

DIARY

Book 510

March 21 - 26, 1942

- A -

	Book	Page
Agriculture, Department of		
See Inflation		
Airplanes		
Shipments to British Forces - Kamarck report - 3/21/42..	510	44
Appointments and Resignations		
Watson, R. K.: Bell told to ascertain whether he		
wishes to come to Treasury - 3/23/42.....		128
Argentina		
See Lend-Lease: United Kingdom		
Australia		
Casey, Richard G.: Correspondence on leaving Legation -		
3/23/42.....		192

- B -

Bank of America		
Giannini asks McIntyre (White House) to arrange for		
"courtesy" by Federal banking agencies - 3/21/42.....		54
Baruch, Bernard		
See Inflation: Gold and Silver		
British Purchasing Mission		
Federal Reserve Bank of New York statement showing		
dollar disbursements, weeks ending March 11 and		
March 18, 1942 - 3/21/42, 3/26/42.....		36,350
Business Conditions		
Haas memorandum on situation, week ending March 21, 1942 -		
3/23/42.....		171

- C -

Cabinet Meeting		
Bell reports on - 3/26/42.....		334
Casey, Richard G.		
See Australia		
China		
Smuggling Prevention Forces (Treasury): Treasury cable		
to Adler - 3/26/42.....		374
Congress of Industrial Organizations		
See Revenue Revision		
Contracts		
See War Production		

- D -

Defense Expenditures, National		
State Taxation: See Revenue Revision		
Defense Savings Bonds		
See Financing, Government		
Disney, Walt		
Reader's Digest proposed film series - Kuhn memorandum -		
3/24/42.....		208

- E -

	Book	Page
Emmerich, Herbert		
See United States Housing Administration		
Exchange Market		
Resumes - 3/21/42, etc.....	510	110,205,286, 308,379
Exports		
Freight Situation - Haas memorandum - 3/25/42.....		301
Exports to Russia, Free China, Burma, and other blocked countries, during 10-day period ending March 20, 1942 - 3/26/42.....		362

- F -

Financing, Government		
Companies employing over 100 persons to be given opportunity to buy part of next Government offering - 3/23/42.....		129
Defense Savings Bonds:		
Daily changes in stock of Series E Savings Bonds - 3/21/42.....		60,211,291 288
Agents - report on - 3/25/42.....		
American Federation of Labor, Arizona, gives HMJr adverse report on Payroll Deduction Plan - 3/26/42..		318
a) Bell-Graves memoranda.....		322,326
(See also Book 511, page 4)		
b) Valley National Bank - memorandum on: Book 511, page 6		
Payroll Savings Plans - analysis of exposure to - 3/26/42.....		328
Freight, Export		
See Exports		

- G -

General Counsel, Office of		
Report on projects during December 1941 and January 1942 - 3/24/42.....		214
Giannini, Amadeo P.		
See Bank of America		
Gold		
See Inflation: India		
" Philippine Islands		

- I -

Iceland		
See Lend-Lease		
India		
See Inflation		
Inflation		
Agriculture Department plans to combat inflation:		
Correspondence between Department and FDR - 3/21/42...		48
India: Gold and Silver Assistance - FDR-Treasury		
correspondence - 3/26/42.....		346
a) Baruch's answer: hoarding of gold and silver first symptom of inflation - 4/3/42: Book 513, page 60		

- L -

	Book	Page
Latin America		
Argentina: See Lend-Lease (United Kingdom)		
Mexico: Stabilization Agreement approved by Mexican Congress - 3/24/42.....	510	285
Lend-Lease		
War Production Board: Production statistics - official compilation of - Nelson memorandum - 3/21/42.....		23, 25
Iceland: Oil storage facilities - British Government to be refunded for \$2.4 million spent for construction - 3/21/42.....		33
Operating report for week ending March 21, 1942.....		41
United Kingdom:		
List of contracts showing value of undelivered materials: Treasury-Hopkins-British Supply Council correspondence - 3/23/42.....		116
Argentine investments: Use by British to settle Lend-Lease claims - White memorandum and Rockefeller statement - 3/26/42.....		354, 356

- M -

Mexico		
See Latin America		
Military Reports		
Coordinator of Information reports:		
British Home Intelligence report - 3/25/42.....		310
PWE general directive - 3/26/42.....		386
The War This Week, March 19-26, 1942.....		390

- N -

National Defense Expenditures	
State Taxation: See Revenue Revision	

- P -

Philippine Islands	
Gold Removal: Sayre's statement to be suppressed if possible - 3/23/42.....	144
Portugal	
United States trade policy with - State Department memorandum - 3/26/42.....	368
Price Control	
See Inflation	
Purvis, Mrs. Arthur B.	
Trip to England: Douglas-HM Jr confer as to means of travel - 3/26/42.....	313
(See also Book <u>513</u> , page 53 - 4/3/42)	

- R -

	Book	Page
Railroad Brotherhoods		
See Revenue Revision		
Revenue Revision		
National Defense Expenditures - State taxation of:		
Cochran (Congressman, Missouri)--White House	510	92
correspondence - 3/21/42.....		
Congress of Industrial Organizations statement on		98
tax program - 3/21/42.....		
Railroad Brotherhoods to be asked by Paul to back tax		317
bill - 3/26/42.....		

- S -

Silver		
See Inflation: India		
Spain		
United States trade policy with - State Department		368
memorandum - 3/26/42.....		

- T -

Taxation		
See Revenue Revision		
Thailand		
Legislation on control of enemy property - 3/23/42....		202
(See also Book 514, page 124 - 4/7/42)		

- U -

United Kingdom		
See Lend-Lease		
United States Housing Administration		
Emmerich, Herbert: Congratulated on new appointment		
as Administrator of United States Housing Administration -		194
3/23/42.....		

- V -

Valley National Bank - Phoenix, Arizona		
See Financing, Government: Defense Savings Bonds		

- W -

War Production		
Contracts - financing of: Executive Order to assist		
nation's smaller business - 3/26/42.....		340
Watson, R. E.		
See Appointments and Resignations		
Wickard, Claude R. (Secretary of Agriculture)		
See Inflation		
War Production Board		
See Lend-Lease		

CONFIDENTIAL

cc - Mr. D. W. Bell
Dr. White

1

March 21, 1942
9:46 a.m.

HMJr: Yes.

Sumner
Welles: Hello.

HMJr: Henry talking.

W: Henry, I'm sorry to inconvenience you, but I was going to be tied up with a large meeting and I wanted to reach you before you left.

HMJr: Right.

W: I've just finished talking with Dr. Soeng.

HMJr: Yes.

W: He's entirely understanding and entirely acquiescent, and what he said that he would do would be of his own initiative.....

HMJr: Yeah.

W:to send you a letter.....

HMJr: Yes.

W:saying that the Chinese Government is anxious to keep you informed and would let you know from time to time of the way in which this was done, and to me that's a very happy solution.

HMJr: Good.

W: He's sending that to you immediately.

HMJr: Well, then, as soon as we get it we can sign, and then we leave Article Two out.

W: Out.

HMJr: Is that right?

W: Absolutely.

- 2 -

HMJr: Well, I think that's a happy solution.

W: I think it covers it perfectly. I'm sure you now understand my feeling in the matter.

HMJr: Yes. Well, I think that's a happy solution.

W: All right, Henry.

HMJr: And then he said he's sending that letter down?

W: He's sending it to you immediately.

HMJr: All right, thank you.

W: Many thanks. Have a good rest.

HMJr: I will.

W: Good-bye.

MINISTER FOR FOREIGN AFFAIRS
REPUBLIC OF CHINA

March 21, 1942

My dear Mr. Secretary:

In connection with the Agreement concluded today between the Governments of the United States of America and the Republic of China regarding financial aid to China, as a manifestation of the cooperative spirit which underlies the common war effort of our two countries, I wish to inform you that it is the intention of my Government to keep you fully informed from time to time as to the use of the funds provided in the said Agreement.

Sincerely yours,



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

7

March 21st, 1942

MEMORANDUM TO THE FILES:

The Secretary took the attached memorandum to Cabinet with him, discussed it and Article II with the President and the Cabinet. Mr. Welles said at Cabinet that he would like to have an opportunity to discuss Article II with Dr. Soong. The Secretary told me afterwards that he had also seen Mr. Welles after the Cabinet meeting and he was very cordial about the whole matter and said he would call Dr. Soong that evening and discuss the matter with him and see if something could not be worked out.

The next morning, Saturday, the 21st, Welles called the Secretary (this conversation is recorded) and stated that he had seen Dr. Soong and talked to him about Article II and he had agreed that the best procedure would be for Dr. Soong to write a letter to the Secretary of the Treasury agreeing informally that the Chinese Government would consult the United States and furnish reports as required by Article II without it being a part of the Agreement. Mr. Welles said this was satisfactory to him and so far as the State Department was concerned the Secretary could sign the Agreement.

The Secretary then called me and requested that arrangements be made for the Agreement to be signed at 12:30 P.M. I called Under Secretary Welles and invited him to come over and witness the signing, and if he could not come he should designate representatives. He said he appreciated the invitation and would love to come but he had a committee meeting which would carry him through one o'clock. He would designate Messrs. Hornbeck and Hamilton. They were present at the signing.

(Continued) D.W.B.

March 21, 1942

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(Initialed) D.W.B.



THE SECRETARY OF THE TREASURY
WASHINGTON

MEMORANDUM TO THE PRESIDENT:

The statute authorizing financial aid to China provides that the Agreement shall be made by the Secretary of the Treasury with the approval of the President.

The Agreement as worked out by the State and Treasury Departments is simple in form and generous in spirit. The Agreement sets up a \$500,000,000 credit to China on the books of the Treasury and imposes no express restrictions on the use of the funds to achieve the broad purposes stated in the preamble. Consideration of the final terms of the financial aid is deferred until after the war.

The Chinese and we have agreed on all provisions except a provision for consultation.

The first draft of the Agreement included a provision for consultation and exchange of information between the two governments. Generalissimo Chiang Kai-shek indicated that reactions in Chungking to this provision were unfavorable as indicating that the United States would in some way pass judgment on the uses to which the loan would be put and thereby limit in some degree the freedom of making disbursement. The Generalissimo also stated that since China "in any case would like to keep the Secretary informed, and as the Secretary has in the past without any Agreement always exerted himself on every occasion to help China", the suggested consultative article should be dropped, since it makes voluntary acts mandatory.

FOR DEFENSE

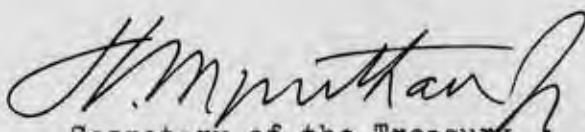


- 2 -

I did not want to risk jeopardizing the important political, diplomatic and military values anticipated from the Agreement by insisting upon the retention of the consultative article. I therefore raised the matter with the State Department which recommended that we go back to the Chinese with a slightly modified form of consultative provision. This I did.

We are now in receipt of a reply from T. V. Soong informing us that the Generalissimo again strongly objects to the consultative provision as limiting China's freedom of action in using the financial aid and in effect as being a departure from the unconditional assistance "as revealed in the exchange of messages between the President" and Chiang Kai-shek. The State Department nevertheless believes that we should now insist upon an exchange of letters with the Chinese providing for consultation.

Attached hereto is a draft of the proposed Agreement omitting any consultative provision. It would be helpful if you would indicate your wishes in the matter.


Secretary of the Treasury.

Attach.

WHEREAS, The Governments of the United States of America and of the Republic of China are engaged, together with other nations and peoples of like mind, in a cooperative undertaking against common enemies, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations, and

WHEREAS, The United States and China are signatories to the Declaration of United Nations of January 1, 1942, which declares that "Each government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war"; and

WHEREAS, the Congress of the United States, in unanimously passing Public Law No. 442, approved February 7, 1942, has declared that financial and economic aid to China will increase China's ability to oppose the forces of aggression and that the defense of China is of the greatest possible importance, and has authorized the Secretary of the Treasury of the United States, with the approval of the President, to give financial aid to China, and

WHEREAS, such financial aid will enable China to strengthen greatly its war efforts against the common enemies by helping China to

- (1) strengthen its currency, monetary, banking and economic system;
- (2) finance and promote increased production, acquisition and distribution of necessary goods;
- (3) retard the rise of prices, promote stability of economic relationships, and otherwise check inflation;
- (4) prevent hoarding of foods and other materials;
- (5) improve means of transportation and communication;
- (6) effect further social and economic measures which will promote the welfare of the Chinese people; and
- (7) meet military needs other than those supplied under the Lend-Lease Act and take other appropriate measures in its war effort.

- 2 -

In order to achieve these purposes, the undersigned, being duly authorized by their respective Governments for that purpose, have agreed as follows:

ARTICLE I.

The Secretary of the Treasury of the United States agrees to establish forthwith on the books of the United States Treasury a credit in the name of the Government of the Republic of China in the amount of 500,000,000 U. S. dollars. The Secretary of the Treasury shall make transfers from this credit, in such amounts and at such times as the Government of the Republic of China shall request, through the Minister of Finance, to an account or accounts in the Federal Reserve Bank of New York in the name of the Government of the Republic of China or any agencies designated by the Minister of Finance. Such transfers may be requested by and such accounts at the Federal Reserve Bank of New York may be drawn upon by the Government of the Republic of China either directly or through such persons or agencies as the Minister of Finance shall authorize.

ARTICLE II.

The final determination of the terms upon which this financial aid is given, including the benefits to be rendered the United States in return, is deferred by the two contracting parties until the progress of events after the war makes clearer the final terms and benefits which will be in the mutual interest of the United States and China and will promote the establishment of lasting world peace and security. In determining the final terms and benefits full cognizance shall be given to the desirability of maintaining a healthy and stable economic and financial situation in China in the post-war period as well as during the war and to the desirability of promoting mutually advantageous economic and financial relations between the United States and China and the betterment of world-wide economic and financial relations.

- 3 -

ARTICLE III.

This Agreement shall take effect as from this day's date.

Signed and sealed at Washington, District of Columbia, in duplicate
this _____ day of _____, 1942.

On behalf of the United States of America

Secretary of the Treasury

On behalf of the Republic of China

ARTICLE II.

As a manifestation of the cooperative spirit which underlies the common war effort of China and the United States, appropriate officials of the two Governments will confer from time to time regarding technical problems which may arise in connection with the financial aid herein provided and will exchange information and suggestions regarding ways and means of most effectively applying these funds toward achieving the purposes which are envisaged by the two nations.

MEMORANDUM TO THE PRESIDENT:

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Secretary of the Treasury.

Attach.

ISF:FAS:AMF:BB:nrd - 3/20/42.

C O P Y

March 21, 1942.

MEMORANDUM FOR THE FILES

At the meeting in Under Secretary Bell's office this noon there attended:

For the Treasury: Messrs. Bell
White
Bernard Bernstein
Southard
Friedman

For the State Department: Messrs. Hornbeck
Hamilton

Dr. T. V. Soong
Dr. Kan Lee

Mr. A. M. Fox

The original drafts of the Agreement were reviewed and approved. The press release was reviewed and a few changes made.

Mr. Bernstein gave Dr. Soong the draft of a note to be sent by the Chinese Ambassador to the Secretary of State covering the authority of Dr. Soong to sign. Mr. Bernstein also told Mr. Hornbeck that on receipt by the State Department of such note from the Chinese Ambassador, the State Department would write to the Treasury Department the usual letter representing that the Agreement is internationally valid and binding on China. Dr. Hornbeck agreed to take care of this.

Mr. Bell inquired of the Secretary as to whether the President had approved the Agreement and the Secretary confirmed that the President had given his approval at the Cabinet meeting of Friday, March 20, 1942. It was also agreed to submit a copy of the Agreement to the President for his initials and his files.

Prior to the meeting the Secretary had received from Dr. Soong a letter relating to consultation. A copy of this letter was sent to the State Department.

Thereafter the group went into the Secretary's office where the Agreement was signed. One of the duplicate originals was given to Dr. Lee and the other retained by the Treasury. The material was released to the press and photographs were taken.

(Signed) B. Bernstein

WHEREAS, The Governments of the United States of America and of the Republic of China are engaged, together with other nations and peoples of like mind, in a cooperative undertaking against common enemies, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations, and

WHEREAS, The United States and China are signatories to the Declaration of United Nations of January 1, 1942, which declares that "Each government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war"; and

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WHEREAS, such financial aid will enable China to strengthen greatly its war efforts against the common enemies by helping China to

- (1) strengthen its currency, monetary, banking and economic system;
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- (3) retard the rise of prices, promote stability of economic relationships, and otherwise check inflation;
- (4) prevent hoarding of foods and other materials;
- (5) improve means of transportation and communication;

- (6) effect further social and economic measures which promote the welfare of the Chinese people; and
- (7) meet military needs other than those supplied under the Lend-Lease Act and take other appropriate measures in its war effort.

In order to achieve these purposes, the undersigned, being duly authorized by their respective Governments for that purpose, have agreed as follows:

ARTICLE I.

The Secretary of the Treasury of the United States agrees to establish forthwith on the books of the United States Treasury a credit in the name of the Government of the Republic of China in the amount of 500,000,000 U. S. dollars. The Secretary of the Treasury shall make transfers from this credit, in such amounts and at such times as the Government of the Republic of China shall request, through the Minister of Finance, to an account or accounts in the Federal Reserve Bank of New York in the name of the Government of the Republic of China or any agencies designated by the Minister of Finance. Such transfers may be requested by and such accounts at the Federal Reserve Bank of New York may be drawn upon by the Government of the Republic of China either directly or through such persons or agencies as the Minister of Finance shall authorize.

ARTICLE II.

The final determination of the terms upon which this financial aid is given, including the benefits to be rendered the United States in return, is deferred by the two contracting parties until the progress of events after the war makes clearer the final terms and benefits which will be in the mutual interest of the United States and China

- 3 -

and will promote the establishment of lasting world peace and security. In determining the final terms and benefits full cognizance shall be given to the desirability of maintaining a healthy and stable economic and financial situation in China in the post-war period as well as during the war and to the desirability of promoting mutually advantageous economic and financial relations between the United States and China and the betterment of world-wide economic and financial relations.

ARTICLE III.

This Agreement shall take effect as from this day's date.

Signed and sealed at Washington, District of Columbia, in duplicate this 21st day of March, 1942.

On behalf of the United States of America


Secretary of the Treasury

On behalf of the Republic of China


Minister for Foreign Affairs

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Saturday, March 21, 1942.

Press Service
No. 30-82

The following is a joint statement made by the Secretary of the Treasury, Mr. Henry Morgenthau, Jr., and His Excellency T. V. Soong, Minister for Foreign Affairs of the Republic of China:

The United States and China have today entered into an Agreement giving effect to the Act of Congress unanimously passed by the Senate and House of Representatives authorizing \$500,000,000 of financial aid to China. The Agreement, approved by the President and by Generalissimo Chiang Kai-shek, was signed by Secretary Morgenthau on behalf of the United States and by Dr. Soong on behalf of China.

This financial aid will contribute substantially towards facilitating the great efforts of the Chinese people and their government to meet the financial and economic burdens which have been imposed upon them by almost five years of continuous attack by Japan.

This Agreement is a concrete manifestation of the desire and determination of the United States, without stint, to aid China in our common battle for freedom.

The final determination of the terms upon which this \$500,000,000 financial aid is given to China, including the benefits to be rendered the United States in return, is deferred until the progress of events after the war makes clearer the final terms and benefits which will be in the mutual interest of the United States and China and will promote the establishment of lasting world peace and security.

