeavor to overcome the apathy of the American public, the U. S. Treasury, on March 1, 1935, placed 'Baby Bonds' on sale. Such an issue would provide part of the necessary funds for deficit operations during a period of economic depression but more importantly, such an issue would provide many small investors sound investments at an attractive rate of interest; and by extending the ownership of Government securities, bring more people to take an active interest in their government, its problems and its operations."

(Remove Poster #3, showing Poster #4)

★
★
★
Mar. 1, 1935 - Oct. 31, 1940

★
**U.S. BABY
SAVINGS
BONDS**

\$4,435,520,550 ★

Maturity Value ★
★

"Let's see what resulted. During the period of August 1, 1935 to October 31, 1940, the American public purchased almost four and one half billions of dollars, maturity value, of these U. S. Baby Savings Bonds, without fanfare or high pressure promotion. Such a result was outstanding. But world events moved rapidly. The concepts and conclusions formulated one day were outmoded the next; the situation became more and more acute; the economic picture changed rapidly."

* * * * *

"We began to hear of and to feel the beginning of price inflation and of the necessity of guarding against it. Prices began to rise. The dread spiral of price inflation must be curbed, but how?"

(Remove Poster #4, showing Poster #5.)



"Our gigantic defense program has put more and more money into circulation, thus creating more and more demand for a decreasing available supply of durable goods. Government and private economists have studied the situation and their unanimous finding is that price inflation can best be controlled by increased taxes and increased savings."

* * * * *

"Believing implicitly in the soundness of and absolute necessity for a large scale national savings plan, the Government, through the U. S. Treasury, launched a new program."

(Remove Poster #5, showing Poster #6.)

★
★
★
FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS

★
★
★

"U. S. Defense Savings Bonds - heard of them? Sure you have, who hasn't. These Defense Bonds are receiving the greatest, the biggest, the most spectacular, the most genuinely enthusiastic presentation of anything ever offered the American public - wholeheartedly backed, endorsed and promoted by thousands of Americans, men and women. "Minute-Men", giving of their time and talents, all on a gratis basis, instilled by patriotism, by love of country.

"You are all aware of the tremendous amount of radio publicity which these Defense Bonds have received since the Bonds were placed on sale. But you probably did not realize that all of this publicity has cost the Treasury Department nothing. All of it has been contributed to this cause by the radio stations and networks, commercial sponsors and scores of stars of the entertainment world.

"The Treasury Hour, 'Millions for Defense' is only the most spectacular of these contributions. Practically all companies which use radio network time to advertise their products have consistently, since the Defense Savings Program began, contributed part of that time to boost the sale of Defense Bonds. Practically every radio station in the country has broadcast five spot announcements about the Bonds every day since the first of May.

"Banks are contributing their services by handling bond sales without commission or cost to either the Government or the investor.

"Large national advertisers and many local business firms are using their billboard, newspaper and other advertising space to keep the objectives of the Defense Savings Program constantly before the public.

"It is safe to say that never in the history of the country have so many individuals and agencies joined together to advertise a single product."

* * * *

"These Defense Bonds were made available May 1, 1941."

(Remove Poster #6, showing Poster #7.)

★ May 1, 1941 *to*
★ June 21, 1941....
★

\$624,020,000

of Defense Savings Bonds

plus

\$5,677,000

of Defense Stamps



"Up until June 21, 1941 over \$624,000,000 in Bonds and \$5,677,000 in Defense Stamps were purchased. It is moving fast - this poster is now out-of-date. By August 1st over one billion dollars worth of Defense Bonds had been purchased proving their unusual appeal and the patriotic response of our countrymen. The program is going forward by leaps and bounds. You ain't seen nothin' yet!"

(The most up-to-date figures available should of course be used in making a presentation.)

* * * * *

"We've been speaking about Defense Bonds. I wonder if everyone is really familiar with all their details."

(Remove Poster #7, showing Poster #8.)

★
★
★

United States
DEFENSE
BONDS
(SERIES E)

1. Security
2. Units
3. Interest
4. Redeemable



"Defense Bonds, Series E, are for the average investor. No more than \$5,000, maturity value, can be purchased by one individual in any one calendar year."

(Here describe the following features of E Bonds: (1) Security, (2) Units, (3) Interest, (4) Redeemable feature. Be sure to exhibit an actual bond.)

* * * *

The facts about these E Bonds are being carried to every American. Your country wants every American enrolled as a consistent investor. How many of these bonds are sold is a consideration secondary to 100% participation for all the reasons previously enumerated plus the hope that the purchase of these bonds will band us all even closer together - 130,000,000 strong. Remember the story of the sticks which were easily broken separately but which when bundled together were unbreakable."

(Remove Poster #8, showing Poster #9.)



MUST!



"This program and its attendant features, is a 'Please' program - not a 'Must' program, yet from day to day you see by the papers that some people feel it may have to be a must program, if we are to survive as a nation.

"William Green, President of the American Federation of Labor, in July, urged Congress to authorize a mandatory savings system for defense workers. John Maynard Keynes, the famous English economist, recommended forced savings for Great Britain at the outbreak of the war and his plan or a modification of it has since been adopted there. Various American economists and government officials have advocated adoption of some form of compulsory thrift. But the Defense Savings Program of the Treasury Department is on a strictly voluntary basis.

"An awakened America will, I'm sure, put it over on a 'Please' basis, and if we realize the necessity we'll gladly go all-out on defense savings."

* * * *

(Remove Poster #9, showing Poster #10.)



VOLUNTARY EMPLOYEE SAVINGS PLAN

"Believing that each of you would welcome a ready means by which you could set aside, regularly, a portion of your earnings to meet your future personal needs, and believing that each individual would welcome an opportunity to do his part in the Defense Program, to feel a sense of personal participation in our country's united effort, your Company has developed a Defense Savings Plan for all employees.