The text of the Agreement is as follows:

WHEREAS, The Governments of the United States of America and of the Republic of China are engaged, together with other nations and peoples of like mind, in a cooperative undertaking against common enemies, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations, and

WHEREAS, The United States and China are signatories to the Declaration of United Nations of January 1, 1942, which declares that "Each government pledges itself to employ its full resources, military or economic, against those members of the Tripartite Pact and its adherents with which such government is at war"; and

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- (4) prevent hoarding of foods and other materials;
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times as the Government of the Republic of China shall request, through the Minister of Finance, to an account or accounts in the Federal Reserve Bank of New York in the name of the Government of the Republic of China or any agencies designated by the Minister of Finance. Such transfers may be requested by and such accounts at the Federal Reserve Bank of New York may be drawn upon by the Government of the Republic of China either directly or through such persons or agencies as the Minister of Finance shall authorize.

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ARTICLE III.

This Agreement shall take effect as from this day's date.

Signed and sealed at Washington, District of Columbia, in duplicate this 21st day of March, 1942.

On behalf of the United States of America

(Signed) HENRY MORGENTHAU, JR.
Secretary of the Treasury

On behalf of the Republic of China

(Signed) T. V. SOONG
Minister for Foreign Affairs

March 21, 1942
10:20 a.m.

HMJr: Hello.

Operator: Mr. Mack.

HMJr: Hello. Hello. Hello.

Operator: Hello, Mr. Mack. Hello. He's on there, but he's not talking very loud. Just a minute.

HMJr: Hello.

Operator: Yes, sir.

HMJr: I can't hear him. Go outside.

Operator: All right, I will.

HMJr: Hello.

Clifton Mack: Yes, sir.

HMJr: Mack?

M: Yes.

HMJr: Can you hear me?

M: Yes, Mr. Secretary, I can.

HMJr: Clif, you got a copy of what I sent you, that the President had signed?

M: Yes, I did.

HMJr: Well, now, in view of that, oughtn't that be able to give you enough authority to go to Donald Nelson's people and try to make a real effort to get the 25,000.....

M: We have done that. We made up a complete chart, and yesterday morning that was brought over to the War Production Board.

HMJr: Good.

M: And we told them that there is the whole picture

- 2 -

of what we need to do this job and the next thing is for them to do it.

HMJr: Right.

M: Now, they say they need enough time to make re-allocations in order to increase the quantities of production, you know.

HMJr: Yes.

M: So we're living with that thing to get it through.

HMJr: Well, the point is I'm going away for a week today and I just wanted to make sure before I left that you put all possible steam behind it.

M: Yes. Well, very good, we'll do that. Up to this point, you know, the difficulty has been getting what - getting deliveries against their allocations; but from this point on, the President has authorized the complete program to be gotten out as quickly as possible, and that's the point we're emphasizing.

HMJr: And last night Under Secretary of War Patterson called me. They've doubled the number of cars that they've loaded in Philadelphia in the last two days.

M: Very good.

HMJr: So I mean - the loading program is now under way.

M: Well, that's fine, and I think that taking the time - it was too bad you had to take the time to get into this - but it really.....

HMJr: Oh, no, I'm - it's made me very happy.

M: Well, it made things work.

HMJr: And you tell the Russians a little bit what I've done.

M: I certainly will. I've told them, and I'll tell them further because I know they've been looking for a friend and they sort of felt that they didn't

- 3 -

have one.

HMJr: Get Tickton over there from Haas' office. Well, you can just tell them that I wouldn't - well, you can tell them I was working on the Philadelphia shipping end also.

M: Well, very good, and I'll do that, and they're going to be - they're tickled to death.

HMJr: Good.

M: Well, very good, and thanks a lot.

HMJr: All right.

M: Good-bye.

HMJr: Good-bye.

MAR 21 1942

Dear Mr. Nelson:

I wish to acknowledge your memorandum of March 14, 1942, advising that the War Production Board will assume responsibility for compiling and maintaining the only official record of wartime production in the United States. A copy of your memorandum has been sent to Mr. Clifton E. Mack, Director of Procurement, calling his attention to your request that the procuring agencies furnish your Division of Statistics with such data, agreed upon with them, as are necessary for the compilation of the statements.

Sincerely,

(Signed) E. Mergenthaler, Jr.

Honorable Donald M. Nelson, Chairman,
War Production Board,
Washington, D. C.

*n.m.c. file
Photo file to Dr. Hase*

GOH:MK

3/20/42

FILE COPY

March 19, 1942

George Haas,
Secretary Morgenthau

Please take care of this.

WAR PRODUCTION BOARD

WASHINGTON, D. C.

March 14, 1942

IN REPLY REFER TO:

MEMORANDUM

TO: Secretary of War
Secretary of the Navy
Chairman of the Maritime Commission
Secretary of the Treasury

FROM: Donald M. Nelson
Chairman

SUBJECT: Official Compilation of Production Statistics

A number of questions have arisen recently which have convinced me of the necessity of having one set of production figures which are recognized as having official status.

This is of particular importance with the setting up of the several International Committees with responsibilities for apportioning completed munitions, industrial materials, and shipping facilities among the United Nations. It is of equal importance in governing the use that is made, on both sides of the Atlantic, of the Anglo-American Consolidated Statement.

In accordance with the authority vested by the President in the War Production Board, that body will assume responsibility for compiling and maintaining the official record of wartime production in the United States, including both the completion or acceptance of finished items for the Armed Services, together with industrial materials, facilities and construction directly related to the war effort, and the schedules setting forth what production may be anticipated in the future. In view of the outstanding importance of merchant ship building, the production record in this field will be treated as an integral part of the war production program.

Accordingly, the War Production Board will compile at appropriate intervals the official statistics of completed and scheduled production in the United States and will issue one consolidated statement, and will see that it is distributed, with all necessary safeguards, to those bodies which are entitled to receive it. Such statements of completed production and of estimated future production will in the future be treated as the only authoritative official statement of U. S. production. The figures relative to inventories of finished weapons and equipment held in stock or in use by the forces will



WAR PRODUCTION BOARD
WASHINGTON, D. C.

March 14, 1942

IN REPLY REFER TO

Philpott to 25
Mr. Mark - 3/20/42

MEMORANDUM

TO: Secretary of War
Secretary of the Navy
Chairman of the Maritime Commission
Secretary of the Treasury

FROM: Donald M. Nelson
Chairman

SUBJECT: Official Compilation of Production Statistics

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- 2 -

naturally not be compiled and communicated by the War Production Board, but by the appropriate Services.

I have charged the Division of Statistics of the War Production Board to prepare, issue and communicate under my control to the proper U. S., British and Allied agencies the authoritative statement mentioned above. In this connection, I request the procuring agencies of the War and Navy Departments, the Maritime Commission, and the Treasury Department to furnish to the Division of Statistics such data, agreed upon with them, as are necessary for the compilation of the statements above mentioned.

A handwritten signature in dark ink, appearing to read "D. M. Nelson", written in a cursive style.

Donald M. Nelson

March 21, 1942

George Haas
Clif Mack

Secretary Morgenthau

Please follow through and see whether this
plan works.

W.S.A. - War Shipping Administration 28
O.D.T. - Office of Defense Transportation
B. of W.T. - British Ministry of War Transportation
B.E.W. - Board of Economic Warfare

TREASURY DEPARTMENT

29

INTER OFFICE COMMUNICATION

DATE March 20, 1942.

TO Secretary Morgenthau

FROM W. N. Thompson

There is attached a copy of the latest transportation plan which I am advised has been approved by the War Department and the other interested agencies.

This plan replaces the proposed directive which I sent to you on March 17th.

W. N. Thompson

PLAN

To prevent congestion on the rails and at the terminals, and to obtain the most effective use of our transportation system for vital war purposes, the following plan is proposed:

A. The W.S.A. will obtain from the various procuring agencies and other sources, on such forms and for such periods as may appear in the light of experience to be necessary, their respective shipping requirements, will estimate the supply of shipping available for U.S. requirements, and will keep the War Dept. advised thereof.

B. The W.S.A. will, in accordance with established priorities, allocate U.S. controlled ships and shipping space to satisfy these priorities. Through the Combined Shipping Adjustment Board, it will coordinate such allocation of U.S. controlled ships with ships under control of the British and other allied nations, and will advise the War Dept., the Navy Dept., and O.D.T. of such ship and shipping space allocations.

C. The W.S.A., in collaboration with the War Department, Navy Department, and O.D.T. (and in the case of British controlled ships, after consultation with the B.M. of W.T.), will determine the port or ports at which such ships will be available for loading, and at which import cargoes will be unloaded.

D. The O.D.T., in collaboration with the War Dept. and the W.S.A. and B.M. of W.T., will thereupon advise the War Dept., the Navy Dept. and other procuring agencies that may not have designated the War Dept. as their agent, of the amount of materials that may be shipped to the ports designated. The War Dept. will then provide for the inland routing of goods to seaboard for itself and for such other agencies as designate it to act for them; other procuring agencies arranging their own routing to seaboard.

E. Some agency—either the State Dept. or the B.E.W.—must control the issuance of individual shipment permits for commercial export, in accordance with established priorities and the block releases for such shipments issued by O.D.T.

F. Goods purchased directly by allied governments for export through U.S. ports will be routed to designated ports by such foreign governments or their designated agents strictly in accordance with established priorities and the block releases issued by O.D.T.

G. In the event that any emergency develops while shipments are in transit which will prevent the loading of ships and which therefore will lead to congestion on the rails or at the

terminals, such shipments must be diverted to temporary storage points by the agency arranging transportation.

H. Cargo may be shipped to stockpile storage when it cannot be released for movement to the ports in accordance with instructions to be promulgated later.

I. Where cargo is shipped to an Army base, it is contemplated that it will be loaded by the War Dept.; when shipped to a commercial wharf, it will be loaded by the W.S.A. It is understood that in this latter case, involving the loading of all munitions for which the War Dept. is responsible, the War Dept. may have a representative present to direct the order in which cargo shall be loaded. In regard to Army bases, it is understood that the Army will not expand its dock facilities in cases where suitable commercial dock facilities are available.

J. It is contemplated that in the administration of this plan there will be an Army officer, a representative of the O.D.T., of the W.S.A. and of the B.M. of W.T. operating in very close and intimate cooperation, to administer these matters in respect of which all four are jointly concerned.

* * * *

Washington, D. C.,
March 18, 1942.

MAR 21 1942

Dear Mr. McCabe:

Thank you for your letter of March 18 and its enclosure, informing me that the British Government is being refunded the \$2.4 million that it deposited with the Navy Department last summer for the construction of oil storage facilities in Iceland.

I appreciate your keeping me informed of matters affecting Britain's dollar position.

Very sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. Thomas S. McCabe,
Acting Administrator,
Lend-Lease Administration,
Washington, D. C.

File H. M. C.

By Messenger Monday 2:05

JTH/grs - 3/19/42

copy to White
3/19 -
OFFICE OF LEND-LEASE ADMINISTRATION *2* **34**
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

E. R. Stettinius, Jr.
Administrator

March 18, 1942

My dear Mr. Secretary:

Enclosed is a copy of a letter to Sir Frederick
Phillips which you will find self-explanatory.

Sincerely yours,

Thomas B. McCabe

Thomas B. McCabe
Acting Administrator

The Honorable

The Secretary of the Treasury

Enclosure

March 18, 1942

Dear Sir Frederick:

You will recall that the British Government in July, 1941, deposited funds in the amount of \$2,400,000 with the United States Navy Department for the construction by the Navy Department of certain oil storage facilities in Iceland. The deposit was made on the understanding that British funds were to be used as a temporary method of financing the project pending action onsequently, the Lend-Lease Administration approved the project, and Lend-Lease funds in the amount of \$2,400,000 were allocated to the Navy Department.

Accordingly, the Navy Department is prepared to return the funds deposited by the British Government, and I have given that Department such authority as it may need to enable it to repay the amount of \$2,400,000 to the British Treasury. I understand that the funds will be so repaid in the near future.

I am transmitting a copy of this letter to Secretary of the Treasury Worgenthau for his information.

Sincerely yours,

Thomas B. McCabe
Acting AdministratorSir Frederick Phillips
The British Supply Council
In North America
Box 680, Benjamin Franklin Station
Washington, D. C.

FCBrownell:EL:ajj

For Miss Chauncey

36

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

March 21, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended March 11, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.

dm: 3/21/42

C
O
P
Y
For Miss Chauncey

37

FEDERAL RESERVE BANK
OF NEW YORK

March 19, 1942

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended March 11, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

Copy:vw:3-20-42

458-459

million
million

*For monthly breakdown see tabulations prior to April 23, 1941.
**For monthly breakdown see tabulations prior to October 8, 1941.
(See attached sheet for other footnotes)

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

(In Billions of Dollars)

PERIOD	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)						
	DEBITS				CREDITS					DEBITS				CREDITS		
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in Balance	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits
First year of war (8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	82.4	50.1	12.3	+ 4.5
Second year of war (8/29/40-8/27/41)**	450.4	-	450.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Aug. 28 - Oct. 1, 1941	23.1	-	23.1	52.2	21.2	-	-	31.0	+ 29.1	10.7	0.5	10.2	2.8	2.1	0.7	- 7.9
Oct. 2 - Oct. 29	37.4	-	37.4	19.7	12.9	-	-	7.8	- 17.7	8.2	5.5	2.7	8.8	5.9	2.9	+ 0.2
Oct. 30 - Dec. 3	52.8	0.1	52.7	32.5	19.3	-	-	13.2	- 20.3	10.3	6.9	3.4	11.6	9.0	2.6	+ 1.3
Dec. 4 - Dec. 31	47.7	-	47.7	22.2	17.3	-	-	4.9	- 25.5	3.9	1.8	2.1	2.8	6.2	2.6	- 1.1
1942																
Jan. 1 - Jan. 28	39.5	-	39.5	33.0	27.0	-	-	6.0	- 6.5	4.5	-	4.5	10.8	-	10.8	+ 6.3
Jan. 29 - Feb. 25	34.1	-	34.1	35.2	12.4	-	-	23.3	+ 1.6	8.4	5.3	3.1	1.6	-	1.6	- 6.8
WEEK ENDED:																
Feb. 18	16.4	-	16.4	10.3	3.3	-	-	7.0	- 6.1	0.2	-	0.2	0.2	-	0.2	-
25	4.9	-	4.9	5.9	2.7	-	-	3.2	+ 1.0	0.2	-	0.2	0.6	-	0.6	+ 0.4
Mar. 4	8.1	-	8.1	32.6	2.6	4.3	-	45.5	+ 44.3	2.1	-	2.1	0.4	-	0.4	+ 1.7
11	2.9	-	2.9	18.4	5.2	-	-	13.2(a)	+ 15.5	2.0	-	2.0	0.1	-	0.1	+ 1.9

Weekly Average of Total Debits Since Outbreak of War

Through March 11, 1942 \$ 7.8 million

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

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

(a) Includes about \$7,300,000 representing proceeds of U. S. Government checks deposited by War Supplies, Ltd.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

March 21, 1942

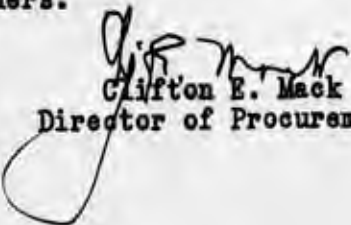
41

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended March 21, 1942.

The British Raw Materials Mission has advised that shipments of 3300 tons of scrap rubber have been made to the United States in accordance with the agreement whereby the British will furnish the United States 20,000 tons of scrap rubber for processing into reclaimed rubber.

We have been requested by the Office of Lend-Lease Administration to participate with that Agency in the survey of supplies purchased by the Dutch, valued at around \$250,000,000, with the thought that such supplies may be bought for use against existing Lend-Lease orders.


Clifton E. Mack
Director of Procurement

FOR DEFENSE



LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF MARCH 21, 1942

	Total	U. K.	RUSSIA	CHINA	ADMINISTRATIVE EXPENSES	UNDISTRIBUTED & MISCELLANEOUS
Allocations	\$952.0 (932.0)	\$617.9 (607.6)	\$199.3 (195.6)	\$ 51.4 (49.3)	\$.9 (.9)	\$ 82.5 (78.6)
Purchase Authoriza- tion (Requisitions)	\$804.5 (780.3)	\$560.1 (549.1)	\$195.5 (184.8)	\$ 45.5 (43.1)	-	\$ 3.4 (3.3)
Requisitions cleared for purchase	\$753.4 (714.5)	\$537.1 (514.7)	\$173.3 (156.7)	\$ 39.6 (39.8)	-	\$ 3.4 (3.3)
Obligations (Pur- chases)	\$704.0 (670.6)	\$504.3 (489.8)	\$161.1 (143.4)	\$ 35.2 (35.0)	\$.7 (.6)	\$ 2.7 (1.8)
*Deliveries to For- eign Governments at U. S. Ports	\$256.2 (232.8)	\$217.1 (200.7)	\$ 21.0 (17.5)	\$ 14.4 (14.3)	-	\$ 3.7 (.3)

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

Note: Figures in parentheses are those shown on report of March 14, 1942

EXPLANATION OF CHANGES

There was a net increase of \$20,000,000 in allocations for the week to be used for the purpose of services and expenses.

Allocations of all countries increased for the week, the source of the funds being undistributed allocations.

Purchase Authorizations, Obligations and Deliveries to Foreign Governments at U. S. Ports increased in total with respect to each Government. Requisitions Cleared for Purchase increased for each country with the exception of China, which decreased \$221,105.00.

Deliveries to Foreign Governments showed an increase for the week. The substantial increase in Miscellaneous Governments is attributable to the delivery of \$3,702,903.00 to Poland.

TREASURY DEPARTMENT

44

INTER OFFICE COMMUNICATION

DATE March 21, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Shipment of Planes to British Forces

Summary

1. In the week ending March 17, 1942, a total of 137 combat planes (no trainers) were shipped to British forces.

2. Total deliveries of planes to British forces in 1942 have now passed the 1,000 mark. The weekly shipments in 1942 are averaging 100 planes of all types a week. Combat plane shipments are averaging 86 a week, compared with 70 a week during 1941.

3. Since January 1, 1941, according to our data, the British have received more than 6,000 planes from the United States. The proportions as to type are as follows:

	<u>Number</u>	<u>Percent of Total</u>
Pursuit	2,068	34
Light and medium bombers	2,044	33
Trainers	1,645	27
Naval patrol bombers	156	3
Heavy bombers	115	2
Army cooperation	73	1
Total	6,101	100

The distribution of the planes as to destination is as follows:

	<u>Number</u>	<u>Percent of Total</u>
United Kingdom	2,224	36
Canada	1,641	27
Middle East	1,620	27
Pacific	490	8
Russia	126	2
Total	6,101	100

Table A - Shipments by Area

	Week ending <u>Mar. 17, 1942</u>	Total Shipped in 1942 <u>to date</u>	Total Shipped since <u>Jan. 1, 1941</u>
<u>To the United Kingdom</u>			
Light and medium bombers	1	20	1,181
Heavy bombers	0	2	109
Naval patrol bombers	0	8	110
Pursuit	70	428	739
Army cooperation	8	30	61
Trainers	<u>0</u>	<u>0</u>	<u>24</u>
Total to the United Kingdom	79	488	2,224
<u>To the Middle East</u>			
Light and medium bombers	10	120	450
Heavy bombers	0	0	5
Pursuit	6	155	1,003
Army cooperation	0	12	12
Trainers	<u>0</u>	<u>8</u>	<u>150</u>
Total to the Middle East	16	295	1,620
<u>To the Canadian Forces</u>			
Light and medium bombers	0	4	183
Heavy bombers	1	1	1
Naval patrol bombers	0	11	19
Pursuit	0	30	72
Trainers	<u>0</u>	<u>125</u>	<u>1,366</u>
Total to the Canadian Forces	1	171	1,641
<u>To the British Pacific Forces</u>			
Light and medium bombers	23	58	153
Naval patrol bombers	0	0	27
Pursuit	18	37	205
Trainers	<u>0</u>	<u>0</u>	<u>105</u>
Total to Pacific Forces	41	95	490
<u>To the Forces in Russia</u>			
Light and medium bombers	0	33	77
Pursuit	<u>0</u>	<u>0</u>	<u>49</u>
Total to Russian Forces	0	33	126
<u>Total</u>			
Light and medium bombers	34	235	2,044
Heavy bombers	1	3	115
Naval patrol bombers	0	19	156
Pursuit	94	650	2,068
Army cooperation	8	42	73
Trainers	<u>0</u>	<u>133</u>	<u>1,645</u>
Totals	137	1,082	6,101

Table B - Shipments by Types

	<u>Week Ending Mar. 17, 1942</u>	<u>Total Shipped in 1942 to date</u>	<u>Total Shipped since Jan. 1, 1941</u>
Bell Airacobra	58	227	381
Boeing B-17	0	0	21
Boston III	0	22	61
Brewster Buffalo	0	0	168
Cessna T-50	0	86	700
Consolidated Catalina	0	19	156
Liberator	1	3	94
Curtiss Kittyhawk	26	217	599
Tomahawk	0	0	593
Douglas Boston I and II	0	0	82
Boston III	0	16	455
Fairchild 24 R-9	8	32	54
Glenn Martin Baltimore	10	123	191
Maryland	0	0	150
Grumman Martlet II	0	14	55
Lockheed Hudson	23	60	1,041
Lightning	0	3	3
Ventura I	0	12	12
Ventura Bomber	1	2	2
North American Harvard II	0	47	944
Mustang	10	189	269
Pitcairn Autogiro	0	0	5
Stearman PT-27	0	0	1
Vought Sikorsky Chesapeake	0	0	50
Vultee Stinson-O49	<u>0</u>	<u>10</u>	<u>14</u>
Grand Total - All Types	137	1,082	6,101

Table C - Plane Shipments to the British by Weeks

Week Ended	Light and medium bombers	Heavy bombers	Naval patrol bombers	Pursuit	Army Coopera- tion	Trainers	Total
Weekly Average of shipments in 1941	36	2.2	2.7	28.3	.6	30.2	100
January 6, 1942	24	0	5	30	4	9	72
January 13, 1942	3	0	2	58	0	42	105
January 20, 1942	8	0	0	14	0	60	82
January 27, 1942	24	0	1	100	5	13	143
February 3, 1942	9	0	3	10	4	4	30
February 10, 1942	33	0	3	59	0	4	99
February 17, 1942	12	0	2	41	7	0	62
February 24, 1942	33	0	2	86	7	1	129
March 3, 1942	26	0	1	80	6	0	113
March 10, 1942	29	2	0	78	1	0	110
March 17, 1942	34	1	0	94	8	0	137
Total shipments since January 1, 1941 to date *	2,044	115	156	2,068	73	1,645	6,101

* These totals include a few aircraft shipped in 1942 which are not listed in the weekly figures. Due to a mistake by the source supplying the data to us, Lend-Lease aircraft flight delivered were not included in the weekly statements. The correction has now been made in the totals.

MAR 21 1942

My dear Mr. President:

In accordance with your request of March 17, 1942, I am enclosing herewith a suggested reply, for your signature, to the attached letter of Secretary Wickard.

Faithfully,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

Enclosures

HCM:cmh
3/20/42

*Photo file n m c
File to Thompson*

Delivered by SS Sgt. a. 25

Orig. ltr. from Secy. Wickard returned

Dear Mr. Secretary:

Enclosed is acknowledgment of your letter of March 14, 1948, in which you requested to see on the measures the Department of Agriculture has taken to combat inflationary tendencies, and suggested other anti-inflationary measures which might be undertaken.

Some reports on the specific steps taken by the Farm Credit Administration, the Farm Housing Administration, the Rural Electrification Administration, and the Extension Service are accompanying the Extension Service, because of its close personal relationship with farmers throughout the Nation. It is a unique position to be of singular service in studying agriculture in the understanding that the own welfare, as well as the national interest, is vitally concerned with the prevention of inflation.

The question of the relative desirability of farmers using their Government income for the redemption of their outstanding indebtedness or for the purchase of Defense bonds involves a problem of fundamental importance. The purchase of Defense bonds serves the twofold purpose of helping to meet the fiscal requirements of the Government and of combating inflation. If the debts repaid by the farmers are used directly to the United States Government or to Government agencies, both of these purposes are served as well by the repayment of the debts as by the purchase of Defense bonds.

If the obligations are held by someone other than the United States Government or its agencies, however, neither purpose is served as completely by the repayment of debts as it would be by the purchase of Defense bonds. The purpose of providing for the fiscal requirements of the Government is served in part because the credit is placed in funds which may, in turn, be loaned to the Government; but it is not served completely because some of the funds may be devoted to other uses. The purpose of combating inflation is also served in part because the redemption of the farmer is returned; but it is not served completely because the redemption of the credit may be increased.

Now even though "look-alike" may be, it is difficult to say, but they do serve to establish a definite margin of public advantage in favor of the purchase of Defense bonds. This margin may, of course,

- 2 -

be wiped out or reversed in many cases by factors affecting the individual farmer. Much depends upon the rate of interest of the obligations being retired, on the one hand; and upon the need of the individual farmer for liquidity, on the other. It is hard to lay down any general rule applicable to all cases. It is clear, however, that there is a general presumption in favor of the purchase of Defense bonds; and I believe you will agree with me that to issue what would amount in effect to certificates exempting individual farmers from purchasing Defense bonds, would take the "edge" off the Defense bond campaign generally.

I do not believe that it would be feasible to issue a special security which could be accepted by lenders in payment of long-term debt. Unless such a security was non-redeemable and it was compulsory that creditors accept it in payment of debt, there would be no useful purpose served by its issuance. Those creditors who would choose to use receipts from payment otherwise than for investment in Government securities could either redeem the security or refuse to accept it. To make the securities non-redeemable and to compel creditors to accept them would be equivalent to the imposition of a system of enforced savings on such creditors. If a system of compulsory savings is to be introduced, it is only equitable that such a system be applied to all sectors of the economy rather than to a single segment only.

The study the Department of Agriculture is making on the possibility of low value inflation is valuable and I should like you to bring it to my attention as soon as you believe there to be any dangerous tendency in the direction of such inflation.

Sincerely,

The Honorable,
The Secretary of Agriculture,
Washington, D. C.

FROM AMER:jpn 3-30-42

51

THE WHITE HOUSE
WASHINGTON

March 17, 1942.

MEMORANDUM FOR

H.M. Jr.

FOR PREPARATION OF REPLY.

F.D.R.

RECEIVED

MAR 17 1942

Office of the White House
Executive Secretary

DEPARTMENT OF AGRICULTURE

Washington

March 14, 1942

O
O
P
I
The President
The White House

Dear Mr. President:

In reply to your letter of February 3, concerning the importance of guiding consumers' purchasing power into non-inflationary channels, I am glad to report that this Department through its action and research programs has under way many measures specifically designed to combat inflationary tendencies, and I appreciate this opportunity to suggest additional possibilities.

Several months ago the Farm Credit Administration adopted a more vigorous collection policy, including further positive incentives to encourage prepayment of loan installments. By radio, the agricultural press, and direct contacts with borrowers, we have encouraged partial or full payment of indebtedness prior to maturity. The Farm Credit Administration is now collecting about \$100,000,000 a year more than it is lending. In making new mortgage loans, and in its appraisal policies, this agency adheres to the concept of normal values, and through a committee headed by Governor Black of the Farm Credit Administration and composed of representatives of governmental and private mortgage lenders and farm organizations, is endeavoring to secure the cooperation of non-governmental groups in carrying out policies to discourage land inflation.

Last July the Farm Security Administration required that all new tenant purchase loans be made on a variable payment basis under which payments will be higher in years of high net income and lower in years of low net income. As a result, our tenant purchase repayments are ahead of schedule in nearly all sections of the country; many farmers are making repayments this year in encouragingly large amounts.

Similarly, the Rural Electrification Administration encourages cooperatives under its supervision to make prepayments on their obligations as rapidly as possible consistent with the setting aside of modest reserves, and has already received substantial prepayments.

The Extension Service is carrying on intensive educational work with farmers to stress the importance of taking advantage of current good income to place themselves on a sound financial basis and to reduce indebtedness. County agents are urging farmers to limit expenditures to those things needed to produce food for defense, to avoid purchase of land at inflated prices, and to purchase defense stamps and bonds with excess funds.

The President

March 14, 1942.

There are several additional measures, not possible at present, which I believe might well be adopted if legislative authority were secured. For example, I do not consider present land values to be inflated, but if substantial increases continue, the danger of land value inflation in some areas would be appreciable. With this in mind, the Department is analyzing the practicability of special restraints to any dangerous tendency in this direction. If further study indicates the feasibility of such measures, we shall submit to you more specific recommendations as to desirable action and authority required.

Again it is reported that in some communities the pressure of public opinion is such that farmers feel they must buy defense bonds instead of accelerating payment of their debts. If these debts were all owed to the U. S. Government, it would be a matter of indifference, except possibly for interest rate differentials, whether income went to repay debts ahead of schedule or to buy defense bonds. Inasmuch, however, as a large part of the outstanding farm debt is owed to private agencies or on bonds issued to the public through government-supervised agencies, there is perhaps a fiscal question as to whether it is best for income to be used to buy defense bonds or to retire debts owed to individuals or institutional lenders. I recommend that consideration be given to issuing a special form of defense bond that could be accepted by lenders in payment of long-term debt ahead of schedule. If this is not practicable, an alternative suggestion would be to issue certificates to farmers or home owners who repay their long-term debts ahead of schedule, such certificates to be accorded recognition comparable to defense bonds as far as cooperation in the defense effort is concerned.

More general use of the variable payment plan in farm real estate mortgage financing would, over a period of years, afford an increasingly important means of accelerating debt payment in good years, while at the same time affording the borrower security in bad years. H. R. 5336, which has been pending in the Congress for several months, and upon which this Department has reported favorably, would among other things provide authority for this type of payment plan through the Farm Credit Administration. Such authority would be very helpful in combating inflationary tendencies in land prices.

Of course, many farmers will need additional short-term credit in the months ahead to produce Food for Freedom. We are making every effort to direct such credit into actual production and away from inflationary uses.

Sincerely,

(Signed) CLAUDE R. WICKARD

Secretary

March 21, 1942

MEMORANDUM FOR COL. McINTYRE

I suggest that you send a note to Mr. A. P. Giannini somewhat as follows:

"I have your letter of March 12th. The officials of the Federal Banking Agencies are always available to the officers of the banks under their respective supervision, and I am sure a direct approach by you or others in your institution would be as good as or better than an appointment arranged by me.

"The figures you enclosed on the defense bond sales of your bank are noted with appreciation."

Sincerely yours,"

(Initials) H M J.

Secretary of the Treasury

S.S. Apr. 2:25

File N.M.C.

Orig. Giannini La. Return.

Upm

55

Treasury Department
Office of the Under Secretary

Date:

To:

Mr. Upham

From:

EPB

*Mr. Bell said would
you please prepare
reply?*

COPY

56

Beu
2/c
May 1942

BANK OF AMERICA

Los Angeles
California.

March 12, 1942

Dear Col. McIntyre:

The banking authorities there, viz; Comptroller F.D.I.C. and Fed. Reserve Board are constantly harassing our officers and directors, and I'm wondering if I came on there, if I couldn't presume upon your friendship to arrange to put me in touch with the right people with a view of once and for all reaching an understanding that will eliminate any further harassment and discrimination in connection with our interests.

We ask for no favors. We only want to be treated as are other like interests.

Thank you. Warmest regards.

Sincerely,

(signed) A. P. Giannini

P. S. Under Secretary Bell of Treasury Department, I think, is thoroughly conversant with the Comptroller end.

A.P.G.

DEFENSE BOND SALES FOR WEDNESDAY
MARCH 11, 1942

SERIES E *	\$520,181.25
SERIES F -	63,251.50
SERIES G -	<u>48,400.00</u>
TOTAL	\$631,832.75

TOTAL AMOUNT TO DATE AS OF THE CLOSE OF
BUSINESS MARCH 11, 1942 - \$73,120,069.25

THE WHITE HOUSE
WASHINGTON

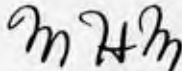
CONFIDENTIAL

March 19, 1942

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

You may recall the pretty brutal letter I wrote Mr. Giannini quite some time ago, as I got your approval and that of the General Counsel before sending it. This is the first time since, that the gentleman has "come to the White House" with his troubles.

Will you advise me what if any answer I should send?



M. H. McINTYRE
Secretary to the President

Attachment

Daily changes in the stock of Series E savings bonds on hand 1/

(In thousands of pieces)

	: Number of : pieces sold : this day	: Number of pieces : : manufactured : : this day	: Stock on hand : : at close of : : day	: IBM : deliveries : this day
Mar. 9	344	500	25,786	-
10	123	500	26,163	-
11	192	300	26,271	-
12	157	300	26,414	800
13	193	300	26,521	-
14	137	none-closed	26,384	-
15	none-closed	none-closed	26,384	-
16	271	300	26,413	-
17	144	300	26,569	-
18	148	300	26,721	650
19	160	300	26,861	-
20	259	300	26,902	600

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

March 21, 1942

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

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
First Seventeen Business Days of March, February and January 1942
(March 1-20, February 1-20, January 1-20)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	March	February	January	March	February	March	February
				over February	over January	over February	over January
Series E - Post Offices	\$ 58,853	\$ 66,622	\$107,818	-\$ 7,769	-\$ 41,196	- 11.7%	- 38.2%
Series E - Banks	<u>173,464</u>	<u>246,176</u>	<u>307,656</u>	- <u>72,712</u>	- <u>61,480</u>	- <u>29.5</u>	- <u>20.0</u>
Series E - Total	232,317	312,798	415,474	- 80,481	- 102,676	- 25.7	- 24.7
Series F - Banks	27,656	38,021	44,640	- 10,365	- 6,619	- 27.3	- 14.8
Series G - Banks	<u>126,015</u>	<u>193,776</u>	<u>182,251</u>	- <u>67,761</u>	<u>11,525</u>	- <u>35.0</u>	<u>6.3</u>
Total	<u>\$385,988</u>	<u>\$544,595</u>	<u>\$642,365</u>	<u>-\$158,607</u>	<u>-\$ 97,770</u>	<u>- 29.1%</u>	<u>- 15.2%</u>

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

March 21, 1942.

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

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

Pages 61-70
Error in pagination -
faulty machine

UNITED STATES SAVINGS BONDS
Daily Sales - March, 1942
On Basis of Issue Price
(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
March 1942									
2	\$ 5,811	\$ 15,868	\$ 2,043	\$ 8,726	\$ 26,636	\$ 21,678	\$ 2,043	\$ 8,726	\$ 32,447
3	2,975	8,459	1,629	8,780	18,868	11,434	1,629	8,780	21,843
4	3,395	8,833	2,658	12,558	24,048	12,228	2,658	12,558	27,443
5	3,869	10,448	1,680	11,870	23,998	14,317	1,680	11,870	27,867
6	4,179	10,696	1,759	10,825	23,279	14,875	1,759	10,825	27,458
7	3,480	11,586	1,586	6,328	19,499	15,066	1,586	6,328	22,979
9	4,967	18,636	3,944	8,488	31,068	23,604	3,944	8,488	36,035
10	2,804	5,719	1,365	4,162	11,246	8,523	1,365	4,162	14,050
11	3,156	10,002	1,533	7,287	18,823	13,158	1,533	7,287	21,979
12	2,686	8,114	1,133	5,504	14,750	10,800	1,133	5,504	17,436
13	2,682	10,594	1,065	5,007	16,666	13,276	1,065	5,007	19,348
14	2,797	6,616	1,102	4,745	12,463	9,413	1,102	4,745	15,260
16	4,464	13,193	1,415	8,693	23,301	17,658	1,415	8,693	27,766
17	2,967	6,384	1,015	2,561	9,961	9,351	1,015	2,561	12,927
18	2,552	7,097	1,201	9,433	17,731	9,650	1,201	9,433	20,283
19	2,559	7,911	1,019	5,527	14,457	10,470	1,019	5,527	17,016
20	3,510	13,306	1,511	5,524	20,341	16,817	1,511	5,524	23,852
Total	\$ 58,853	\$173,464	\$ 27,656	\$126,015	\$327,135	\$232,317	\$ 27,656	\$126,015	\$385,988

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

March 21, 1942.

Sources: 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.

March 21, 1942

My dear Senator:

On November 14, 1941, I submitted to the Joint Committee on Reduction of Nonessential Federal Expenditures a series of recommendations by which reductions could be made in items that I considered nonessentials in the prosecution of the then defense activities. One of these suggestions stated that the "regular activities" of the National Youth Administration conflicted with the more important defense program and "should be eliminated or drastically reduced".

I further suggested that vocational activities of the National Youth Administration should be consolidated with other Federal agencies doing training in a new Bureau of Defense Training. In making the suggestion for a consolidated training program, I had in mind that the activities of this agency would be more efficiently operated if it were joined together in a consolidated program.

It has come to my attention that my statement has been interpreted to mean that I was opposed to the defense activities carried on by the National Youth Administration. I did not so intend it to be construed at that time and do not now. It was my feeling that those activities of the National Youth Administration which were not contributing directly to the training of people for defense, as laudable and desirable as they might have been under conditions antedating the war, should now be eliminated.

-2-

I would appreciate it, if the occasion arises,
that you would make my position clear.

Sincerely yours,

(Signed) E. Mergenthau, Jr.

Honorable Elbert D. Thomas,
United States Senate,
Washington, D. C.

File N. M. C

Delivered by Boorman 1:45



THE SECRETARY OF THE TREASURY
WASHINGTON

My dear Senator:

On November 14, 1941, I submitted to the Joint Committee on Reduction of Nonessential Federal Expenditures a series of recommendations by which reductions could be made in items that I considered nonessentials in the prosecution of the then defense activities. One of these suggestions stated that the "regular activities" of the National Youth Administration conflicted with the more important defense program and "should be eliminated or drastically reduced".

I further suggested that vocational activities of the National Youth Administration should be consolidated with other Federal agencies doing training in a new Bureau of Defense Training. In making the suggestion for a consolidated training program, I had in mind that the activities of this agency would be more efficiently operated if it were joined together in a consolidated program.