"Through this plan the Company will make available facilities for the convenient purchase of U. S. Defense Savings Bonds, Series E, by means of voluntary pay roll allotments. The Plan is explained in the pamphlet shown here which will be given to you in just a moment."

* * * * *

"This Program, this Plan, is bigger than this Company or our group of Companies - it's National - it's All American."

(Remove Poster #10, showing Poster #11.)

★ *Armour* GENERAL MOTORS
★ **Bethlehem Steel**
★ *Boeing* U.S. RUBBER

**MILLIONS OF
American Workers
Enrolling!**

A.T. & T. **AMERICAN
RAILWAYS**
Federal Reserve Banks
ESSO



"Here are a few of the many companies in which employees are buying Defense Bonds through pay roll allotment: American Telephone and Telegraph; U. S. Rubber; Chrysler and General Motors; General Electric; Bethlehem Steel; Allis-Chalmers; Boeing & Douglas Aircraft; International Harvester; Armour and Swift Packing; R. C. A.; Standard Oil of New Jersey, Shell, Phillips, Tidewater and many other oil companies; Metropolitan, New York, Prudential, and many other insurance companies; Pennsylvania and New York Central railway systems and every other major railroad as well as a majority of the 'Short Lines.'

"In addition to these nationally known concerns thousands of local firms - public utilities, banks, factories, breweries, stores and other businesses - have made it possible for their employees to save systematically for Defense Bonds through an allotment plan.

"Voluntary pay roll allotment for Defense Savings has been endorsed by leaders of the A. F. of L., C. I. O., and railway brotherhoods and by international labor unions, state federations of labor and local labor unions."

(Refer at this point to endorsements of the Defense Savings Program by State and local labor leaders and by labor organizations with which members of the audience may be affiliated.)

"The Treasury Department's Defense Savings Staff is giving special attention to allotment plans and is doing all that it can to foster and encourage their adoption. All over the country, special committees of volunteer workers - Defense Savings Committees - are helping to set up these plans and to secure a large percentage of enrollment and participation.

"This is the age of the 'Blitz.' Well the Defense Saving Pay Roll Allotment Plan is 'Blitzing' too."

* * * *

(Remove Poster #11, showing Poster #12.)

★
★
★
SAVE!

....FOR

1. FINANCIAL SECURITY

2. EDUCATION

3. HOME

4. FUTURE OBLIGATIONS

5. RETIREMENT

6. FUTURE REINVESTMENTS



"So far the appeal made to you has been an appeal to your patriotism. Yet there is another side, a self evident one.

Save; save for yourself and yours. We were all taught thrift and saving at our Mother's knee, in school, all through life.

"Saving is one of the sterling attributes of Americans as evidenced by many facts, for example, the fact that Americans own more life insurance, which is saving, than all of the rest of the world together.

"Certainly we should save - for lots of reasons. Here are a few:

"Save For:-

1. Financial security
2. Education of growing children
3. Home (to retire present mortgage or to purchase a new home later)
4. Future obligations (to buy a new car, furniture, vacations, etc.)
5. Retirement
6. Future reinvestment"

* * * *

(Remove Poster #12, showing Poster #13.)

★ ★ ★ *Features of the Plan:*

U.S. Defense Savings Bonds-*Series E*
Payroll Allotment Authorization Form
Changes in Payroll Allotment Authorization
Funds Held in Trust
Purchase of Bonds
Receipt of Bonds
Assignment
Responsibility
Termination of Plan



"All of which leads up to the allotment plan which is new to be available to us."

(Here describe the particular plan being offered in detail, explaining the reasons for various features, especially those about which there might be some misunderstanding.)

"Questions may be asked later and we'll either have or will get you the answers."

* * * *

(Remove Poster #13, showing Poster #14.)



Government Brochures



"Your government, through the Defense Savings Staff of the Treasury Department has made certain literature available for distribution to you. These pamphlets and folders explain the Bonds in detail, tell why you and every other American should subscribe, and give other pertinent details."

(Here distribute to each person present an envelope prepared in advance containing information about the Company's plan, a Pay Roll Allotment Authorization card, and appropriate Government brochures.)

* * * *

"I have told you of the contributions made to this Defense Bond program by actors, actresses, radio artists and others. Song writers have done their part too. Irving Berlin has captured the appeal of and the necessity of this endeavor and put it to music in a grand piece. May I play it for you?"

(Play "Any Bonds Today".)

* * * *

(When song starts, remove Poster #14, showing Poster #15, without comment.)



(When record is finished:)

"Practically every other appeal that is made to you is to give - Community Chest, give! - Salvation Army, give! - Red Cross, give! This relief and that relief, give! - worthy causes all, but this time for yourself, your safety, your democratic way of living, your country and the all-out defense of it - Give? NO! - LEND and lend till it hurts. You'll get back more than you lend - more in money as well as in security.

"Your Uncle Sam asks WILL YOU?"

(Question and answer period follows.)