It has come to my attention that my statement has been interpreted to mean that I was opposed to the defense activities carried on by the National Youth Administration. I did not so intend it to be construed at that time and do not now. ~~(I do not wish to be understood as advocating such a course of action.)~~ It was my feeling *those* that ~~my~~ activities of the National Youth Administration which were not contributing directly to the training of people for defense, as laudable and desirable as they might have been under conditions antedating the war, should now be eliminated. ~~I was, however, referring to their regular activities, and not those directed toward training for defense work.~~

~~I should like to say that the need for training in the expanded labor needs that we have faced and face now makes this or any other agency engaged in training very important and critical~~

*I would appreciate it if
the occasion arises that
you would make my
position clear.
Sincerely yours,*



- 2 -

to the war effort. In view of this fact, I had a study made of the work of the National Youth Administration and am convinced that it is rendering valuable services indispensable to the supply of workers for the war. It is my understanding that they have now eliminated projects which are not a part of the direct war effort except for a few which are in the process of being closed up. Therefore, the recommendation which I made last November would not include any significant curtailment in the current work of the National Youth Administration.

Very truly yours,

Secretary of the Treasury.

Hon. Elbert D. Thomas,
United States Senate,
Washington, D. C.

Economy Suggestions Submitted by Secretary Morgenthau
to the Joint Committee on Reduction
of Non-Defense Expenditures

Friday, November 14, 1941.

There are certain classes of non-defense expenditures which consist in large part of construction projects, such as reclamation work, river and harbor work, road building, etc. Reductions in activities for these purposes will have multiple advantages, as follows:

- (1) Reducing non-defense expenditures.
- (2) Releasing man power needed for defense plants.
- (3) Increasing the supplies of materials and equipment
which can be devoted to defense efforts.
- (4) Building up a backlog of projects for continued employment
in the postwar period.

There are other instances where there appear to be overlapping and duplication both in effort and in expenditure of funds.

In other cases, the Government undertook programs aimed at correcting or adjusting certain inequities which had grown up in our economic system. Some of these inequities have been eliminated and circumstances which made the initial program urgent have altered. Nevertheless, large sums continue to be appropriated and spent under such programs despite the greatly reduced justification for such expenditures during the period of defense expansion.

I shall refer briefly to certain specific non-defense expenditures which I recommend to the Committee for its consideration.

RECLAMATION PROJECTS

(In Millions)

Fiscal years 1932 to 1941, inclusive

Total expenditures during the 10-year
period (1932-1941) amounted to about - - - - \$880.0

This includes expenditures for irrigation and
water conservation under the Emergency Relief
Appropriation Acts.

Fiscal year 1941 - expended (checks issued)- - 86.0

Fiscal year 1942 - estimated to be spent - - - 95.0

Economy Suggestion:

It is suggested that all reclamation work be reexamined in
the light of our present defense program and its anticipated accel-
eration. Wherever it is possible to delay existing or postpone
proposed projects which are not necessary in connection with the
generation of power for defense purposes, this should be done.

RIVER AND HARBOR WORK AND FLOOD CONTROL

(In Millions)

Fiscal years 1932 to 1941, inclusive

Total expenditures during the 10-year
period (1932-1941) amounted to - - - - - \$1,870.0

Fiscal year 1941 - expended (checks paid) - - 219.0

Fiscal year 1942 - estimated to be spent - - - 200.0

Economy Suggestion:

It is recognized that certain river and harbor, flood control, and soil erosion work must continue in the interest of the lives and safety of our people. But all projects which are not vital from this standpoint or necessary for definite defense purposes should be re-examined. Work on all projects of this character which can be delayed or postponed should be prohibited and funds heretofore appropriated should be cancelled.

PUBLIC ROADS

(In Millions)

Fiscal years 1932 to 1941, inclusive

Total expenditures during the 10-year period (1932-1941) amounted to about - - - - - \$5,800.0

This includes expenditures for highways, roads, streets, etc., under the Emergency Relief Appropriation Acts and the Public Works Administration Act of 1938.

Fiscal year 1941 - expended (checks paid):

Regular - - - - -	\$174.1	
W.P.A., etc. - - - - -	485.0	659.1

Fiscal year 1942 - estimated to be spent:

Regular - - - - -	175.0
W.P.A. - - - - -	Not Available

Fiscal year 1943 - expenditures in this year were obligated on or before January 1, 1941.

Fiscal year 1944 - expenditures in this year will be obligated on or before January 1, 1942.

Fiscal year 1942: The amount appropriated and being spent in the current fiscal year covers the Federal-aid highway, grade crossing, etc., authorization of \$162,000,000 for the fiscal year 1941 and balances of prior years' authorizations. These expenditures were obligated on or before January 1, 1940.

Fiscal year 1943: The Act of September 5, 1940, contained an authorization of \$139,000,000 for Federal-aid highways, etc., for 1942. This authorization was obligated on or before January 1, 1941, and there is an obligation on the Congress to appropriate sufficient amounts in the next fiscal year to pay these obligations. This cannot be avoided.

Fiscal year 1944: The Act of September 5, 1940, contained an authorization of \$139,000,000 for the fiscal year 1943. Under existing law this amount must be apportioned among the States not later than January 1, 1942. After such apportionment specific projects are approved. The approval of projects constitutes a contractual obligation of the Federal Government for the payment of its pro rata share of the cost of the projects approved. This can be postponed.

Economy Suggestion:

It is suggested that the Congress, by appropriate enactment rescind the 1943 highway authorization. This would result in a reduction of expenditures for public roads in the fiscal year 1944 (July 1, 1943, to June 30, 1944). Inasmuch as money spent by the Government is matched by the States, a reduction in the Federal road expenditures will most likely bring a desired reduction in highway expenditures by the States.

State and local authorities should be requested to defer undertaking new projects, even though allotments have already been made for them. Other major projects already under way which can be appropriately discontinued or curtailed should be suspended.

Any new roads or enlargement of existing road facilities required by national defense activities could be specifically authorized as defense projects.

AGENCIES ENGAGED IN VOCATIONAL ACTIVITIES

	<u>Amounts appropriated for 1942</u>			<u>Estimated Expenditures 1942</u>	
	<u>Adminis- trative Expenses</u>	<u>Other Activities</u>	<u>Total</u>		
	(In Millions)				
Civilian Conservation Corps - - -	\$19.2	\$227.8	\$247.0	\$200.0	
National Youth Administration:					
Regular - - - - -	5.8	86.0	91.8	90.0	
National Defense - - - - -	3.0	57.0	60.0	60.0	
Office of Education:					
Regular - - - - -	.9	28.4	29.3	30.1	
National Defense - - - - -	1.2	106.9	108.1	118.8	
TOTAL	<u>\$30.1</u>	<u>\$506.1</u>	<u>\$536.2</u>	<u>\$498.9</u>	

Economy Suggestion:

Each of the above agencies is under the Federal Security Agency, and its primary function is the vocational training of youth, with present emphasis on employment in defense occupations.

It would seem that the regular activities of the Civilian Conservation Corps and National Youth Administration must conflict with the more important defense program, and should be eliminated or drastically reduced.

It is suggested that all vocational training activities be consolidated in a new Bureau of Defense Training. Any overlapping functions or duplication of work could be eliminated and one comprehensive training program, integrated with the defense program, could be formulated and administered more economically than appears possible under the present organizations.

Particularly, it is suggested that grants by the Office of Education to States and educational institutions be reviewed. In making this recommendation I should like to point out that I have always been a strong advocate of measures designed to protect and further the interests and welfare of young people. However, at this time the number of young people needing assistance is being greatly reduced by the exceptional employment opportunities offered by the expansion of the Defense Program, together with the demands of our armed forces. Such young people as have not entered employment through normal channels or are not in the Army should receive vocational training designed to fit them for employment in defense.

FARM PROGRAM

Reflected in Budget

Expenditures included in the Budget under the farm program which was initiated in 1933, after the catastrophic fall in prices in 1932, were designed mainly to meet conditions involving low prices for farm products, surplus production and loss of export markets.

Present conditions are radically different from those which the farm program was designed to meet.

Major expenditures under the farm program are included under the following captions:

	<u>Expenditures (In Millions)</u>		
	<u>Estimated</u> <u>1942</u>	<u>Actual</u> <u>1941</u>	<u>Actual</u> <u>1940</u>
Surplus Marketing Administration, and Agricultural Adjustment Administration (Act of August 24, 1935)- - - - -	\$240.0	\$240.9	\$142.6
Soil Conservation and Domestic Allotment Act - - - - -	475.0	465.1	605.1
Administration of Sugar Act of 1937	48.0	50.4	48.8
Price Adjustment Act of 1938 and Parity Payments - - - - -	<u>205.0</u>	<u>198.3</u>	<u>215.0</u>
TOTAL - - - - -	<u>\$968.0</u>	<u>\$954.7</u>	<u>\$1,011.5</u>

Economy Suggestion:

I believe that the Administration has done a wonderful job for the farmer in nearly tripling his income in ten years. It is estimated that in 1941 the farmer's share of the total national income will be 20 percent greater than in 1932, notwithstanding a reduction of almost 10 percent in the proportion of the farm population to the total population of the country.

Estimated farm income and population, in relation to national totals, 1932-1942 (in millions)

Year	Gross cash farm income			Net income from agriculture		Farm population as a percentage of total population
	From farm marketings	Government payments	Total	Amount	Percent of national income	
1932	\$ 4,682	\$ 0	\$ 4,682	\$3,232	8.1	24.9
1941	10,550	650	11,200	8,600	9.7	22.8
1942	12,350	650	13,000			

Although governmental aid was necessary in order to bring the farmer's net income from three and one-quarter billion dollars in 1932 up to eight and one-half billion dollars or more in 1941, certainly after having reached this goal there does not appear to be any reason to continue spending at the same rate. This is especially important when the money we are using for this purpose is so badly needed for armaments and lend-lease aid. The farmer is getting his share of the total expenditures made by the Government, as the increase in his net income indicates. In addition, there are substantial benefits that will accrue to the farmer from the lend-lease program. About five hundred million dollars have been allocated under the lend-lease program for the purchase of agricultural

commodities. In view of all these circumstances I feel at this time that we could well afford to make drastic cuts in our agricultural expenditures.

Exception should, of course, be made for those expenditures which are for the purpose of helping the lowest income group, which suffers from wholly inadequate nutrition.

- 11 -

FARM PROGRAMNot Reflected in Budget

There are other phases of the farm program involving loans for rural rehabilitation, farm tenancy and rural electrification. In 1941 and 1942 expenditures for these purposes have been shifted from the Budget and transferred to the R.F.C., which has been authorized to advance funds to the Secretary of Agriculture to enable him to make loans.

Activities of this character are as follows:

	<u>General Budget</u>	<u>R.F.C. Funds</u>
Expenditures:		
Farm Security Administration:		
Fiscal year 1940 - - - - -	\$158.5	-
Fiscal year 1941 - - - - -	62.2	\$111.3
Farm Tenant Act:		
Fiscal year 1940 - - - - -	41.8	-
Fiscal year 1941 - - - - -	27.3	29.4
Rural Electrification Administration:		
Fiscal year 1940 - - - - -	38.0	-
Fiscal year 1941 - - - - -	24.2	36.0
Estimates for 1942:		
Farm Security Administration - - - - -	60.0	134.0 ¹ / ₂
Farm Tenant Act - - - - -	7.0	71.0 ¹ / ₂
Rural Electrification Administration - - -	8.0	139.0 ¹ / ₂

¹/ Unused balances of authorizations.

Commodity Credit Corporation

Inter-related with the farm program are the activities of the Commodity Credit Corporation. Expenditures have been made by this Corporation with funds received from the following sources:

From the Treasury

Included in the Budget

Capital and surplus:

Fiscal year 1934	- - - - -	\$ 3,000,000
" " 1936	- - - - -	97,000,000
" " 1938	- - - - -	94,000,000
" " 1940 (net)	- - - - -	76,000,000
" " 1942	- - - - -	<u>1,600,000</u>

\$271,600,000

Not included in the Budget

Purchase of notes (net to Nov. 10) - - 120,000,000

From Public Borrowing (net to Nov. 10) - - 701,000,000

TOTAL - - - - - \$1,092,600,000^{1/}

^{1/} In addition, receipts from repayments of loans and sale of commodities are available for expenditure.

Recent estimates furnished to the Treasury by the Commodity Credit Corporation show for the current fiscal year, the following:

Estimated disbursements - - - - - \$1,100,000,000^{1/}

Estimated receipts - - - - - 913,000,000^{1/}

Excess of disbursements, to be covered by borrowing funds

from the Treasury - - - - - \$ 187,000,000

^{1/} Include transactions under the lend-lease program.

Economy Suggestion:

It is suggested that we reexamine the need for continuing that part of the farm program which is not reflected in the annual budget and which is financed from funds obtained through corporations or borrowed from the Treasury. The Congress is apt to overlook the substantial expenditures which are not reflected in the annual budget. Eventually any losses which may be incurred through these programs will become

budget charges. Each of these items should be reexamined in the same manner that has been suggested for the farm program expenditures which are reflected in the budget proper.

I should like it understood that in making the suggestion that this class of farm expenditures should be reexamined, I do not refer to the bulk of activities undertaken by the Farm Security Administration, inasmuch as the need for much of their expenditures is, in my opinion, still urgent.

Just as I suggested earlier that there should be no reduction of expenditures for the help of the under-nourished, so I believe that there should be no reduction in our help of the share-croppers and farm tenants who are in urgent and continuing need of economic rehabilitation.

-oOo-

March 21, 1942.

My dear Mr. President:

I am sending you, enclosed
herewith, a copy of my letter to
Senator Thomas.

Sincerely,

(Signed) H. Mergenthau, JR.

The President,

The White House.

n.m.c.

55 Apr 21 25

March 21, 1942.

My dear Eleanor:

I am sending you, enclosed
herewith, a copy of my letter to
Senator Thomas.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
The White House.

H.M.C.

SS Sgt 2:25

March 21, 1942.

My dear Aubrey:

I am sending you, enclosed
herewith, a copy of my letter to
Senator Thomas.

Sincerely,

(Signed) Henry

Mr. Aubrey Williams,
Administrator of the
National Youth Administration.

n.m.c.

My messenger Monday 2:05

MAR 21 1942

My dear Mr. President:

At your request the attached draft letter was prepared as a reply to the letter from Congressman Cochran. It is suggested that this letter be checked with the Bureau of the Budget before it is sent.

Faithfully yours,

Signed H. Morgenthau, Jr.
Secretary of the Treasury

The President,

The White House.

*Photo file N.M.C.
File to Thompson
Delivered by SS Sgt. 2:25*

RB:MM
3/21/42

Dear John:

I have read your letter of March 18, 1942, with a great deal of interest. Through the Bureau of the Budget I indicated to the interested Government departments the advisability of presenting to the Ways and Means Committee their views on your bill so that the Congress may be fully informed of the different policy questions involved.

As you probably have been told, the Treasury Department is very much concerned about the effect of your bill on the finances of the State governments. The potential loss of revenue to the State governments occasioned by the shift from civilian to war production may in some cases be serious, especially in the light of other possible revenue losses due to the war--for example, the loss in gasoline tax and motor vehicle registration fees. The Treasury is also deeply concerned with the effects that this restriction may have upon the general problem of Federal-State fiscal relations. It is my understanding that the Treasury has been motivated in its objection to your bill primarily by these basic considerations rather than the collateral circumstance of its interest in the elimination of the exemption from taxation of income from State and local securities.

On the other hand, as you have indicated in your letter, the War and Navy Departments feel very strongly that the State taxes that may now be imposed as a result of the decision in the King and Bogert case will greatly increase the cost of their procurement program. They are properly concerned with getting the maximum of war production at a minimum of expense.

- 2 -

These are the principal considerations, and my position is that Congress, the members of which are closely in touch with both Federal and State problems, are in the best position to make the final decision.

Sincerely,

Honorable John J. Cochran,

House of Representatives.

REP:mrn
3/21/42

95

THE WHITE HOUSE
WASHINGTON

March 20, 1942.

MEMORANDUM FOR THE
SECRETARY OF THE TREASURY:

FOR PREPARATION OF REPLY
FOR MY SIGNATURE.

I

F.D.R.

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C.

96
COMMITTEES
CHIEF CLERK OF THE HOUSE
CLERK OF THE SENATE
CLERK OF THE HOUSE
CLERK OF THE SENATE
CLERK OF THE HOUSE
CLERK OF THE SENATE
CLERK OF THE HOUSE
CLERK OF THE SENATE

March 18, 1942.

Mr. President:

Representative Halleck of Indiana circulated reports about the Capitol today that he had been informed by a newspaper man that Mr. Wayne Coy had stated you opposed the bill I have been trying to get passed for four months which would prevent states from collecting sales, used and other taxes on National Defense expenditures.

I talked to Mr. Coy and he denies this. He did say the Administration would let the War, Navy and Treasury Departments fight the matter out.

Halleck, Michener of Michigan and Allen of Illinois together with state officials of California are the outstanding opponents of the bill.

The Ways and Means Committee reported the bill 16 to 4 and the Rules Committee is ready to give a rule.

The estimate of savings to the Government is about two billion dollars, not including the tax on the \$17,000,000,000 you are now asking for.

I can convince you or anyone who will listen this bill does not take from the states any right it had for 123 years up to the decision in the Alabama case last November.

The Treasury asks us to collect \$9,000,000,000 in additional taxes and then because it does not want to jeopardize the position it has taken for thirty years in connection with taxing the interest on local and state securities refuses to join in an effort to save two or three billion dollars.

There is not a state that is complaining that has not had an increase in taxes due to national defense expenditures and this was admitted at the hearings. For instance Michigan. Under Secretary Patterson told the Committee there would be more money spent in that state on national defense projects than was ever spent there during the peak of the automobile industry. Fifty per cent of the money is for wages. On this Michigan collects three per cent as the wage earners spends his money and there is turn over after turnover. In Indiana they have a pay roll tax. If this bill does not pass they collect on the pay roll tax. In California, there is the outstanding example, they testified their sales taxes jumped up \$40,000,000, this due to national defense expenditures.

Due to its long coast line California is receiving more protection than any state in the Union, has three to five times as many defense contracts as any other state, still it insists upon taxing the Government in connection with the money spent for that which

EXHIBITION
 COUNCIL, COMMISSION ON HISTORY
 COMMISSION ON THE ECONOMIC COUNCIL
 COUNCIL, WATERS, AND MOUNTAINS
 COUNCIL COMMISSION ON COMMISSION
 MOUNTAIN COMMISSION
 MOUNTAIN COMMISSION

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JOHN J. COCHRAN
12th Dist. Missouri

CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
WASHINGTON, D. C.

97
JANUARY 1918
COMMUNICATIONS RECEIVED AT THE
OFFICE OF THE CLERK OF THE HOUSE OF REPRESENTATIVES
JANUARY 1918
GENERAL INVESTIGATIVE COMMITTEE
ON THE CONDUCT OF THE WAR
COMMITTEE ON THE ARMY
COMMITTEE ON THE NAVY
COMMITTEE ON THE INTERIOR
COMMITTEE ON THE DISTRICTS AND TERRITORIES
COMMITTEE ON THE PUBLIC LANDS
COMMITTEE ON THE RIVERS AND HARBORS
COMMITTEE ON THE COAST AND NAVIGATION
COMMITTEE ON THE CANALS AND INFRASTRUCTURE
COMMITTEE ON THE COMMERCE AND TRADE
COMMITTEE ON THE FINANCE
COMMITTEE ON THE MISCELLANEOUS

2

is necessary to win the war.

Twenty two states have sales taxes. Only eight of these have been trying to collect the tax but have notified the Departments they will if Congress does not act in keeping with the suggestion handed down by the Court, at the time the decision was rendered.

Considerable damage has been done by this false report. All I ask is that you let the fight go on. I feel confident I will win if you do so.

The Army and Navy insist it is interfering with their activities and pleaded before the Ways and Means Committee as well as the Rules Committee for immediate action.

Ask Under Secretary Patterson and Vice Admiral Robinson.

With assurance of my high esteem, I am,

Sincerely yours,

John J. Cochran

March 21, 1942

Dear Mr. Murray:

Thank you very much for your letter of March 17th with its enclosure of the C.I.O. statement on the new tax program.

Naturally I am glad that the C.I.O. has taken such a strong and clear stand in favor of the Treasury's general position. I am particularly pleased to see that you have stated your opposition to a sales tax and to a lowering of the exemptions, and that you agree with us as to the desirability of collecting a part of the new income taxes at the source.

My own belief is that your statement will do a great deal of good toward ensuring a sound, fair and workable Revenue Act this year.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Philip Murray,
1106 Connecticut Avenue, N.W.,
Washington, D. C.

*File N.M.C.
Copies to Thompson*

FK/cgk



CONGRESS OF INDUSTRIAL ORGANIZATIONS

1106 CONNECTICUT AVENUE, NORTHWEST

WASHINGTON, D. C.

Office of
President

Telephone District 3582

March 17, 1942

Honorable Henry Morgenthau, Jr.

Secretary of the Treasury

Dear Mr. Secretary:

I am enclosing for your information a letter and a memorandum which I have just sent to all CIO affiliates. I think you will be particularly interested in the first part of the memorandum.

With best wishes.

Sincerely yours,



Philip Murray
President

Enclosure - 1
ucpwa 27

CONGRESS OF INDUSTRIAL ORGANIZATIONS

100

WASHINGTON, D. C. March 19, 1942

REFERRED TO: The attached should have been enclosed with the letter
which Mr. Murray sent to you yesterday. We are sorry
this error occurred.

FOR _____

BY Secretary to Mr. Murray

DALEYSTEIN, Vice President
THOMAS, Vice President
CURRAN, Vice President

FRANK BOMBERLING, Vice President
REED ROBINSON, Vice President
EMIL RIVER, Vice President

JAMES B. CARRY, Secretary
ALLAN S. HATWOOD, Director of Organization
JOHN BRADY, Director of Industrial Union Councils

LEN FRIEDMAN, General Counsel
LEW DE CAUX, Publicity Director
J. R. BELL, Comptroller
RALPH HATZEL, Jr., Director, Economic Division



CONGRESS OF INDUSTRIAL ORGANIZATIONS

1106 CONNECTICUT AVENUE, NORTHWEST

WASHINGTON, D. C.

TELEPHONE DISTRICT 5542

March 16, 1942

TO ALL NATIONAL UNIONS, INTERNATIONAL UNIONS,
REGIONAL DIRECTORS, FIELD REPRESENTATIVES,
INDUSTRIAL UNION COUNCILS AND LOCAL INDUSTRIAL
UNIONS

Dear Sirs and Brothers:

The House Ways and Means Committee is now in the midst of consideration of a tax measure, which, from labor's point of view, is the most important ever considered.

Labor is determined that the United States government must obtain through taxation funds with which to carry out our present total warfare against the Axis powers. Taxes, however, must be levied on a basis which will assure the maximum national effort in the prosecution of this war. Labor must therefore take an active and direct interest in the present tax problem because of its impact upon the war effort.

This tax measure will be, in fact, a direct wage issue for American workers. If the Congress should pass heavy sales taxes or wage taxes, the workers of the nation will have in this period of rising cost of living a very serious wage cut. The shocking proposal of the National Association of Manufacturers for an 8 percent sales tax would mean a wage cut for every worker in the nation not only of 8 percent but of 8 percent plus the accumulated price increases resulting from such a tax. Any such proposal would cause serious demoralization among American workers and disrupt the war program.

Let there be no mistake about it. Every reactionary force in the nation will be devoting its maximum effort to use the war emergency for the passage of such vicious taxes. If such proposals are to be defeated, labor and the other common people of the nation must make their voices heard overwhelmingly in the Congress.

Attached is a memorandum analyzing the tax issues and pointing out that the Treasury of the United States has proposed to the Congress a tax program sound in principle. If a program of the character proposed by the Treasury, with the improvements suggested in the attached memorandum, should be passed, the essential income of American working people will be protected from unfair taxes.

Page two

March 16, 1942

The bill provides for increased taxation upon workers and I believe that every American worker will gladly pay his share, but American workers will not stand for proposals which seek to lay upon the lower income groups, already overtaxed, the whole financial burden of the war effort.

It will not be easy to defeat the reactionary proposals and to enact a sound tax program. Every single member of every single union will have to make his voice heard in the halls of Congress.

The issues are not easy to understand. Often, they are deliberately obscured by the high priced lobbyists of the reactionary interests. Nevertheless, it is imperative that the most careful study be given to the tax issue by the members of your union so that they will be able to express clearly to the Congress their support of a sound tax program. Each national union should inform all its locals fully on this matter.

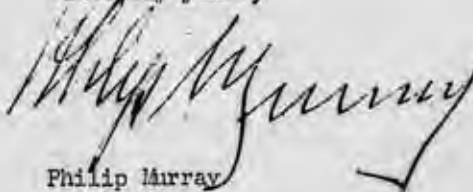
The first job to be done is to write to every member of the House Ways and Means Committee now considering the tax bill. A list of these members is attached.

This should be followed immediately by letters to all the members of the Congress, emphasizing the necessity of the passage of a sound tax program.

National Unions and Industrial Union Councils should in addition be prepared upon call to send representatives to Washington, D. C. to interview their Congressmen on this issue.

It must be emphasized that this tax bill is one of the most important issues that labor is now facing. And if labor's wages are to be protected from the underhanded attack of those who use the war emergency for selfish interests, every worker must make his view known promptly and emphatically.

Sincerely yours,



Philip Murray
President

Attachments - 2
uopwa 27

WAYS AND MEANS COMMITTEE

Robert L. Doughton, North Carolina
Thomas H. Cullen, New York
Jere Cooper, Tennessee
John W. Boehne, Jr., Indiana
Wesley E. Disney, Oklahoma
Frank H. Buck, California
Richard M. Duncan, Missouri
John D. Dingell, Michigan
A. Willis Robertson, Virginia
Patrick J. Boland, Pennsylvania
Milton H. West, Texas
Raymond S. McKeough, Illinois
Knut Hill, Washington
Arthur D. Healey, Massachusetts
Aaron Lane Ford, Mississippi
Allen T. Treadway, Massachusetts
Frank Crowther, New York
Harold Knutson, Minnesota
Daniel A. Reed, New York
Roy O. Woodruff, Michigan
Thomas A. Jenkins, Ohio
Donald H. McLean, New Jersey
Bertrand W. Gearhart, California
Frank Carlson, Kansas
Benjamin Jarrett, Pennsylvania

Congress of Industrial Organizations
March 16, 1942

CIO STATEMENT ON 1942 FEDERAL TAX PROGRAM

The Federal tax program for the coming year is of the greatest importance to labor. Between seven and nine billion dollars more in federal taxes are going to be withdrawn from the American people during the coming year. The working people will pay their part of these taxes willingly and cheerfully. Labor recognizes that the war effort must be paid for and that everyone who can must help pay.

If the new tax law is sound and fair, it can be the means to keep the nation's economy operating effectively and to protect the production effort. It can, on the other hand, be used, as some want it to be used, as a device for slashing wages, for striking at the low income groups, for protecting the swollen profits of big corporations, and for hindering the production effort. A striking example is the proposal of the National Association of Manufacturers for a federal sales tax of 8 percent.

The CIO calls upon the Congress to enact a tax program that will stop all profiteering and the creation of war millionaires, and that will protect the standard of living necessary to maintain American production at a maximum. The CIO calls for a tax program written in the interest of the American people as a whole and not in the interest of a few financial and industrial powers.

Such a program, as the CIO has already pointed out, should be based upon the following principles for collecting the necessary Federal revenue:

1. Increased taxation upon corporate and business profits and the wiping out of swollen war profits by effective excessive profit taxes.
2. Increased individual income taxes based on exemptions not lower than the \$1500 for family heads and \$750 for single persons now in effect.
3. The closing of loopholes in individual and corporate income taxes.
4. Increased rates and lowered exemptions on estate and gift taxes.
5. Excise taxes on certain luxury goods.

March 16, 1942

6. No general sales taxes, nor flat wage taxes for general revenue.

The tax program proposed to the Congress by the Secretary of the Treasury is based upon these same principles. The Treasury's program in principle, therefore, is sound and worthy of support.

Labor believes that some of the Treasury's proposals should be improved as set forth herein.

Corporation Income and Excess Profits

Taxes

The Treasury has proposed additional corporation taxes which it estimates will yield \$3,060,000,000. These increases are provided by raising the rate of excess profits taxes 15 percent on the basis of present excess profits credits and by raising the surtax on corporations from 6 percent and 7 percent to 31 percent.

It is labor's belief that further increases are possible without injustice, in particular, on the excess profits tax rates, especially since the excess profits credit remains what it was last year, a base which allowed very considerable tax credit to many of the biggest corporations.

This fact is testified to by the size of profits in 1941, which, in spite of the substantially increased taxes, were at least 30 percent above 1940 profits.

Last year, the Treasury pointed out that the excess profits tax by providing credit for average earnings allowed many very high profit corporations to avoid just taxation simply because they had had a long record of excessive profits. This the Treasury asked the Congress to remedy by allowing as credit on the excess profits tax only a percent of the net worth of the company, not average earnings.

The Treasury's proposal this year allows the average earnings base and would as a result let the same high profit corporations escape effective taxation.

The CIO, therefore, proposes that either the excess profits tax credit be based on a percent of net worth alone, or that the percent of average

March 16, 1942

earnings allowed as a credit be reduced from 95 percent to 75 percent or less. Otherwise, the corporations whose monopoly position allowed them to make extensive profits in 1936 to 1939 will still be enabled to earn very high profits.

It has been labor's view that the individual income tax on a progressive rate scale was the proper instrument for cutting purchasing power when necessary and for collecting Federal revenue equitably.

The proposed increase in individual income taxes strikes very heavily at the lower income groups. A large part of American industrial workers will have their taxes at least doubled under this proposal. In view of the fact that income tax exemptions were drastically lowered last year and that the worker's cost of living has gone up severely within the year, the tax burden proposed on the individual income tax for the lower income groups is the maximum that can now be borne.

The Secretary of the Treasury has pointed out that "Although (under the proposal) single persons with less than \$15 a week and married persons with less than \$30 a week do not pay any direct taxes, they already pay a disproportionate part of their small incomes in indirect taxes of all kinds."

Labor, therefore, strongly supports the position set forth by the Treasury that no further lowering of personal exemptions be made.

The system of personal exemptions now provided for lower income groups makes no provision for extraordinary expenditures which may be incurred for such necessities as hospital bills and doctor bills. The CIO, therefore, proposes that the Congress consider allowing as an exemption from the income tax for the lower income groups at least such expenditures as are necessarily incurred for hospital expenses, for doctor bills and for other medical necessities. This can be the basis for a more flexible system of personal exemptions which would provide a juster tax system upon the lower income groups.

The Treasury has proposed that part of the income tax be collected at the source during the coming year. This is sound as a method of collection and would be more convenient for many wage earners.

Tax Loopholes

There are a number of loopholes which prevent the individual income tax

March 16, 1942

and the corporation tax from being applied fairly to all persons and corporations. Labor believes that these loopholes should be closed, as recommended by the Treasury.

1. Tax exempt securities

Many of the highest individual incomes are not paying their share in taxes because of tax exemptions in Federal, State and Local Securities. Actually, therefore, the real rates of income taxation do not apply to them. Labor would strongly support, therefore, the recommendation that the income from State and Local Securities be taxed by the Federal Government as recommended by the Treasury and furthermore, that the necessary steps be taken to tax the income from outstanding issues of Federal Securities. It is not fair to the lower income groups paying their heavy share of taxes that the very rich should be allowed this loophole.

2. Percentage Depletion

The Treasury has recommended the elimination of percentage depletion for the owners of certain oil and gas properties. The Treasury has indicated that the removal of this special privilege would yield \$80 million dollars a year. Labor would support the elimination of this special privilege.

3. Joint Returns for Married Persons

Many married persons with high incomes especially in the so-called community property states are able to reduce their taxes substantially by filing separate returns. The Treasury estimates that a requirement for filing joint income tax returns would bring approximately \$300 million dollars, and would wipe out the unfair advantages of certain high income tax payers. The CIO suggested last year that this reform be made and we believe that now such a change is imperative.

Estate and Gift Taxes

The Treasury has recommended a substantial increase in rates on estates and gifts, that is the transfer of wealth from one person to another. It has also proposed that the exemptions from these taxes be decreased. Labor believes these provisions would be necessary.

Excise Taxes

The Treasury has recommended increases in special excise or sales taxes

CIO Statement on 1942 Federal Tax Program
Page five

March 16, 1942

amounting to over \$1,300,000,000. Part of these increases are on luxuries which can be reasonably taxed. However, there are several of these taxes which will rest heavily upon working people. There is an increase in the gasoline tax and a tax in lubricating oil. There is a very great increase in the tax on transportation. The taxes on cigars, smoking tobacco and cigarettes are very greatly increased. These increased excises will strike heavily at the working people.

General Sales and Wage Taxes

Labor is unalterably opposed to any general sales taxes or flat wage taxes for general revenue. The Secretary of the Treasury also strongly opposed general sales taxes as unfair to lower income groups and as inflationary.

Similarly, a flat wage tax would strike with undue heaviness upon working people and other low income groups.

Either of these taxes would strike a staggering blow at the war effort. First, they would impair the already too low levels of the income of working families, income that is essential to maintain the health and efficiency of the worker and his family. Secondly, such taxes would break down price controls and force up prices of all the things the people buy.

INCOMING CABLEGRAM

Date: March 21, 1942

Rec'd: March 23, 1942

From: Buenos Aires

Federal Reserve Bank of New York,
New York.

#71

In order to increase our gold reserves please
buy for our account gold bars for the equivalent of
U.S. \$5,000,000 keeping the gold bars earmarked for
our account. Cable execution.

(Sgd.) Banco Central de la Republica Argentina.

(Received by telephone from Federal Reserve Bank of
New York, N. Y. March 23, 1942)

RH:vw

TREASURY DEPARTMENT

110

INTER-OFFICE COMMUNICATION

DATE March 21, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£8,000
Purchased from commercial concerns	£4,000

Open market sterling remained at 4.03-3/4, with no reported transactions.

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

Canadian dollar	12-3/4% discount
Argentine peso (free)	.2373
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2815
Cuban peso	3/16% premium

We purchased \$318,000 in gold from the earmarked account of the Central Bank of the Colombian Republic.

No new gold engagements were reported.

OPTEL No. 94

Information received up to 7-A.M. 21st March 1942.

1. Naval

A German 8" cruiser, escorted by four destroyers, was sighted by air reconnaissance on afternoon 20th in the Fjords just north of Bergen proceeding northwards.

On 16th an H.M. Submarine attacked and probably sank an 11,000 ton merchant vessel escorted by 3 destroyers and 3 aircraft off Cape Spartivento (Italy).

An H.M. Destroyer was torpedoed on the afternoon of the 20th north-east of Bardia while engaged on anti-submarine operations. She was taken in tow by another destroyer but sank later. An enemy aircraft was shot down off Corruwell yesterday while attacking shipping.

2. Military

Burma. 19th. Sittong Front. Enemy pressure continues south of Pyu. A Chinese cavalry detachment was attacked by Japanese infantry and cavalry with three armoured cars. The Chinese destroyed the armoured cars and claimed casualties.

Irrawaddy Front. First Gloucesters cleared Letpadan of about 600 Japanese. Enemy casualties about 70, ours very light.

Our infantry and tanks made a sweep of the villages to which the Japanese are believed to have dispersed.

New Guinea. Japanese troops are reported moving southwards from the Lae area towards Port Moresby.

Russia. The Russians are attacking in the Crimea against stubborn German resistance and also in the Donets sector.

3. Air Operations

Western Front. 20th. 11 heavy bombers successfully laid mines off the Frisian Islands. 25 Beauforts were despatched to Norway to attack the 8" cruiser but failed to locate her. A Sunderland probably sank a German coastal craft off Bayonne.

Libya. 18th/19th. Wellingtons and Albacores bombed Martuba landing ground and Benghazi Harbour. 19th Martuba again attacked by Postons. Our fighters maintained offensive sweeps over forward area. Enemy fighters dive-bombed Tobruk without effect and carried out high level sweeps over our landing grounds.

Malta. Heavy attacks were made on our aerodromes on the 18th and 19th, on the 20th 15 aircraft attacked the Grand Harbour and Submarine base effectively. Spitfires destroyed 1 fighter and A.A. 1 bomber. We lost Spitfire.

Copy No. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 95

Information received up to 7 A.M., 22nd March, 1942.

1. NAVAL

MEDITERRANEAN. H.M. submarines have reported the following successes. On the 6th destroyed a 200 ton brigantine off the west coast of GREECE. Sank a 60 ton motor craft on 27th February off south-east GREECE. 4 large schooners off the GULF OF SALONIKA on the 2nd/3rd, a 300 ton schooner off south-east GREECE on the 12th and another in the same area on the 13th. Sank a trawler near BRINDISI on the 19th. All above by gun-fire. On 27th February sank a 1,000 ton merchant ship by gun-fire off the west coast of GREECE and on the 5th torpedoed a 5,000 ton merchant vessel and probably another 8,000 ton ship at CORFU. Shipping Losses. 16th. A small British vessel sunk off LIBERIA.

2. MILITARY

BURMA. SITTANG FRONT. 20th. Japanese infantry and cavalry, strength about 600 with one battery, crossed the river south of PYU and were engaged by 4 troops of Chinese cavalry and one company of infantry. Over 100 Japanese killed, Chinese casualties 20.

IRRAWADDY FRONT. 18. A guerrilla squad with a few marines engaged a Japanese-Burman party with L.M.G's and mortars, at HENZADA, enemy casualties at least 30, our 6.

RUSSIA. Russian attacks west of MOSCOW are continuing and have had some success. In the DONETS Sector the Germans are offering stubborn resistance to continued Russian pressure.

3. AIR OPERATIONS

LIBYA. 20th. 12 Bostons bombed enemy aircraft at MARTUBA and started fires. Hurricanes attacked aircraft on DERNA landing ground. Kittyhawks destroyed one enemy fighter and probably two others for the loss of two Kittyhawks. Pilots believed safe. 20th/21st. 13 Wellingtons bombed two Greek aerodromes besides HERAKLION and BERCA. 4 are missing or crashed.

MALTA. 20th/21st. Naval aircraft attacked a south bound enemy convoy, a cruiser and a 2,000 ton merchant vessel are believed to have been hit by torpedoes. On 20th and 21st a total of nearly 200 enemy aircraft attacked with TAKALI aerodrome as their main objective and caused serious damage. 11 enemy aircraft were shot down (7 by A.A.). On 20th reinforcements of 9 Spitfires and 2 Blenheims arrived.

Regraded Unclassified

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Monday, March 23, 1942.
3/21/42

Press Service
No. 30-83

Secretary Morgenthau said today that he expects to offer two issues of certificates of indebtedness during the month of April. The first issue will be offered during the week of April 7. This is the first time that this form of instrument -- which is limited by law to a maturity of one year -- has been offered in the market by the Treasury since 1934. The new certificates will be redeemed in cash at maturity and will carry no exchange privileges.

The Secretary said that these short-term securities will provide a greater fluidity to the money market, and will also satisfy the demands of those business funds which prefer a short-term marketable security with an interest coupon to discount securities such as Treasury bills.