Note: The next issue of the <u>NEWS LETTER</u> will contain the usual reports from the field, etc.
--

UNITED STATES SAVINGS BONDS

CONFIDENTIAL

Comparative Statement of Sales During
First Twenty-Two Business Days of July, August, and September, 1941
(July 1-26, August 1-26, September 1-26)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	September	August	July	September	August	September	August
				over August	over July	over August	over July
Series E - Post Offices	\$ 33,880	\$ 35,322	\$ 43,296	-\$ 1,442	-\$ 7,974	- 4.1%	- 18.4%
Series E - Banks	59,931	66,155	81,189	- 6,224	- 15,034	- 9.4	- 18.5
Series E - Total	93,812	101,478	124,485	- 7,666	- 23,007	- 7.6	- 18.5
Series F - Banks	15,663	17,474	21,467	- 1,811	- 3,993	- 10.4	- 18.6
Series G - Banks	94,641	109,836	137,543	- 15,195	- 27,707	- 13.8	- 20.1
Total	\$204,116	\$228,787	\$283,495	-\$24,671	-\$54,708	- 10.8%	- 19.3%

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

September 27, 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

CONFIDENTIAL

Daily Sales - September 1941

On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
September 1941									
2	\$ 3,021	\$ 3,385	\$ 1,182	\$ 5,510	\$ 10,077	\$ 6,406	\$ 1,182	\$ 5,510	\$ 13,098
3	972	1,933	585	5,790	8,308	2,905	585	5,790	9,280
4	1,365	2,540	645	4,846	8,032	3,906	645	4,846	9,397
5	1,852	3,689	1,162	10,486	15,336	5,540	1,162	10,486	17,188
6	1,419	3,144	707	4,666	8,516	4,562	707	4,666	9,935
8	2,858	3,032	521	3,549	7,102	5,890	521	3,549	9,960
9	973	2,013	528	1,532	4,073	2,987	528	1,532	5,046
10	1,479	2,883	975	4,984	8,241	4,362	975	4,984	10,320
11	1,422	2,657	484	3,168	6,309	4,079	484	3,168	7,731
12	1,312	3,004	436	2,536	5,975	4,316	436	2,536	7,287
13	988	1,997	498	3,493	5,988	2,985	498	3,493	6,976
15	2,312	2,384	797	4,898	8,079	4,695	797	4,898	10,390
16	843	2,198	470	2,807	5,474	3,040	470	2,807	6,317
17	1,225	2,902	536	3,018	6,455	4,127	536	3,018	7,680
18	1,458	2,593	568	3,862	7,024	4,051	568	3,862	8,481
19	1,555	3,169	794	4,148	8,111	4,724	794	4,148	9,666
20	1,085	1,742	466	2,228	4,436	2,828	466	2,228	5,522
22	2,396	3,435	927	5,394	9,757	5,832	927	5,394	12,153
23	1,149	2,132	607	3,412	6,152	3,281	607	3,412	7,300
24	1,277	2,727	788	4,139	7,654	4,004	788	4,139	8,931
25	1,415	2,730	957	4,872	8,559	4,145	957	4,872	9,974
26	1,506	3,643	1,030	5,306	9,978	5,149	1,030	5,306	11,484
Total	\$ 33,880	\$ 59,931	\$ 15,663	\$ 94,641	\$170,236	\$ 93,812	\$ 15,663	\$ 94,641	\$204,116

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

September 27, 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.

Regraded Unclassified

FEDERAL RESERVE BANK
OF NEW YORK

September 27, 1941.

Sir: Attention: Mr. H. Merle Cochran.

We enclose for your files a decode of cable No. 1 sent to us by the Stabilization Board of China in our private code through the Treasury Department and received by us from your Office on September 23, 1941. Also enclosed is a copy of a cable dated September 25, received from the Stabilisation Board of China, Hong Kong, quoting the above mentioned coded message and advising that it had been sent to us through the United States Treasury on September 20.

On September 25, 1941, with the approval of the Treasury Department, we dispatched our cable No. 1 to the Stabilization Board of China, Chungking, answering the Board's cable No. 1. A copy of our cable reply is enclosed.

Respectfully,

/s/ D. J. Cameron,

D. J. Cameron,
Manager, Foreign Department.

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

Encs.

Copy:wec:9-29-41

COPY

INCOMING CABLEGRAM

Received thru Mr. Cochran's Office of the
Treasury Department September 23, 1941

Federal Reserve Bank of New York

New York

No. 1

Please confirm procedure establishing
Stabilization Board is now complete enabling Board
to draw funds.

Stabilization Board of China
Fox

COPY

INCOMING CABLEGRAM

September 25, 1941

Hongkong, September 25, 1941.

Federal Reserve Bank of New York

New York

On September 20th sent you through U S Treasury
following message

"Number 1

Please confirm procedure establishing Stabilization
Board is now complete enabling Board to draw funds

"Stabilization Board of China."

Bank of China has been advancing funds to Board and
we are anxious to return amount so advanced. Cable whether
Boards account is available.

CHAOTINGCHI, Secretary
Stabilization Board of China
Hongkong Bank Building, Hongkong

COPY

OUTGOING CABLEGRAM

September 25, 1941

Stabilization Board of China

Chungking

No. 1 FOR FOX

Your No. 1. We as fiscal agent of the United States are now authorized to act in accordance with the Agreement of April 1 and are therefore prepared to accept and act upon any cablegram or radiogram which we receive as provided in paragraph 6 of the Agreement. Please advise by cable place of operations of Board both for instructions which may be given to us and messages which may be sent by us and mailing address of Board to which statements, advices and other written communications should be sent.

Federal Reserve Bank of New York

Copy:wec:9-29-41

September 27, 1941

File

Mr. Dietrich

Mr. Bell informed me today that he had been advised by Mr. Bowley that the press release on Sir Otto Niemeyer was going to be made on September 27. There appeared in the New York Times an item to that effect.

Mr. Bell said that he had arranged to have our press release released on September 27 also.

Dilep-9/27/41

TELEGRAM SENT

DES

GRAY

September 27, 1941

2 p.m.

AMEMBASSY,

CHUNGKING (CHINA) VIA NAVAL RADIO.

INFO: AMERICAN CONSUL, HONG KONG
AMERICAN CONSUL, SHANGHAI (CHINA).
AMEMBASSY, PEIPING (CHINA).

231.

H. Merle Cochran, Foreign Service Officer on detail at the Treasury Department as Technical Assistant to the Secretary of the Treasury, is proceeding by clipper leaving San Francisco September 28 to Hong Kong and China on official business for the Treasury Department. He is scheduled to arrive at Hong Kong October 7 in company with Sir Otto Niemeyer of the Bank of England. After a sojourn in Hong Kong he will visit Chungking and Shanghai. He bears a diplomatic passport designating him as QUOTE Foreign Service Officer on Special Mission UNQUOTE.