-oOo-



THE SECRETARY OF COMMERCE
WASHINGTON

March 23, 1942

Dear Henry:

Your letter of the 20th received.

I am having the matter looked into
and will advise you as soon as I have the
information.

Sincerely yours,



Secretary of Commerce

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

MAR 23 1942

Dear Mr. Hopkins:

In accordance with your conversation with Secretary Mergenthau last Friday, I have asked the British Supply Council to submit a detailed list of their contracts, showing the values of the undelivered materials on each. I am sending the statements the British prepared in answer to my request. These statements are not complete, but the British will send further information as soon as it is available.

Very sincerely yours,

(Signed) H. D. White

H. D. White
Assistant to the Secretary

Mr. Harry Hopkins,
The White House,
Washington, D. C.

3/23/42 - 5:45 p.m. - Letter and original incoming material
forwarded to Mr. Hopkins by Secret Service operator.

JEH/grs - 3/23/42

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA



REPUBLIC 7880

Box 480
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

March 21, 1942.

Dear Dr. White,

1. British Air Commission Contracts.

Three sheets are attached for your confidential information giving details of the main outstanding contracts.

I cannot give a financial breakdown for each contract, but I also enclose the general British Air Commission Forecast of receipts and payments as at 1st March. You will see that the amount outstanding for airframes, engines, and propellers is shown on page four as \$327 millions. In view of the practice of making down and progress payments, however, the contractors at the time of delivery have in hand a substantial proportion of the cost of the product, and the amount outstanding (\$327 millions) would have to be greatly increased to get at the value of the product.

I can give you an estimate of the value of the product for the major contracts as follows:-

Contract Number	Company	Product	Number Undelivered	Estimated Value \$M
A 787	Packards	Merlin Engines	5827	120
Various	Wright Aeronautical	Engines	2141	40
Various	Pratt and Whitney	Engines	1759	40
A 642	Brewster Aeronautical		750	
A 1492	"	Airframes (Dive bombers)		
A 337	Vultee	" " "	500	100
A 1555	Northrop Aircraft	" " "	193	
A 242	Lockheed Aircraft	Airframes (Lightnings)	643	65
A 144	Lockheed Aircraft	Airframes (Venturas)	615	
A 148	"	" " "		90
				<u>455</u>

I need hardly add that the figures of value cannot be taken as more than a well informed but rough estimate. The figures, of course, are changing all the time, and fall as each delivery is made. You will see that most of the contracts are running out fairly quickly.

Yours faithfully,
Dr. White
Director of Monetary Research
United States Treasury
Washington, D. C.

British Purchasing Commission Contracts.

I enclose a copy of the March 1st Financial Forecast of payments and receipts.

Figures for the larger outstanding contracts are as follows:-

AMMUNITION

Contract Number	Company	(\$ MILLION)	
		Balance Due 28th Feb.	Advance Unrecovered
A 981	Carter Carburetor	2.1	.3
A 1028	Andover Kent	4.0	1.4
A 2499	Remington Arms	10.7	3.3
A 3463	National Munitions	1.0	.4
A 4225	Crucible Steel	5.2	2.3
A 9158	Carter Carburetor	1.0	.3
Various small contracts		6.4	(?)2.4
		<u>30.4</u>	<u>10.4</u>

TANKS

A 1381	Pullman	3.1	8.4
A 1795	Pressed Steel	4.3	7.6
A 1960	Baldwin Locomotives	11.1	8.0
A 1962	Lima Locomotives	7.8	4.4
A 1465	Continental Motors	15.0	9.2
A 3226	Mack Manufacturing	9.7	1.2
Various small contracts		4.8	(?)2.0
		<u>51.8</u>	<u>40.8</u>

In addition there are outstanding contracts for explosives amounting to some \$15 million, for ordnance amounting to some \$10 millions, and a number of small contract for machine tools, etc.

In the case of the contracts summarised above, I think we can reasonably take the value of the products still to come from these contracts as the sum of the balance due and of the advances recovered; i.e., the value of the ammunition still to be received may be taken as \$31.4 million plus \$10.4 million, or \$40.8 millions, similarly of tanks as \$92.6 millions.

I hope the above will give you, at any rate, most of the information you need; of course it is incomplete and only covers the larger contracts. If you think it would be useful I should be glad to discuss the matter with you at any time.

Yours sincerely

T. M. Stanley

BRITISH AIR COMMISSION

MEMORANDUM FROM MR. IAN MILROY, B.A.C. ACCOUNTS, SECT. XI

TO SIR HENRY SELF, B.A.C., WASHINGTON, D.C.

March 13, 1942

Table 2D-9 - Propellers - Contractual Deliveries

Table 2D-10- Propellers - Completed Orders

Attached is one copy of each of the above tables, showing respectively the Contractual Deliveries and Completed Orders of Propellers as of February 28, 1942. These tables are prepared monthly in collaboration with the Propeller Division of the British Air Commission.

To ensure that out-of-date statements do not fall into unauthorized hands, it is important that they be destroyed or carefully safeguarded.

The distribution of the tables is as follows:

British Air Commission

S/L J. A. Bennett
Mr. E. V. Bennington
Mr. C. H. Biddlecombe
Mr. A. C. Boddie
Col. W. S. Cave
Mr. C. R. Fairey
Mr. M. Graham
Mr. P. Hayward
A/M R. M. Hill
Mr. D. W. Howard
✓ Mr. J. E. Keel
Mr. A. E. Marsden
Mr. C. W. Miller
Mr. P. W. Musson
Mr. R. F. Payne
Mr. W. A. Roseborough
Sir Henry Self
Mr. W. I. N. Strong
Mr. H. C. B. Thomas
Q/C F. N. Trinder

Other British

Sir Clive Baillieu
British Supply Council Secretariat
Mr. L. Butcher
Mr. C. E. Elliott
Mr. V. B. Homersham

(a) Shipping information on Completed Orders will be supplied for the next report.

(b) Building A propellers originally assigned for French leave. Two right hand were shipped to U.K. for postwar use. The left hand were damaged and shipped for repair. The damaged propellers were designated: C4B-72-4/12-10-1.

(c) VSM Hamilton Wooden Propellers were originally installed on C4B-72-4/12-10-1. They were replaced by Hamilton 3800 propellers. C4B-152 planes will have Hamilton Wooden Propellers as per instruction.

(d) Part of these were delivered with max blade number 200 higher. Revision was as follows:

- (a) Small propellers being used as temporary installations to be superseded by dual. Steel ones to be used as spare parts.
- (b) 20 shipped as spare parts propellers and 20 being shipped as spare parts.
- * Represents contracts with supplier of Airframes or Engines (including propellers). The propellers have been purchased, as indicated, from either Curtiss-Wright Corp. or Caltel Aircraft Corp. (Caltel Propeller Division).
- These propellers have manufacturing units at risk.

Regraded Unclassified

BRITISH AIR COMMISSION

MEMORANDUM FROM MR. IAN MILROY, B.A.C. ACCOUNTS, SECT. XI

TO MR. C.R. FAIREY, DIRECTOR GENERAL, B.A.C., WASH.

March 6, 1942

Table 1D-1 - Airframes - Contractual Deliveries

Table 2D-1 - Airplane Engines - Contractual Deliveries

Attached are copies of the above tables prepared for the Secretary of the U.S. Treasury, showing the contractual deliveries of airframes and airplane engines as of February 28, 1942. Except where otherwise noted, the deliveries are taken from Contracts, Amendments to Contracts or Letters of Intention.

Spare Parts are not included in these tables, but are covered separately in other tables with reference numbers 1D-6 for Airframe Spares and 2D-6 for Airplane Engines Spares; which are prepared monthly.

To ensure that out-of-date statements do not fall into unauthorized hands, it is important that they be destroyed or carefully safeguarded.

The distribution of these tables is as follows:

British Air Commission

Mr. E.R. Alexander
Mr. D. G. Baum
W/C C. A. Bell
S/Lt J. A. Bennett
Mr. E. V. Bennington
A/C E. B. C. Petts
Mr. C. H. Biddlecombe
Mr. A. C. Boddie
Mr. W. Mulock Brown
C/R P. W. S. Bulman
Lt. Col. H. Burchall (6)
Mr. C. D. Crane
W/C G. G. Crawford
Capt. I. J. Douglas-Mann
Mr. E. A. Drury
Mr. E. D. M. Emptage
Mr. C. R. Fairey
Mr. A. Graham
Mr. P. Hayward (For
Ministry of Aircraft
Production)
Mr. J. N. D. Heenan
Mr. W. Heslop
Mr. E. Keel
Mr. H. Lee
Mr. E. Marsden

Mr. J. R. Mereness
Mr. C. W. Miller (2)
Lt. J. H. Miller
Mr. F. W. Musson
Mr. H. A. Plastow
G/C W. L. Ragg
Mr. R. Read
Mr. E. Ripton
Mr. T. Robinson-Cox
Lt. Col. Sandey
Mr. G. A. Smart
Mr. F. N. Squires
Sir Henry Self
Mr. H. C. B. Thomas
G/C F. N. Trinder (16)
Mr. E. V. Truefitt
Mr. W. W. Zachary
W/C C. Clarkson
Mr. D. W. Howard
Mr. R. T. Johnson
Mr. I. Milroy
Mr. R. F. Payne
Mr. W. A. Roseborough
G/C J. A. T. Ryde
Mr. W. I. N. Strong

Other British

British Supply Council
Secretariat
Mr. J. B. Carswell
A/C G. V. Walsh (2)
A/C H. N. Thornton
(Sir Clive Baillieu
(Mr. H. D. Hancock
(Central Secretariat
Sir Louis Beale
Mr. F. B. Clapp
G/C G. J. Powell (Quebec)
A/V/M L. S. Breadner
(Ottawa - 3)
Mr. C. E. Elliott (Ottawa)
Wright Field, Dayton, Ohio
Col. W. S. Cave
W/C W. L. Shaw
Dayton, Ohio (D.M.S.)
Mr. V. R. Homersham

Form 10-1
Rev. 1-1-57
1-1-57

APPENDIX - CONTRACTUAL DELIVERIES

Delivered in the U.S. by the Military Service
Classified by Manufacturer and by Type
(Excluding Spare Parts)

U. S. AIR FORCE
OFFICIAL REPORT

CLASSIFIED ON FEBRUARY 22, 1942

Manufacturer	Contract Number	Delivered Status	Type of Machine	Official Designation	Type	Machine Delivered (Total Yr)	Disposition of Delivered Airframes						Subtotal		Foreign Military Orders							
							At Factory or in Transit	Shipped to U. S. Army (a)	Shipped from U. S.	Retained (in U. S.)	Unfilled Orders	Initial	Amount	Dec.	Apr.	May	June	July	Aug.			
Bell Aircraft Corp.	A-218	A-29 Alouette	(1 A11, V171-21)	Alouette I	Permit	170	160	1	1	160	160	1	1	1								
	A-1576	A-29 Alouette	(1 A11, V171-21)	Alouette I	Permit	200	200	1	1	200	200	1	1	1								
	A-1578	A-29 Alouette	(1 A11, V171-21)	Alouette I	Permit	170	160	1	1	160	160	1	1	1								
	Total Bell					470	420	3	3	420	420	3	3	3								
Boeing Aircraft Co.	A-472	DP-7	(2 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	Total Boeing					140	140	1	1	140	140	1	1	1								
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					280	280	2	2	280	280	2	2	2									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-444	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
Total Boeing					560	560	4	4	560	560	4	4	4									
Boeing Aircraft Corp.	A-441	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-442	340	(1 No. 20200-118-2)	Boeing DT	Boeing DT - 202	140	140	1	1	140	140	1	1	1								
	A-443	340	(1 No. 20200-11																			

AIRFRAME ORDERS - CONTRACTUAL DELIVERIES

Quantities Ordered Under L.P. by the British Empire
Classified by Manufacturer and by Type
(Including Spare Parts)

RE. U.S. CONFIDENTIAL
CONTINUED HEREIN

SITUATION BY FEBRUARY 28, 1942

				SITUATION FEBRUARY 28, 1942						Future Delivery Schedule (See Detail)														
Contract Number	Type of Engine	Gross Rating	Horsepower	Complete Engines Ordered	Delivered (Paid For)	Disposition of Deliveries				Schedule		1942												After Feb
						At Factory, On Substantial Loss in Transit	Directed to U.S. Army (S)	Available for U.S. Army (S)	Delivered (For P.D.)	Notified Orders	Delivered	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.			
General Motors Corp.																								
(A) 10-202	P-1710-C11	245	1040	148	440	270	21	-	273	-	-	-	-	-	-	-	-	-	-	-				
(A) 10-203	P-1710-C11	245	1040	879	879	4	4	-	875	-	-	-	-	-	-	-	-	-	-	-				
A-104	P-1710-C11	1,418	1,150	1,418	725	137	14	-	313	80	-	39	90	20	20	9	-	-	-	-				
A-105	P-1710-C11	245	1,150	1,418	1,148	277	20	-	816	268	1	-	99	80	35	17	-	-	-	-				
A-106	P-1710-C11	245	1,150	143	143	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
A-107	P-1710-C11	245	1,150	143	143	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
A-108	P-1710-C11	245	1,150	113	113	-	-	-	113	-	-	-	-	-	-	-	-	-	-	-				
Completed Orders				4,272	3,877	909	216	42	2,468	258	1	39	179	106	55	62	-	-	-	-	-			
Total Allison				4,272	3,877	909	216	42	2,468	258	1	39	179	106	55	62	-	-	-	-	-			
Pratt & Whitney																								
A-109-1	L-400	2,000	225	423	423	-	-	13	412	-	-	-	-	-	-	-	-	-	-	-				
A-109-2	L-400	2,000	225	773	773	-	-	24	749	61	61	-	-	-	-	-	-	-	-	-				
(A) 109-3	L-400	2,000	225	4,100	1,771	-	-	1,770	2,329	729	-	-	200	200	200	200	200	200	200	200				
Completed Orders				260	260	-	-	-	260	-	-	-	-	-	-	-	-	-	-	-	-			
Total Pratt & Whitney				5,480	3,140	-	-	68	2,462	2,190	729	-	200	200	200	200	200	200	200	200	200			
Completed Orders				509	509	-	-	-	509	-	-	-	-	-	-	-	-	-	-	-	-			
Completed Orders				3	3	-	-	-	3	-	-	-	-	-	-	-	-	-	-	-	-			
Wright Aircraft Corp.																								
Completed Orders				400	400	-	-	-	400	-	-	-	-	-	-	-	-	-	-	-	-			
Wright Engine Co. Inc.																								
A-110	Rolls Royce Merlin 229111	1,211	1,290	4,000	373	6	-	12	111	3,627	2,493	-	134	134	134	134	134	134	134	134				
Wright Engine Co. Inc.																								
(A) 111-1	P-1710-C11	2,000	450	39	32	23	-	4	3	-	-	-	25	25	-	-	-	-	-	-				
(A) 111-2	P-1710-C11	2,000	450	130	130	-	-	1	2	-	-	-	-	-	-	-	-	-	-	-				
(A) 111-3	P-1710-C11	2,000	450	25	25	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
(A) 111-4	P-1710-C11	2,000	450	525	525	3	-	-	4	-	-	-	-	-	-	-	-	-	-	-				
(A) 111-5	P-1710-C11	2,000	450	60	60	-	-	16	44	-	-	-	21	-	-	-	-	-	-	-				
(A) 111-6	P-1710-C11	2,000	450	80	80	-	-	-	76	-	-	-	-	-	-	-	-	-	-	-				
(A) 111-7	P-1710-C11	2,000	450	143	143	27	-	10	74	-	-	-	-	-	-	-	-	-	-	-				
(A) 111-8	P-1710-C11	2,000	450	147	147	1	-	-	12	-	-	-	-	-	-	-	-	-	-	-				
(A) 111-9	P-1710-C11	2,000	450	149	149	-	-	-	141	-	-	-	-	-	-	-	-	-	-	-				
(A) 111-10	P-1710-C11	2,000	450	344	344	42	-	14	718	-	-	-	-	-	-	-	-	-	-	-				
(A) 111-11	P-1710-C11	2,000	450	134	134	1	-	18	121	-	-	-	-	-	-	-	-	-	-	-				
(A) 111-12	P-1710-C11	2,000	450	528	528	68	-	143	229	-	-	178	178	173	47	-	-	-	-	-				
(A) 111-13	P-1710-C11	2,000	450	788	503	13	-	14	23	-	-	13	13	-	-	-	-	-	-	-				
(A) 111-14	P-1710-C11	2,000	450	451	451	415	-	-	536	-	-	-	108	74	294	197	18	209	43	25	98	144		
(A) 111-15	P-1710-C11	2,000	450	336	336	-	-	-	145	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(A) 111-16	P-1710-C11	2,000	450	149	149	-	-	-	130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
(A) 111-17	P-1710-C11	2,000	450	128	128	-	-	-	120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Completed Orders				4,134	4,134	-	-	-	4,134	-	-	-	-	-	-	-	-	-	-	-	-			
Total Pratt & Whitney				13,223	7,444	689	298	126	8,171	1,799	4	117	399	247	313	279	364	234	65	25	92	144	-	
Wright Aircraft Corp.																								
(A) 112-1	Super Recruit 145-P	844.1	145	10	10	2	-	-	8	-	-	-	-	-	-	-	-	-	-	-				
Completed Orders				250	250	-	-	-	250	-	-	-	-	-	-	-	-	-	-	-	-			
Total Wright				260	260	2	-	-	258	-	-	-	-	-	-	-	-	-	-	-	-			
Wright Engine Co. Inc.																								
(A) 113	Wright R-1820-1	1,100	1,200	42	42	13	-	4	33	-	-	-	-	-	-	-	-	-	-	-				
(A) 114	Wright R-1820-1	1,100	1,200	400	400	-	-	11	393	-	-	-	-	-	-	-	-	-	-	-				
(A) 115	Wright R-1820-1	1,100	1,200	28	28	-	-	-	28	-	-	-	-	-	-	-	-	-	-	-				
(A) 116	Wright R-1820-1	1,100	1,200	1,050	1,050	643	29	-	49	-	-	-	7	24	24	41	41	41	41	41				
(A) 117	Wright R-1820-1	1,100	1,200	180	180	81	-	-	9	-	-	-	27	27	19	43	27	33	33	33				
(A) 118	Wright R-1820-1	1,100	1,200	1,119	774	743	26	-	-	-	-	-	-	-	-	-	-	-	-	-				
(A) 119	Wright R-1820-1	1,100	1,200	9	9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
(A) 120	Wright R-1820-1	1,100	1,200	13	13	13	-	-	13	-	-	-	-	-	-	-	-	-	-	-				
(A) 121	Wright R-1820-1	1,100	1,200	24	24	-	-	-	24	-	-	-	-	-	-	-	-	-	-	-				
(A) 122	Wright R-1820-1	1,100	1,200	670	670	-	-	17	653	-	-	-	-	-	-	-	-	-	-	-				
(A) 123	Wright R-1820-1	1,100	1,200	1,764	1,764	90	147	13	99	-	-	-	34	34	107	-	-	-	-	-				
(A) 124	Wright R-1820-1	1,100	1,200	1,777	1,777	997	-	-	246	-	-	-	192	19	16	8	-	-	-	-				
(A) 125	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	82	-	-	-	-	-	-	-				
(A) 126	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 127	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 128	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 129	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 130	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 131	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 132	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 133	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 134	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 135	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 136	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 137	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 138	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 139	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 140	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 141	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 142	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 143	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 144	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 145	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 146	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 147	Wright R-1820-1	1,100	1,200	1,119	1,119	1,119	-	-	682	-	-	-	143	40	143	115	174	110	11	28	28	28		
(A) 148	Wright R-1820-1	1,100	1,200	1,119	1,119	1,1																		

MARCH 23, 1942

I called up Hopkins late Saturday afternoon and asked if he would inquire what happened to those ships which were loaded for Russia--the ones in Philadelphia. He said, "What do you mean?". I said, "Well, they may lay around for months waiting for a convoy, and I know that you could find out." Then he said, "I have no doubt, maybe they are" - then he said, "but I'll look into it." He said "Has anybody said they're laying around?". I said, "No, but I'm just suspicious that maybe they are." I then told him how we almost doubled the number of cars we were loading, and he hadn't heard about it/^{and}was very much pleased. He said he would look into the convoy situation for the ships bound for Russia.

March 23, 1942

Harry White

Secretary Morgenthau

I'd like Aubrey Williams to know that I wrote
that letter to Senator Thomas after I had seen
the article in the Baltimore Sun

Mr. White took care of
3/29/42 -

126

FEDERAL SECURITY AGENCY
NATIONAL YOUTH ADMINISTRATION
WASHINGTON

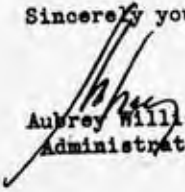
OFFICE OF THE ADMINISTRATOR

March 23, 1942

My dear Henry:

I want you to know how very much I personally appreciate your letter to the Honorable Elbert D. Thomas. This should clarify the whole matter.

Sincerely yours,


Aubrey Williams
Administrator

The Honorable
Henry Morgenthau, Jr.
Secretary of the
Treasury

March 23, 1942.

Herbert Gaston
Secretary Morgenthau

Would you please tell whoever is in the Press Room that sometime on Monday they can tell the men that I have gone away for a week to Arizona for a rest. I expect to be back again next Monday.

Thank you.

Done - Per Gaston's office -

COPY

WUWE 11 30 GOVT COLLECT

1942 MAR 23 AM 7 50

FTWORTH TEX MAR 22 755P 1942

DAN BELL

TREASURY DEPARTMENT

*C.R.K. Watson, of R.K. Watson & Co.
40 W. 2nd St. N.Y.C.*

PLEASE SEE MAN WHO WAS FORMERLY IN GOVERNMENT BOND BUSINESS THAT YOU
SPOKE TO ME ABOUT AND FIND OUT IF HE WANTS TO COME WITH US ON TRIAL
BASIS

H MORGENTHAU JR.

749AM MAR 23.

*Bell reported 4/9. Hmjr has
denied against this.*

SERVICE DESIRED	
CABLE	
ORDINARY	
URGENT	
RATE	
DEFERRED	
NIGHT LETTER	
WIRE	
TELEGRAM	

WESTERN UNION

AIR PASSENGER'S TELEGRAM

CHECK
9 6C
ACCOUNTING INFORMATION
TIME FILED



Post. Exp.
N.L.

message, subject to the terms on back hereof, which are hereby agreed to

Mr. Dan Bell
Treasury Department
Washington, D.C.
I wish you and Buffington would
give serious thought to mailing
circular from Washington over my
signature to every company that
employees were one hundred ~~people~~
giving them an opportunity to buy
part of our next security. This in
my opinion is the way to ~~top~~ business
expenses and at the same time
TOP Release 0200 3/23/42

FLAGSHIP FLEET

5-8-0

THIS TELEGRAM WILL BE ACCEPTED BY STEWARDESS OR PASSENGER AGENT
FOR TRANSMISSION FROM AIRPORT VIA WESTERN UNION

SERVICE DESIRED	
CABLE	
ORDINARY	
URGENT	
DEFERRED	
NIGHT LETTER	
SHIP RADIOGRAM	

check rates of service
on the message will be
sent in a separate or
on collection

WESTERN UNION

AIR PASSENGER'S TELEGRAM



CHECK
30
ACCOUNTING INFORMATION
TIME FILED

message, subject to the terms on back hereof, which are hereby agreed to

aid up a list of customers.
the circular should be simple
and complete and refer them
to their banks or investment
firms or ^{new York} ~~Stock Exchange House~~
Federal Reserve Bank
please give this matter careful
consideration and have details
worked out in case we should
decide to do it. I would of course
in addition send banks the usual

FLAGSHIP FLEET

THIS TELEGRAM WILL BE ACCEPTED BY STEWARDESS OR PASSENGER AGENT
FOR TRANSMISSION FROM AIRPORT VIA WESTERN UNION

SERVICE DESIRED	
CABLE	
ORDINARY	
URGENT	
DEFERRED	
NIGHT LETTER	
SHIP RADIOGRAM	

If check class of service is not indicated, the message will be sent as a telegram or very radiogram.

WESTERN UNION

AIR PASSENGER'S TELEGRAM



CHECK
131
ACCOUNTING INFORMATION
TIME FILED

Long message, subject to the terms on back hereof, which are hereby agreed to

*enclosed circular through
Federal Reserve Banks. Copy
to Mrs Klotz.
H.M.J.*

FLAGSHIP FLEET

THIS TELEGRAM WILL BE ACCEPTED BY STEWARDESS OR PASSENGER AGENT
FOR TRANSMISSION FROM AIRPORT VIA WESTERN UNION

C
O
P
Y

WUWE 16 123 Govt Collect NT

Tucson Ariz Mar 22 1942

Mar 23 am 8 05

Dan W Bell

Treasury dept

I wish you and Buffington would give serious thought to mailing a circular from Washington over my signature to every company that employes over 100 giving them an opportunity to buy a part of our next security. This in my opinion is the way to tap business surpluses and at the same time build up a list of customers. The circular should be simple and complete and refer them to their bank or investment banker of New York Stock Exchange House or Federal Reserve Bank. Please give this matter careful consideration and have details worked out in case we should decide to do it. I would of course in addition send banks the usual circular through Federal Reserve Banks. Copy to Mrs. Klotz

Henry Morgenthau Jr.

8 05 am Mar 23.

C O P Y

WUE31 35 GOVT COLLECT

TUCSON ARIZ MAR 231035A

DANIEL W KELL

1942 Mar 23 PM 1 45

TREASURY DEPT

IF WE DECIDE TO CIRCULATE ALL CONCERNS EMPLOYING OVER 100 NOW ABOUT
INCLUDING A QUESTIONNAIRE WHETHER THEY WOULD BE INTERESTED IN THE NEW
FIVE YEAR SECURITY AND FOR HOW MUCH COPY TO MRS KLOZE

HENRY MORSESTRAU JR.

145PM.

6007 6011

CLASS OF SERVICE SYMBOL	
DOMESTIC	CABLE
TELEGRAM	DAY-NIGHT
LETTER	DAY-NIGHT
TELETYPE	DAY-NIGHT
TELETYPE	DAY-NIGHT
TELETYPE	DAY-NIGHT
TELETYPE	DAY-NIGHT
TELETYPE	DAY-NIGHT

Service should check time of service and observe the symbols will be furnished and charges of delivery collected.

WESTERN UNION

1207-B

1941
GL
ACCOUNTING INFORMATION
TIME FILED

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

Send the following telegram, subject to the terms on back hereof, which are hereby agreed to

To Mr. Alan W. Bell 23 MARCH 1942
Care of or Apt. No. Treas. Dept.
Street and No. Wash. D.C.

Place

If we decide to circulate all
concerns employing over 100
low ^{about} putting ^{including a} questionnaire
whether they would be interested
in the new five ^{year} security and
for how much. Copy to Mrs. Kelly

WANT A REPLY?

"Answer by WESTERN UNION"
or similar phrases may be
included without charge.

Sender's address
for reference

700-WUT
1030-373/42
Tel.

Govt Com.

Sender's telephone
number

In tel
Govt. Coll.

RANCHO DE LA OSA
SASABE, ARIZONA

G.C.
135

THOMAS-LONG DISTANCE
RANCHO DE LA OSA
TUCSON, ARIZONA

Loy Blough and George Haes
Treas.

I have got to know by April 1st
what the buying and saving habits
of medium and low income groups
(now) Please put great pressure on
P.P.H. ~~Hilgards Nelson~~ and
Department of Labor to keep me
informed currently. I consider
this of greatest importance.
Copy to Mrs Klotz.

W.M.H.

Govt
Collect

5712 Tol.

7013-1115- wu/ra
3/22/47
ze

S-11-0

N.L. - Govt Coll. RANCHO DE LA OSA

SASABE, ARIZONA

PHONE - LONG DISTANCE
RANCHO DE LA OSA
TUCSON, ARIZONA

1360 pmt

Govt Collect

N.L.
plans

TOD
8:15 p.m.
3/2

Harold Graves

Treas. DEPT.
Washington, D.C.
at once

Please pick, one medium sized
~~company~~ ^{with nutritious contract} company that ~~is~~ ^{is} ~~has~~ ^{has}
~~signed up~~ ^{about} ninety percent of its
employees but has a low rate of
participation per person and see if you
can bring it up to the General
Electric rate of participation. I want
you start not later than ^{next} Monday
it is up to you to ^{This is a must} decide how to
go about doing it. If you are
successful than I will want
to do it all over the country. Reg

Copy to Mrs Klotz.

W.M.J.

5-16

TOD WU/TZ
2015 3/23/42

WESTERN UNION

1307-B

DATE	TIME	TO	FROM	REMARKS

A. N. WILLIAMS
PRESIDENTNEWCOMB CARLTON
CHAIRMAN OF THE BOARDJ. C. WILLEVER
FIRST VICE-PRESIDENT

CHECK
ACCOUNTING INFORMATION
TIME FILED

Send the following telegram, subject to the terms on back hereof, which are hereby agreed to

To Morgan ThauWash - D.C. '19

Care of or Apt. No.

Street and No.

Place

Your Telegram acknowledged. Will proceed accordingly on selective Company. In addition we are planning distribute detailed description General Elec Co. entire mailing list of approximately 18000 participating Companies. We hope that they can generally be induced adopt similar method. Material for the mailing promised April 15th and it to be followed periodically by other material for similar distribution. At Bells request AM

WANT A REPLY?

"Answer by WESTERN UNION"
or similar phrases may be
included without charge.

Sender's address
for referenceSender's telephone
number

TELETYPE	CABLE
TELEPHONE	TELETYPE
TELETYPE	TELEPHONE
TELETYPE	TELEPHONE
TELETYPE	TELEPHONE
TELETYPE	TELEPHONE
TELETYPE	TELEPHONE
TELETYPE	TELEPHONE
TELETYPE	TELEPHONE
TELETYPE	TELEPHONE

WESTERN UNION

1207-B

138

CHECK

\$

\$

\$

F

ACCOUNTING INFORMATION

TIME FILED

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

Send the following telegram, subject to the terms on back hereof, which are hereby agreed to

To _____ 19__

Care of or Apt. No. _____

Street and No. _____

Place _____

attending Conference of Federal Res. Banks
Chicago Thursday through Saturday to consider
payroll allotment problem. Particularly matter of
qualifying large Corps. as issuing agents.
Will be accompanied by Sparks, Edwards,
Tuckson and others. Regards

Harold Graves -

WANT A REPLY?

"Answer by WESTERN UNION"
or similar phrases may be
included without charge.

Sender's address
for reference

Sender's telephone
number

WESTERN UNION

1204E

139
CHECK
62
ACCOUNTING INFORMATION
TIME FILED

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

Send the following telegram, subject to the terms on back hereof, which are hereby agreed to

To George H. Adams 27 MARCH 1910
Care of or Apt. No. Treas. DEPT
Street and No. WASHINGTON, DC

Place

Place
Please air mail me copy of
Ticketon's report on his last
trip to Philadelphia. also number
of cars loaded each day since
March ninth x do not mail
me list of ships at Philadelphia

WANT A REPLY?

"Answer by WESTERN UNION"
or similar phrases may be
included without charge.

Sender's address
for reference

Sender's telephone number

WESTERN UNION

1507-18

149
ORDER
66
ACCOUNTING INFORMATION
TIME FILED

A. N. WILLIAMS
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

Send the following telegram, subject to the terms on back hereof, which are hereby agreed to

 T_0

Care of or Apt. No.

Street and No.

Place.

Terms on back hereof, which are hereby agreed to
 Feder Ferdinand Kuhn Jr 19

Treas. West

Washington, DC

write me air mail

we are standing with Henry
our next picture

10. 11. 20

WANT A REPLY?

"Answer by WESTERN UNION"
or similar phrases may be
included without charge.

Sender's address
for reference

Sender's telephonic number

Regraded Unclassified

UNITED STATES SAVINGS BONDS

Daily Sales - March, 1942

On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
March 1942									
2	\$ 5,811	\$ 15,868	\$ 2,043	\$ 8,726	\$ 26,636	\$ 21,678	\$ 2,043	\$ 8,726	\$ 32,447
3	2,975	8,459	1,629	8,780	18,868	11,434	1,629	8,780	21,843
4	3,395	8,833	2,658	12,558	24,048	12,228	2,658	12,558	27,443
5	3,869	10,448	1,680	11,870	23,998	14,317	1,680	11,870	27,867
6	4,179	10,696	1,759	10,825	23,279	14,875	1,759	10,825	27,458
7	3,480	11,586	1,586	6,328	19,499	15,066	1,586	6,328	22,979
9	4,967	18,636	3,944	8,488	31,068	23,604	3,944	8,488	36,035
10	2,804	5,719	1,365	4,162	11,246	8,523	1,365	4,162	14,050
11	3,156	10,002	1,533	7,287	18,823	13,158	1,533	7,287	21,979
12	2,686	8,114	1,133	5,504	14,750	10,800	1,133	5,504	17,436
13	2,682	10,594	1,065	5,007	16,666	13,276	1,065	5,007	19,348
14	2,797	6,616	1,102	4,745	12,463	9,413	1,102	4,745	15,260
16	4,464	13,193	1,415	8,693	23,301	17,658	1,415	8,693	27,766
17	2,967	6,384	1,015	2,561	9,961	9,351	1,015	2,561	12,927
18	2,552	7,097	1,201	9,433	17,731	9,650	1,201	9,433	20,283
19	2,559	7,911	1,019	5,527	14,457	10,470	1,019	5,527	17,016
20	3,510	13,306	1,511	5,524	20,341	16,817	1,511	5,524	23,852
21	2,662	7,998	1,122	3,714	12,833	10,660	1,122	3,714	15,495
Total	\$ 61,515	\$181,463	\$ 28,778	\$129,728	\$339,969	\$242,977	\$ 28,778	\$129,728	\$401,483

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

March 23, 1942.

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

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

Daily changes in the stock of Series E savings bonds on hand ^{1/}
(In thousands of pieces)

	: Number of : pieces sold : this day	: Number of pieces: : manufactured : : this day	: Stock on hand : at close of : day	: IBM : deliveries : this day
Mar. 9	344	500	25,786	-
10	123	500	26,163	-
11	192	300	26,271	-
12	157	300	26,414	800
13	193	300	26,521	-
14	137	none-closed	26,384	-
15	none-closed	none-closed	26,384	-
16	271	300	26,413	-
17	144	300	26,569	-
18	148	300	26,721	650
19	160	300	26,861	-
20	259	300	26,902	600
21	162	none-closed	26,740	-

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

March 23, 1942

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

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
First Eighteen Business Days of March, February and January 1942
(March 1-21, February 1-21, January 1-21)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	March	February	January	March	February	March	February
				over February	over January	over February	over January
Series E - Post Offices	\$ 61,515	\$ 70,449	\$112,704	-\$ 8,934	-\$ 42,255	- 12.7%	- 37.5%
Series E - Banks	<u>181,463</u>	<u>257,910</u>	<u>327,031</u>	- <u>76,447</u>	- <u>69,121</u>	- <u>29.6</u>	- <u>21.1</u>
Series E - Total	242,977	328,359	439,735	- 85,382	- 111,376	- 26.0	- 25.3
Series F - Banks	28,778	41,214	48,178	- 12,436	- 6,964	- 30.2	- 14.5
Series G - Banks	<u>129,728</u>	<u>201,058</u>	<u>197,817</u>	- <u>71,330</u>	<u>3,241</u>	- <u>35.5</u>	<u>1.6</u>
Total	<u>\$401,483</u>	<u>\$570,631</u>	<u>\$685,730</u>	-\$ <u>169,148</u>	-\$ <u>115,099</u>	- <u>29.6%</u>	- <u>16.8%</u>

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

March 23, 1942.

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

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

March 23, 1942

MEMORANDUM FOR THE FILES

Mr. Shaefer called to my attention at 5:00 p.m. today the statement made by Francis B. Sayre, United States High Commissioner to the Philippines, that 6-1/2 tons of gold belonging to the Philippine Government had been removed to this country after it had been stored at Corregidor Fortress. It seemed to me that this statement clearly indicated only one way for this gold to get out and that it might contain a military secret of first importance.

Mr. Shaefer had been told by Byron Price that if he were officially requested, this part of the statement would be withdrawn. I immediately called Secretary Knox and told him of the statement and asked him if he did not think it was important enough from a military standpoint to be withdrawn. He said he certainly did; that he appreciated being called and would take immediate steps to see that it was withdrawn by Byron Price.

(Initialed) D.W.B.

6:03 p.m.

This notice was sent over the Dow-Jones ticker as of 6:03 p.m.:

"For your information, but not for publication, the Office of Censorship requests that neither press nor radio publish or distribute from any source information regarding the method by which Francis B. Sayre left the Philippines or anything about the removal of gold from the Philippines."

FRANCIS B. SAYRE, HIGH COMMISSIONER TO THE PHILIPPINES, DISCLOSED AT A PRESS CONFERENCE THAT AMERICAN SECURITIES AND CURRENCY IN MANILA WERE DESTROYED BEFORE THE JAPANESE OCCUPATION, AND THAT 6-1/2 TONS OF GOLD HAD BEEN RETURNED TO THIS COUNTRY AFTER FIRST BEING REMOVED TO CORREGIDOR FORTRESS.

3/23--SB452P

ADD SAYRE

SAYRE DECLARED THAT THE U. S. IS "DOING EVERYTHING POSSIBLE" TO REINFORCE THE AMERICAN-FILIPINO TROOPS ON BATAAN.

SAYRE SAID THAT MOST OF THE U. S. CURRENCY IN MANILA WAS DESTROYED AFTER A CAREFUL INVENTORY HAD BEEN TAKEN. HE DECLINED TO ESTIMATE THE VALUE OF THE GOLD, SECURITIES AND CURRENCY AT MANILA BEFORE THE JAPANESE OCCUPATION.

REPORTING THAT HE WAS "CONSIDERABLY CONCERNED" ABOUT FOOD FOR APPROXIMATELY 2,000 AMERICANS STILL IN MANILA, SAYRE SAID "I'M GOING TO MAKE IT PART OF MY BUSINESS TO SEE WHAT CAN BE DONE TO GET A RELIEF SHIP INTO MANILA WITH FOOD AND TO BRING OUT THE SICK AND WOUNDED."

HE SAID THIS PROBABLY WOULD BE DONE BY THE RED CROSS, ASSUMING THE STATE DEPARTMENT CAN OBTAIN SAFE PASSAGE FROM THE JAPANESE.

SAYRE SAID CIVILIAN CASUALTIES IN MANILA WERE LIGHT.