The Department requests that the Embassy and the Consulates General at Hong Kong and Shanghai afford Mr. Cochran all appropriate facilities. Please inform Fox.

Sent to Chungking. Repeated to Hong Kong,

Shanghai and Peiping.

FE:GA:MHP FE PD

HULL
(DA)

1
TREASURY DEPARTMENT
United States Coast Guard
Washington

164

SECRET

27 September, 1941

From: Spagnot, Shanghai, China.
To: Secretary of the Treasury.

1. I have learned from a number of reliable sources that H. H. Kung is in a stronger position now than in the early part of the year; in fact than he has ever been.

2. I am reliably informed that Chiang Kai-shek is of the opinion that he is receiving the present aid from the United States not because of T. V. Soong, but because of the fighting spirit that Chiang Kai-shek himself has shown.

3. I understand that H. H. Kung is willing to strengthen the personnel and procedure of the Central Bank of China. Could a thoroughly reliable and competent person who knows Federal Reserve procedure and organization be assigned to or hired by China for a brief period to assist in reorganizing the Central Bank of China, if I find in Shanghai that H. H. Kung is really interested in strengthening the Central Bank? Inquiry will come through regular channels.

4. I have just been informed from reliable sources that the most likely person to be appointed head of the Ministry of Trade is Chiang Ching An, now Minister of Communications, and not K. C. Liao indicated in an air-mail letter to Goshran. Chiang's appointment will save the foreign trade commission set-up and will be better for the Universal Trading Corporation.

5. Both Southard and Campbell have been thoroughly cooperative, but their facilities for coding and decoding are very limited. Some very garbled messages have been accepted and the point has been reached where I hesitate to send messages. Something must be done at once to correct the situation. I recommend that one person be immediately made available to Southard by the Treasury to work on the cables. I am discussing Campbell's office with Nicholson.

(Signed) FOX

Copy: 100

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TREASURY DEPARTMENT
UNITED STATES COAST GUARD
WASHINGTON

165

S E C R E T

27 September, 1943.

From: Syngent, Shanghai, China.
To : Secretary of the Treasury.

The Chinese board members left Hongkong Saturday, returning Wednesday. On Monday the 15th they attended a meeting of the Exchange Control Commission and were impressed by favorable atmosphere and attitude to the board. They report Chiang Kai-shek, H. H. Kung, and Chungking official circles are highly satisfied with the board's operations and developments with respect to restricting the Shanghai black market. Willingness was manifested to have the board continue its exchange operations and have the Exchange Control Commission function in the background. Said Y. C. Koo board will be in the front line of fire and the commission in the rear. I understand discussion at the meeting centered on the conflict between the functions assigned to the board and the commission and the inevitability of a clash unless the situation is clarified. For the present it was decided to let matters drift.

I am reliably informed that H. H. Kung is receptive to the alteration in the decree setting up the board. He has approved all the steps recommended by the board before it takes action regarding the black market in Hongkong. As soon as approved by the board, I shall send you the plan involving:

S E C R E T

1. Instructions to the Chinese Government, instructions that all their purchases in Hongkong must be canalized through the Ministry of Finance.

2. Provision of foreign exchange facilities for the flow of legitimate trade from the coast to the interior.

3. Provision of funds by the board to withdraw existing fapi notes in Hongkong.

4. Asking the Hongkong government to cooperate in

(A) Limiting import and export of fapi notes

(B) Prohibited free market operations in fapi notes

in Hong Kong

(C) Moving that cover for fapi is obtained from Chinese government banks at official rate only

(D) Freezing fapi deposits in Hong Kong to be released either for use in interior or in exchange for Hong Kong dollars for legitimate requirements.

I have just received news that a black market is developing in Tientsin, which will be much harder to control, and that the black market in Shanghai is fed by unlicensed Chinese banks. I plan to leave Monday for Chungking with Adler and Hewlett. E. H. Sung has been urging my return and Chen thinks it highly desirable and opportune. I received your 277 of September 15th, which is the first long-awaited information from Washington regarding the plan developed two weeks ago. Since returning from Manila, I have collaborated closely with Hall Patch, who showed me a report to his government on the Exchange Control Commission meeting, and two

reports on minor matters. I cannot understand your reference to the lack of reports. I have recently sent you (1) the agreement with Shanghai bankers; (2) plan of organization set-up and comments with respect to the Exchange Control Commission; and (3) answers to questions 1, 2, and 4 of your EOG.

From all observations, the system now in operation is working quite well. Please note: though the Exchange Control Commission is now eager to cooperate with the board, the latter is still at the mercy of the commission. The position with respect to Shanghai commercial and savings bank and other leading Chinese private banks is unsatisfactory. Still fell a generally-licensed status should be granted them. Chiang Kai-shek and H. H. Kung feel we have to tighten up on Shanghai. The same reservations as are now expressed by the British regarding the Central Bank were explicitly voiced by me in Manila, and you felt its personnel could be strengthened. Hall Patch has just received London's reaction to the "Manila" plan. He and I are discussing it at the first opportunity and shall cable my comments. I should prefer not making any further recommendations on the plan until we had a chance to discuss fully with Hall Patch, K. P. Chen, and H. H. Kung. Before leaving for Chungking, I shall check the cables and review the problems confronting us and summarize the questions requiring answers.

Nicholson is cooperating splendidly. He has given his cooperation and reports from the Shanghai consulate, and with

the board office in Hongkong, am not at all certain Aaron and Alkin need be replaced. I shall cable you regarding Aaron and Anderson as soon as I have canvassed the situation further. Aaron's reply to my request for the list of persons interviewed and for the basis for his recommendation after two day's in Shanghai against proposed modification of general licenses 80, 89, and 91, gives definite proof that his recommendation was made on inadequate investigation and data.

Southard, always helpful, now tells me the report on Shanghai regarding your SOG held up another day. His staff is overworked, and his own urgent messages are also held up.

(Signed) FOX

S E C R E T

RECEIVED
OFFICE OF THE

1941 FEB 23 10 5 AM

Copy: h: 9-23-41

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TREASURY DEPARTMENT
UNITED STATES COAST GUARD
WASHINGTON

169

SECRET

September 27, 1938.

From: Spagent, Shanghai, China.
Re: Secretary of the Treasury.

The following message from the headquarters of Chiang Kai-Shek was communicated in a secret letter to the board by H. H. Kung:

"The manager of the Hongkong office of the American Express Company, Huang Pei Lin, has been assigned by the Ministry of War of Japan to collect information on Sino-American and Sino-British stabilization funds and to find out secret measures of mutual assistance between Great Britain, United States, and China following the freeing of Chinese and Japanese assets by the United States and the United Kingdom."

Huang Pei Lin is the mandarin name for Far Kin Wong, Chinese manager of the Hongkong office. About two weeks ago, I called Nicholson to investigate an unwelcome story about the American Express of Shanghai. Its reputation is not of the best. The manager of the Shanghai branch recently admitted in an interview with Aaron that its exchange operations prior to the freezing were almost entirely speculative.

(Signed) FOX

SECRET

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9-29-41

SECRET

OFFICE
TREASURY DEPARTMENT

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United States Coast Guard

Washington

September 27, 1941.

From: Agent, Shanghai, China.
To: Secretary of the Treasury.

The nearest sources of coal for Shanghai are Hailan Administration, Hongkong, and India. The Shanghai Power Company has a long-standing contract with Hailan. It is important that these deliveries should continue, otherwise the power company would be paralyzed. Further, they are the most economical shippers. Hailan coal is payable in U. S. dollars or sterling, which cannot now be done under freezing procedures, as no general license covers shipments from other China ports to Shanghai, and sterling is not available for payments outside the sterling area. I recommend you authorize immediately payment in dollars to Hailan for deliveries to the Shanghai Power Company. Hall Patch is requesting the United Kingdom Treasury for authority to pay sterling.

(Signed) FOX

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Copy:diag:9-29-41

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DSS

GRAY

Buenos Aires

Dated September 27, 1941

Rec'd 7:45 p.m.

Secretary of State,

Washington.

1047, September 27, 3 p.m.

Yesterday the Executive Power sent to the Chamber of Deputies a message drafted at a Cabinet meeting called by the Acting President the day before. The message refers to the length of time various vitally important bills have been in Chamber committees and emphasizes the "peremptory urgency" of the passage of laws regarding the \$110,000,000 loans, the acquisition of a merchant navy, military purchases, financing of the crops, the budget, and the public works plan, and especially repeats the Government's request formulated through the Minister of Finance September 24 for a ratification of the loans, saying that the matter affects not only the economy of the country but its national dignity. The message declares that without the resources provided by the loans, not only will the economic defense of the country be made extremely difficult through the effect on agriculture, the prime resource of the nation's economy, but also the plans for improvement of the military defense will be interfered with. The message continues:

"Valid causes cannot be invoked for persisting in the refusal to grant the means most necessary to the general development of the nation. Political motives do not authorize the adoption of such an attitude, most especially when it is based exclusively on mere conjectures or impressions and when such conduct is sustained only by the will of a very small numerical majority of one of the Houses of the legislative branch. The welfare of the Argentine people, of the workers in the fields and in the cities, must not suffer the consequences of grudget or political disputes foreign to its elemental necessities of subsistence. Questions between parties or differences of opinion should not be adjusted at the cost of the security of labor and the prestige of the Argentine people."

With the above statement the Government brings the matter squarely into the open and tactfully recognizes the radicals' position with regard to electoral guarantees in Buenos Aires Province, charging them with placing party interests above the national welfare.

The Chamber decided to reserve action on the message pending future study and in permanent session proceeded to devote the rest of yesterday's session to a debate on the 1942 Budget.

An editorial in LA RAZON, referring to the refusal of the Chamber to approve the loans, states that this attitude is lamentable, and that

the radical majority will be held responsible before the country. LA PRENSA criticizes the Government for introducing important bills in the closing days of Congress and asking for collaboration of Congress without allowing time to study the bills and expecting their approval without debate.

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THE

GRAY

Berlin

Dated September 27, 1941

Rec'd 12:45 p.m.

Secretary of State,

Washington.

3608, September 27, 10 a.m.

Measures to combat the bullish trend of German stock markets which has existed with certain interruptions ever since the first months of the war, and has been particularly marked in recent months, have finally been announced. Numerous warnings had been issued against excessive stock quotations but these had only temporary effectiveness and last week it became known that action was finally to be taken. This resulted in a decline in stock quotations all during last week followed by some recovery the beginning of this week up to Thursday when many quotations again declined.

The measures announced by the Reich Economics Minister are: One, census of all shares listed on German bourses which have been purchased since the beginning of the war but shares sold before a certain date (not yet fixed) need not be reported. Regulations concerning the placing (einsatz) of the securities listed may be made later. Business is to be encouraged to invest its funds to a greater extent than heretofore in Treasury paper; two, banks will no longer be permitted to grant credit for the purchase of shares listed on the market; in cases where such credits are at present running they must be reported to the Reich office for the supervision of banking unless they are liquidated by October 31. Three, shares listed on the bourse are to be sold only on the bourse to facilitate official supervision of transactions. Business circles expect that further steps may be taken later.

MORRIS.

HSME

Copy: 8J:10-1-41

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE September 27, 1941

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£10,000
Purchased from commercial concerns	£ 4,000

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

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

Canadian dollar	11% discount
Argentine peso (free)	.2359
Brazilian milreis (free)	.0505
Colombian peso	.5775
Mexican peso	.2070
Venezuelan bolivar	.2680
Uruguayan peso (free)	.4400
Cuban peso	3/8% discount

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped \$3,081,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.



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BRITISH EMBASSY,
WASHINGTON, D.C.

September 27th, 1941.

Personal
and Secret.

Dear Mr. Secretary,

I enclose herein for your
personal and secret information a copy
of the latest report from London on
the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

R. I. Campbell

Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.

TELEGRAM RECEIVED FROM LONDON
DATED SEPTEMBER 25th, 1941

Between September 7th and September 14th, His Majesty's Submarine torpedoed merchant vessel of 1500 tons; believed sunk. Damaged probably sunk by gunfire, large schooner in area of b shore batteries. Torpedoed merchant vessel later seen to be on fire. Hit with one torpedo minelayer Orotone class which was laying mines off Benghazi. Attacked 5000 ton merchant vessel north of Benghazi; result under ain.

P.M. September 24th, enemy Coastal batteries fired six rounds into sea west of Dover; convoy in vicinity suffered no damage.

French launch with cargo of petrol Djibuti to Obok has been intercepted and taken in prize.

Royal Air Force yesterday probably dropped two bombs on after part of tanker estimated 8000 tons off Gulf of Norway.

Night of September 22nd/24th, off Kerkenah island swordfish and Wellington believed another merchant vessel estimated 8,000 tons and damaged small ship.

September 24th/25th no offensive operations weather unsuitable.

Morning September 23rd thirteen enemy aircraft dropped mines at Tobruk.

Libya September 22nd/23rd. Six Wellingtons attacked Benghazi harbour hits seen on bases of central and cathedral moles seven tons bombs dropped at Tripoli (a) barracks and buildings hit. September 23rd/24th sniping in Tripoli

-2-

(L) harbour attacked 13 tons of bombs dropped.
One Wellington missing September 24th 2 Blenheims
(one missing) attacked mechanical transport on
Misurata Sirte road destroying one petrol tanker
and damaging thirty other vehicles.

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○ Sunday, September 28.

Mr. Kuhn discussed this draft, at the Farm, with the Secretary. Mrs. Morgenthau also present.

Draft of Secretary Morgenthau's Speech
to the American Bankers Association at Chicago,
October 2, 1941

Three weeks ago I said that we were in the early stages of a serious price inflation, and that we must deal with the danger at once. I said then, and I should like to repeat it at the very start of this talk today, that if we do not check the spiral of rising prices, and check it now, the consequences will haunt us and our children for years to come.

I outlined then a twin program for fighting inflation, on the one hand by reducing excess purchasing power in the hands of the public, and on the other hand by increasing the supply of goods, like farm products, which do not compete with the over-riding needs of our national defense effort.

D-B

are then, and mean it as earnestly as I have ever meant anything in my life, that if the laborer fails, for the farmer to seek higher prices for his crops at the time, for labor leaders to seek continual new increases in wages, for landlords, businessmen, bankers, for anybody up to exploit the present emergency for his own ends, is to defeat the understanding and support of 130 million Americans in fighting the evil of inflation by every means in our power.

My appeal has brought an overwhelmingly favorable response. I have never known anything like it since I came to the Treasury eight years ago. The continued advance in the prices of many staples in recent weeks may mean that some people still doubt the Administration's unity of purpose in checking inflation. Yet you have

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seen the joint statement issued last week by the Federal Reserve System and the Treasury, dealing with the raising of bank reserve requirements to the limit of the law, and pledging full cooperation with the Office of Price Administration and the new Supply and Priorities Allocations Board. That joint statement was a reminder of the fact that the Government already has powerful weapons of control in its hands, and that if it needs more power it will ask Congress for whatever it needs, in the fight against rising prices and falling living standards. The Administration is just as determined to beat down the forces of inflationary evil as it is to defeat, at whatever cost, the forces of military conquest that are running rampant across the earth.

There is no need to tell this audience of bankers of the need of common effort, on the part of every group and

D-B

every individual in the community, if inflation is to be averted. You have shown abundantly in the past year that you are conscious of your duties and your responsibilities to the country. You have given magnificent help, and given it unselfishly and cheerfully, in the selling of Defense Savings Bonds and Stamps. You have given further help in the sale of tax anticipation notes which enable every taxpayer to meet next year's heavy tax bill more easily. You have cooperated willingly with the Treasury's control of foreign funds, although I know that it interferes with the free handling of your business affairs and subjects you to many complicated regulations and questionnaires.

In all these and other ways you have been such real partners of the government that I am very glad to be with you this morning, to thank you personally for all that you have done.

D-B

But the most important task of American bankers lies ahead, in the critical months to come, and it is a broader and bigger task than any you have yet been called upon to perform. That is the task of doing everything in your power, not only as bankers but as influential and respected leaders in your communities, to fight this evil of inflation wherever it rears its head.

Many of you will remember, from your own experience, that inflation is just as damaging to bankers as to farmers, wage earners or businessmen. We had a price inflation 25 years ago, and while there were sins of commission in those days which we have not repeated and will not repeat, the present course of prices is following the old pattern with remarkable precision.

D-B

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We know now that the great increase in bank loans and investments from 1916 to 1920, an increase from 17.4 to 36.4 billion dollars in five years, and the resulting increase in deposits, from 14.9 to 30.5 billion dollars in the same five years, made possible the great increase in prices which brought such hardship to American consumers and such disastrous after-effects to American farmers.

We know now that the inflation of a quarter-century ago, with all of its injustices and dislocations, could have been avoided if the Government of those days had acted more promptly, if it had taxed more heavily and borrowed more widely from genuine savings.

When the inevitable collapse came, no fewer than 2,910 banks with 790 million dollars of deposits were compelled to suspend operations in the five-year period from 1921 to 1925.

D-B

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Humpty Dumpty had climbed to the top of a very high wall, and many years of effort were needed to pick up the pieces. It is our job at the Treasury, and yours as custodians of the people's money, to make sure that any present-day descendants of Humpty Dumpty shall not go climbing up that wall of expanded credit and higher prices again.

D-B

That is why my first plea to you as bankers is that you scrutinize closely your own lists of applications for loans. Those lists contain within them much of the ammunition of inflation. You have in your hands, therefore, one of the most effective weapons for checking inflation at its source. You are sure to find, on looking over your lists, many applications for money for non-defense projects that would involve competition for steel or copper or lumber or any of the thousand and one materials now needed so desperately for our defense effort. If you can postpone all such unnecessary loans until a later day, without waiting for the priorities to become broader, you will be doing a real and lasting service to your country.

I hope that in the not too distant future the priority system will become so effective that the supply of all raw materials for all purposes will be under full control in the

D-B

interests of national defense. That should mean that materials that ^{must} ~~can~~ be used for defense purposes will not go into any unnecessary civilian projects. But until that day comes, I hope that you will constitute yourselves the sentinels of the nation, in your own bank and your own community, in guarding against any private encroachment upon the stock of resources needed for the national effort.

Another essential service which you can perform is, quite simply, to teach the people of your communities the facts about inflation and defense financing, and about the situation in which this country stands.

You see in your daily work men and women from many walks of life. You are in a key position to advise them. And your advice carries as much weight as that of a family doctor to his patient or a lawyer to his client. I know that in these serious times you will give the right kind of advice, and that

D-B

your influence collectively and individually will be joined with that of your Government in its efforts to keep inflation in check.

I think there is a real need of convincing the average citizen, right now, that he will have to accept far heavier burdens of taxation. There is a real need of preparing him to make greater savings in his daily life to ensure the long-run survival and improvement of his standard of living. Above all, there is a real need of persuading him that this war cannot be won quickly or cheaply or easily.

It will require all-out effort on our part to tip the scales in this war. It will require every ounce of strength that our giant industrial system can give. It will demand sweat and sacrifice on the part of producers, workers, managers and consumers alike. And it will mean the greatest public expenditure that has ever been pumped into the arteries

D-B

of our economic system.

Defense expenditures have now risen slowly to a billion and a quarter dollars a month. They will soon be a billion and a half, but even then they will be utterly inadequate compared to the need. Perhaps "inadequate" is too mild and charitable a word. We are trying to make ourselves the arsenal of democracy by devoting only 20 percent of our factory and mining output to defense, only 30 percent of our output of durable goods, only 10 percent of our output of non-durable goods, and only 16 percent of our national income. That, surely, is very far from total defense or all-out effort.

The magnitude of the job we have set out to do has not yet been driven home to the American people. At present prices the cost of the total defense program as now planned will be more than 50 billion dollars. This is 10 billion dollars

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more than the original value of all building construction in the United States during the last twenty years. It is more than the total original value of all passenger automobiles now in use plus the total investment in American railroads.

To telescope this vast construction or production job within, not twenty years or ten years, but within two, three, or four years, is bound to affect profoundly every aspect of our economic and social life. It is not so much the size of the undertaking as the limited time at our command which causes our economic system to heave and strain.

The problem was complicated at the start by the reluctance of some crucial industries to expand their production facilities to meet unprecedented defense plus civilian needs. Through fear of what might happen after the emergency they held back from measures necessary to meet the emergency. But there has

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I think, been a heartening shift in attitude in recent months. The problem is now being viewed in its proper dimensions, and we are on the road to an expansion of production which will confound those of narrow vision and little faith who cried: "It can't be done".

The capacity of America to produce over the long pull is almost limitless. There is no reason whatever for us to be discouraged over the size of the job ahead. We Americans can do any job that we set ourselves to do.

Under the impact of our comparatively modest defense expenditures up to now, our national income has increased by ten billion dollars in a year, and we are feeling all the preliminary symptoms of a serious price inflation. What will the inflationary forces be six months from now, when we shall be spending much faster and when the supplies of materials

for civilian use will be smaller than they are today? Where will prices be then, if we do not act courageously to check them now?

It is imperative that we set aside a great part of that national income, and especially the increase in the national income, if we are to arm ourselves in time and also put an effective brake upon inflation.

One indispensable method of paying for defense without inflation is "all-out" taxation, a method that has not yet been tried in spite of the huge tax bill just signed by the President. With the help of the new act our tax structure will yield almost fourteen billion dollars in revenue, but in my opinion it still contains many inequalities and many omissions which will have to be corrected next year.

It does not even make a start toward ending the exemption of state and municipal securities from Federal taxation. It

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does not deal fairly or adequately with the rich profits of huge corporations which now escape excess profits taxation merely because they have earned those rich profits steadily year after year. It enables many wealthy taxpayers to escape their fair share of contribution by preserving the separate return for husband and wife. It does not bear down hard enough on durable goods for consumer use which cause competition with the defense industries for raw materials.

In raising \$3,500,000,000 in additional revenue, Congress has made a good start with the Revenue Act of 1941. But the next tax bill will have to be a genuinely "all-out" bill, a genuine levy upon all in accordance with their ability to pay, if it is to raise the necessary revenue, place the necessary check upon inflation, and take the profit out of war.

I have spoken of taxation as the first essential method of fighting inflation. The second indispensable method of

drawing off excess consumer purchases is by borrowing as much as possible from the genuine savings of individuals throughout the country. We could always go to the banks for the bulk of our financing; I have said repeatedly that this would the easy way. We shall have to come to you for funds and I know I can count on your wholehearted cooperation. The way to proceed now, however, is to finance our needs as long as possible without adding unnecessarily to bank deposits, to borrow instead from small investors, and thus to reduce the inflationary pressure of our swiftly rising national income.

The Defense Savings Program has now been in progress for five months. It has yielded us a billion and a half dollars from two and one-half million individual investors. The result so far is certainly not below our expectations, but certainly it falls far short of our needs just as it falls

D-B

short especially in that it has only begun to reach workers' payrolls. Every one of the great national labor organizations has given its endorsement to systematic saving, and voluntary payroll allotment plans are now in operation in more than

factories employing million workers. Our strongest efforts must now be made in our great industrial centers, and must be directed at the good sense and patriotism of the workers themselves.

I can find no merit in the old Liberty Loan method of fixing money quotas for communities, trades, labor unions, school classes or individuals in this Defense Savings Program. I can see no value, either in terms of economics or of morale, in high-pressuring people to take money out of bank savings accounts or out of life insurance. But I do see a great benefit, financial and moral, in persuading spenders to

set aside, systematically, week after week, a part of their current income for their own good and their country's good.

~~The time for free and easy spending is past. It is time for all of us to realize that the party's over now.~~

D-B

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The kind of spending that the Treasury is most anxious to divert into Defense Savings Bonds is the spending produced by pay increases and bonuses. I should like to offer as a suggestion, for example, that every Christmas bonus in the United States be paid in Defense Savings Bonds or Stamps this year. The banks of America can start the fashion so that it will sweep the country. The total amount of such bonuses may be small, but there could be no finer example to the public, no more striking reminder of the spirit of these times, no better safeguard for the days of economic strain that are sure to follow the war.

We at the Treasury believe that the voluntary Defense Savings Program has already awakened a greater sense of pride in America and a greater sense of participation in the national effort. We shall continue along that road of

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voluntary cooperation and I am perfectly confident that we shall reach vast numbers who are willing and eager to put their savings to work for their country.

In this effort the Treasury will continue to depend greatly upon the bankers of America, not only as its agents in selling Defense Bonds but also as missionaries in spreading the gospel of savings. There are no commissions for bankers in this work, and you have asked for none. (But ~~there also should be no unnecessary burdens or inconveniences to you in performing this work of national service~~) I am happy to announce to you this morning that it will no longer be necessary for you to put up collateral for the series E bonds which you may keep in stock for customers. I hope that this will relieve the banks, especially the small banks, of

D-B

a real burden, and I hope that you will not hesitate to tell us at the Treasury of any similar burdens which you feel may be hampering you in the sale of these bonds.

Wider savings and heavier taxes will not, of course, be enough in themselves to cope with the inflation that now confronts us. I have already suggested an extension of the social security program as a possible method of absorbing several billion dollars of next year's national income and thus building a further reserve for the future. I have already suggested, not once but repeatedly, that the Government cut down immediately on non-defense expenditure, not only as sound financial policy but as sound anti-inflationary practice. The price control bill is about to be reported to Congress, and it may be a stronger and

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sounder bill than when it was first introduced.

The combination of emergency taxes, priorities, savings and price-control will cause some inconvenience, some hardship, some sacrifice. Of course it will. We are now engaged in a world struggle that will call for all our energies and all the qualities that have made America great. As a result of that effort we are compelled to fight another enemy, the enemy of inflation, on the home front. How can we hope to win unless we first throw onto the rubbish heap all ideas of business as usual, pleasures as usual and comforts as usual? In my opinion complacency is our major source of weakness today in building our defenses, for it saps our will and clouds our minds, and blinds us to the stupendous size of the job that confronts us.

D-B

I know that we can conquer inflation on the home front if we act now, just as I know that we can ensure the defeat of foreign tyranny if we rouse ourselves in time. Most Americans, I think, are beginning to see that they have a personal stake in the fight against inflation, just as most of them began long ago to see their individual stake in the destruction of the Axis war machine. I am confident about the outcome on both fronts, because I have deep faith in the common sense of the American people. I believe that if the people are shown the light, they will see. I believe that if the people are shown the way, they will respond.

D-B

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rome, Italy

DATE: September 28, 1941, noon

NO.: 1803

Obviously, it is impossible to verify the following confidential report which was secured by a U.S. newspaper correspondent. The source from which this correspondent obtained this information is considered to be generally reliable.

The expenditures of the Italian Government are now running at the rate of 12 billion lire each month. The revenues of the Italian Government are almost three billion. The result of this is a deficit each month of nine billion. This deficit of nine billion is comparable with the/fiscal deficit for the year of 1940-41, which is officially admitted as being 8.5 billion. The total expenditures, at this rate, for the year 1941 of 144 billion would exceed by fifteen percent last year's total estimated national income of 125 billion. The estimated public debt of 275 billion would be increased by an additional thirty-nine percent.

Even against such figures--or those which are admitted for the year 1940-41--progress of the present nine-year treasury bond flotation for financing of the war seems to be mediocre. This is indicated by reports which appear in the press which say that subscriptions in the first six days totaled only 9.9 billion lire even though one billion lire

above

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above the results for the corresponding period (that is, six days) of the February issue. Employers, incidentally-- as a new device to swell subscriptions--have been ordered to invest in national securities eighty percent of the reserves which are legally required to be set up for the reimbursement of those employees who have been dismissed.

Also of interest is the fact that concurrently with the new bonds which were offered, the security markets-- following the precipitous rise early in September--suffered a sharp reversal. The shares price index dropped sixty-nine points or thirty-nine percent during the period September 12-22; the sharp decline was attributed to insistent rumors of the impending of further measures which would affect security transactions--according to the authoritative commercial daily, IL SOLE.

PHILLIPS

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