HE EMPHASIZED THE "TREMENDOUS TASK INVOLVED IN FIGHTING UP FROM AUSTRALIA WITH SUPPLIES, EQUIPMENT OR REINFORCEMENTS FOR LIEUT. GEN. JONATHAN M. WAINWRIGHT.

"THERE IS NO BACK DOOR," HE SAID.

SAYRE DISCLOSED THAT HE ESCAPED FROM THE PHILIPPINES BY AIR AND SUBMARINE, PASSING "THROUGH THE HOTTEST PART OF THE FIGHTING," BUT HE SAID HE WAS UNABLE TO REVEAL FURTHER DETAILS.

3/23--SB502P

ADD SAYRE

HE SAID HE BELIEVED THE JAPANESE HAD DECIDED NOT TO ATTEMPT AN ALL-OUT THRUST AGAINST BATAAN AND CORREGIDOR UNTIL THEY HAVE ATTEMPTED TO STORM MACARTHUR'S FORCES IN AUSTRALIA. BUT HE SAID HE DOES NOT EXPECT BATAAN AND CORREGIDOR TO HOLD OUT FOREVER WITHOUT AID.

3/23--SB508P

CORRESPONDENTS:

FOR YOUR INFORMATION, BUT NOT FOR PUBLICATION, THE OFFICE OF CENSORSHIP REQUESTS THAT NEITHER PRESS NOR RADIO PUBLISH OR DISTRIBUTE FROM ANY SOURCE INFORMATION REGARDING THE METHOD BY WHICH FRANCIS B. SAYRE LEFT THE PHILIPPINES OR ANYTHING ABOUT THE REMOVAL OF GOLD FROM THE PHILIPPINES.

3/23--SB603P

'Back in a Different World'

Financial Cupboard Left Bare in Manila For Japanese, Sayre Says on Arrival Here

By John G. Norris

Post Staff Writer

Treasures of the American and Philippine Commonwealth treasuries in Manila—securities valued in millions of dollars—have been safely removed to the United States, Francis B. Sayre, American High Commissioner to the islands, disclosed yesterday.

"Bataan is a different world" after more than a year under fire on Corregidor and a hazardous trip home, Sayre told here he had "left the island with" for the invading Japanese by successfully removing valuable securities to the United States and destroying all currency.

The American high commissioner gave a graphic picture of life on Bataan and in the Manila Bay area, and presented the first detailed information of the fate and living conditions among some 150,000 to 200,000 Americans and British left in the Philippine capital.

According to information he was told yesterday indirectly from Manila, American and British civilians had been concentrated at Santo Tomas Army Camp, where they are



Associated Press Photo

SAYRE GIVES PRESIDENT JAP SWORD—Francis B. Sayre, high commissioner in the Philippines, arrived at the White House yesterday for a conference with President Roosevelt. He brought with him from Bataan Peninsula a Japanese officer's sword, gift to the President from Gen. Douglas MacArthur.

The Washington Post

WEEK 24 1942

dependent upon their former Filipino servants or the Red Cross food, Sayre said.

He declared he was "quite concerned" over the food situation and was working with the Red Cross on plans to send a relief ship into Manila to replenish existing stocks. If Japan gives permission for such a Red Cross ship to get through the war zones Sayre said he hoped to bring out the "wounded and sick" among them.

Before he was "bombed out" of his Manila headquarters and moved to Corregidor on Christmas Eve, there had not been many civilian casualties from bombing in the city, the High Commissioner said. On the whole, the Japanese bombing of Manila was confined to military objectives, he added.

Although cut off from any direct information on conditions in Manila since January 1, Sayre said that as far as he could determine, the Americans and British were "getting along all right."

The Japanese have been relaxing the restrictions somewhat, and women and children have been allowed to go to their homes, he continued, emphasizing that this data was "pure hearsay."

Sayre said that very few civilians had moved from Manila to Corregidor, and that those who had, as well as the troops, preferred to be on Bataan Peninsula, primitive as are living conditions there.

"It's like stepping into a different world, returning from three months under fire in Corregidor," he stated. "You live like rats in a tunnel, in the bowels of the fort. On Bataan you can get some fresh air any way."

The American High Commissioner praised the American and Filipino troops, describing their spirits as "perfectly tremendous." They out-fought the Japs every time, he stated.

Asked about getting reinforcement to the troops, Sayre declared it would be a "long and very difficult job."

"We've not only got to get supplies and men to Australia," he stated, "but we've then got to fight them north, some 4000 miles."

The American-Filipino forces will defend Bataan and Corregidor "to the last ditch," Sayre said, predicting that Japan will decide that their capture will "cost too much" and use their forces elsewhere.

Sayre declined to go into detail about his trip from Corregidor to the United States but revealed that his wife—daughter of President Woodrow Wilson—and their small son, Billy Graves, were en route home.

With some nine members of his staff, including Mr. and Mrs. W. W. Willoughby, of Washington, they made the dangerous trip out of the Philippines with him, he said. Presumably, they are making the latter stages of the trip by other means than the clipper on which Sayre came home.

Some 30 other members of Sayre's staff, including eight or ten women, remained in Manila to look after the Americans there, he said.

Sayre said his economic adviser, Robert J. Huffcutt, had volunteered for service with the Army. He was given a commission and is now fighting under Lieut. Gen. Jonathan M. Wainwright, along with his two military aides, Lieut. Col. ~~Cecil~~ Meron and Capt. William J. Priestley, the high commissioner added.

C O P Y

March 23, 1942

Dear Marriner:

For your information, there is transmitted herewith copy of my telegram of today to the Federal Reserve Banks requesting their views on certain questions raised in connection with the proposed issues of Treasury Certificates of Indebtedness to be offered during the month of April.

I should like also to have your views on these questions. I hope that we can discuss them probably next Monday in order to get a program outlined for the Secretary when he returns.

Sincerely yours,

/s/ Dan

Honorable Marriner Eccles,
Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

DWB:ce

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

Washington,
To Presidents, Federal Reserve Banks.

FROM Mr. Kilby's Office

BUREAU

CHG. APPROPRIATION EXPENSES OF LOANS A&T

149

March 23, 1942

Boston, Mass.
New York, N. Y.
Philadelphia, Pa.
Cleveland, Ohio.
Richmond, Va.
Atlanta, Ga.

Chicago, Ill.
St. Louis, Mo.
Minneapolis, Minn.
Kansas City, Mo.
Dallas, Texas.
San Francisco, Calif.

(COPY)

PERSONAL:

I would appreciate it if you would be good enough to let me have your views by Friday evening on the questions set out below on the proposed issues of certificates of indebtedness which will be offered by the Secretary next month. You may consult persons outside of your bank and particularly I would like to have this discussed at the next meeting of your Board of Directors in order to get its general views:

1. Should the total amount of each issue be allotted on the basis of total Nation-wide subscriptions as at present, or should the total amount of each issue be apportioned in advance of offering between the Federal Reserve Districts and allotments made separately in each District? If the latter method is used, what should be the basis of the apportionment between Districts? Should the amount to be apportioned to each District be publicly announced at the time of offering?

2. Should the Treasury give preferred allotment to subscriptions from investors other than commercial banks for their own account?

3. Should the Treasury give preferred allotment on all subscriptions up to a maximum amount and, if so, what should this maximum be?

4. Should there be any change in the four classes of subscribers or basis of subscriptions set out in press statement of December 3, 1941?

5. Have you any other suggestions for getting wide publicity and distribution of these securities?

BELL

(Initialed

DWB)

Private Wire.

Boston March 27, 1942

1. Allotment on basis total nation wide subscription most satisfactory.

2

2. No. We favor uniform percentage allotment all classes subscribers.

3. No. Preferred allotment over \$1,000 not favored owing past experience with padding.

4. Basis subscriptions outlined statement December 3, 1941 favorably accepted this district.

5. announcements already made have aroused wide interest.

Paddock

1942 MAR 26 PM 5 59

WASH 8306 NY 26-525P

RELL

Referring your telegram March 23, questions are answered in order:

1. (a) It is the opinion of those consulted in the market, in which our directors and we concur, that it would be desirable to allot issue on basis of Nationwide subscriptions as at present. In addition to the difficulties of providing equitable basis of allotment by Districts and of achieving public understanding of such allotment, there is question as to the benefits of such procedure. The certificates are primarily a money market obligation which will appeal to larger banks and corporations and attempt to divert their distribution on geographical lines would only hinder, not prevent, their ultimate lodgement in these hands.

(b) Neither market nor we can suggest equitable basis of allotment to achieve greater distribution to non-bank holders. Allotment on basis of subscriptions to previous cash issues would perpetuate existing situation and allotment on basis of bank resources or excess reserves would not meet question of non-bank investment. Availability of this type of investment in market, on other hand, will help bring about effective use of excess reserves without attempting to force a pattern of such use.

(c) Both the market and we believe that if there is allotment by Districts, it should be announced publicly at time of offering so that subscribers may have some gauge of their possible allotments.

2. Market and we believe that preferential allotment is not the answer to distribution of such issues as that now under consideration. It will distribute itself and interference at source with distribution is more likely to lead to speculative subscriptions than the reverse. It is believed that this is not the time nor occasion for Treasury to abandon equality of treatment on allotments. Whatever loading is done in favor of non-bank investors should be in subscription rules.

3. Market opinion is divided. Generally favorable to preferred allotment to small subscribers although one source suggested no preferred allotment and one suggested substantial preferred allotment. We would suggest preferred allotments on subscriptions up to \$25,000 to meet possible demands of smaller banks, corporations, and trust funds.

4. Market does not recommend any change in 4 classes of subscribers. It believes these are becoming established, are considered as fair as possible in field where complete equity is not attainable, and variations now would be confusing. We suggest that corporations organized for profit might be allowed to subscribe up to amount equal to half net worth or 100 percent of cash deposits, whichever is greater, just as individuals have been permitted to do.

5. The following suggestions for publicity and wider distribution combine market suggestions and ours:

Announce terms of offering 2 or 3 days in advance of issue or keep books open 2 days.

Request each FRB to include Treasury press statement in its circular.

Request FRBs to send offering circulars to corporations as well as to banks and other financial institutions. Mr. Miller is forwarding summary of details of market comments in letter today.

SPROUL

[C O P Y]

FEDERAL RESERVE BANK
OF NEW YORK

March 26, 1942.

Dear Mr. Bell:

At Mr. Sproul's request I am enclosing a summary of comments we received from market sources on the five questions contained in your telegram dated March 23.

Respectfully yours,

(Signed) S A Miller

S. A. Miller
Assistant Vice PresidentHonorable D. W. Bell,
Under Secretary of the Treasury,
Washington, D. C.

Encl.

[COPY]

CONFIDENTIAL

Summary of answers to the questions in Under Secretary of the Treasury Bell's telegram dated March 23, 1942, by representatives of several large local banks and Government security dealers.

QUESTION NO. 1. Opinion was unanimous that allotments should be continued on the basis of total nationwide subscriptions. Principal arguments advanced against allotments being apportioned by districts were (1) These issues are primarily money market instruments and the principal demand will come from banks in a relatively few large cities. (2) It would bring the quota system to the minds of those familiar with the last war financing and create unnecessary misapprehension. (3) It would be like jumping a hurdle which is not there as no serious difficulty in the Treasury raising what money it will need is anticipated this year and probably next year. (4) During the war, air raids and other temporary emergencies might result in banks and corporations in some cities being closed while subscription books are open. (5) Although some corporations would purchase these issues, many would merely do so in replacement of tax anticipation notes and Treasury bills they now hold.

None of these people knew of any plan of district-wide allotment that would accomplish widespread distribution as they all considered these obligations as purely money market instruments. One banker thought, however, that any district-wide allotment would have to be based on excess reserves or bank deposits but he questioned that the desired objective would be obtained under such a plan. Generally, these people believed that if any district-wide allotment plan were adopted, the amount to be apportioned to each district should be publicly announced at the time of offering.

QUESTION NO. 2. With one exception, it was believed that no preferred allotments should be given on subscriptions from other than commercial banks for their own account for such reasons as (1) the issues will wind up primarily in banks anyway, (2) it would attract speculative subscriptions as it has in the past on bearer securities, (3) that, while it might be desirable in long-term bonds, it might be dangerous in a money market instrument, and (4) that the present yardsticks on subscriptions largely attain the results of preferred allotment. One banker, however, believed that some distinction should be made between corporations and banks and the former given some preferred allotment because it becomes necessary at times for corporations to complete their requirements by purchasing from banks.

QUESTION NO. 3. Generally, there was no objection to giving preferred allotment on small subscriptions up to \$25,000 and in some cases \$50,000 and \$100,000, and a dealer saw no harm in giving full allotment to non-commercial bank buyers on amounts up to as much as \$5,000,000. Others questioned that there would be sufficient demand from corporations and small banks to justify such preferred allotments.

QUESTION NO. 4. The majority felt that there should be no change in present yardsticks. However, one banker suggested that with a 50 percent cash deposit on subscriptions, and a dealer that with full allotment on non-commercial bank subscriptions up to \$5,000,000, the present yardsticks could be suspended on subscriptions for certificates of indebtedness by other than commercial banks.

QUESTION NO. 5. None believed any additional publicity was needed although they all felt that the terms of the offering should be announced a few days in advance, or the subscription books should be kept open a few days in order to give corporations and others who are not accustomed to act quickly on such matters sufficient time to learn of offerings and enter subscriptions. Suggestions were also made that arrangements be

- 2 -

(New York)

made to give the announcement of offerings to the press in moderate sized cities throughout the country which do not have the means of getting financial news quickly, and that it would be helpful if a general outline of the Treasury's financing policy, at least for the next six months or so, could be made public at one time rather than publishing it piecemeal.

Federal Reserve Bank of New York,
March 26, 1942.

W55 WASH C&I PHILA MARCH 27-543PM

1942 MAR 27 PM 6 28

Hon D. W. Bell

In response to your telegram of March 23, we have reviewed the subject of the proposed issue of certificates of indebtedness with a few persons outside the bank and with the executive committee of our Board of Directors. The composite views on the questions stated in your telegram are as follows:

1. While it is realized that the allotment on the basis of total nationwide subscriptions as at present might result in a natural tendency for large commercial banks to subscribe heavily, it is considered not advisable to apportion each issue among the Federal Reserve Districts and make allotments separately in each district. Indicated reasons are (a) apportionment and allotments might suggest immediate or ultimate coercion or enforced subscriptions; (b) they may be in conflict with various tax collection dates in some of the regions; (c) they might unduly affect the reserve position of some areas where corporations and individuals would buy the certificates on any large scale; and (d) the procedure would be confusing, particularly as it is a method which has not been used for some time and might lead to the assumption that hereafter all Treasury issues would be allotted by districts.

2. The general view is that preferred allotment to nonbank investors would be unnecessary and that there are substantial advantages in keeping the issue open to all, particularly in the absence of experience with the proposed certificates in the present market.

3. If the Treasury should give preferred allotment on all subscriptions, it might do so in one of two ways: (a) set a limit of \$50,000 or \$100,000 to investors, or (b) reduce the present basis of allotment to banks from 50 percent to 25 percent of capital and surplus. Such a reduction in allotment to banks might not be desirable in the event nonbank investors failed to absorb their proportionate share of an issue. For that reason an initial issue of small size, say between \$600 and \$800 million, could be floated to find the pattern or acquire some experience in marketing the certificates. With such an experience, a combination of ~~maxims~~ might be worked out for subsequent issues.

4. The consensus is that there should be no change in the four classes of subscribers or basis of subscriptions set out in your press statement of Dec. 3, 1941.

5. Views with respect to publicity and distribution of the certificates are about evenly divided. On the one hand the feeling is that a general type of publicity through a forceful and appealing statement to financial institutions and the press would be adequate for the time being, as most of the potential subscribers are accustomed to this procedure. The opinion, on the other hand, is that it might be well to send out such a circular to a well-selected group of business enterprises on the grounds that it would be a more direct approach than through a general impersonal type of publicity. This approach raises the question of the probable omission of a number of those concerns that are in funds and might want to invest in the certificates. Cost of mailing might be another difficulty, though of minor importance if the objective could not be attained in any other way. A suggestion is advanced that it might be desirable to give general publicity in advance of an issue, say three days or so, before the subscription is opened. This suggestion has merit because it would enable investors, particularly business concerns and country banks to reach a decision.

-2- (Phila)

6. General Comments. There seems to be a strong feeling that issues of certificates of indebtedness will interfere with the market for Treasury bills, unless there is a favorable differential in yield. We have reason to believe that some of the financial institutions will be cautious in their initial subscriptions to the certificates until the situation in this respect clarifies itself. It is indicated in the attitude of some that the addition of this type of security creates a further uncertainty in the market, so that for the time being caution will have to be the keynote. From the standpoint of business concerns the question is raised as to whether or not the net return on the certificates will cover the cost of their handling. Reference here is to the fact that, under the proposed tax bill, excess profits taxes would be 75 percent and surtaxes 31 percent. If the present tax proposal is adopted, obviously the return on the certificates after taxes might be negligible. Furthermore, certificates lack the appeal of progressive yield features which can be embodied in a short issue of longer maturity, and are regarded as not particularly suitable for idle business funds.

Considerable doubt is also expressed with respect to the market among the so-called country banks which carry large proportions of time deposits and are in need of sustained earnings. Any educational campaign among these banks might be difficult, although some of the surplus cash might be diverted into the proposed certificates if strenuous efforts are made in that direction.

The foregoing comments reflect the views of well-informed and broad-minded representatives of business and finance in this market.

A. H. Williams

[COPY]

157

FEDERAL RESERVE BANK
OF CLEVELAND

March 26, 1942

Mr. D. W. Bell
Under Secretary of the Treasury
Washington, D. C.

My dear Mr. Bell:

Upon receipt of your telegram of March 23 with respect to proposed issues of Treasury certificates of indebtedness, we proceeded to communicate with bankers in Cleveland, Cincinnati, and Pittsburgh. Attached is a summary of their comments upon the five questions enumerated in your telegram.

At a meeting of our board of directors today, this subject was discussed, as you requested. The directors representing banks voiced some of the same views as those expressed in the attached memorandum. Directors representing large manufacturing corporations, however, were of the opinion that there would not be any large demand for Treasury certificates of indebtedness which have definite maturities.

In the discussion with these directors, it developed that many large corporations are in what appears to be a strong cash position but, if the cash position is measured against current liabilities, including taxes, it appears none too strong and, in many cases, is not beyond reasonable needs. Manufacturers generally are keenly aware of the fact that, in the present emergency, they may be called upon to perform work which will require a considerable outlay of funds for raw materials, etc. In addition to their anxiety to meet such conditions, they are apprehensive of the adjustments which their companies will have to make after hostilities cease to meet taxes, cancellations of orders, action on the part of creditors to collect obligations, etc., -- situations which will face corporations when they have to convert to peace-time schedules.

Because of all these considerations, it was stated that the corporations probably would not be interested to any great extent in Treasury obligations with definite maturities; on the other hand, the view was expressed that they might be interested in issues which could be redeemed as needs arise and which would yield not less than 1½ per annum -- in other words, a security which yielded a reasonable return and which could be "salted away" against the time when an unexpected need for cash might arise.

We were glad to make this survey and trust the information obtained will be helpful.

Very truly yours,

(Signed) M. J. Fleming
President

**BANKER COMMENT WITH RESPECT TO FIVE QUESTIONS
RAISED IN MR. BELL'S TELEGRAM OF MARCH 23, 1942
IN CONNECTION WITH PROPOSED ISSUES OF CERTIFI-
CATES OF INDEBTEDNESS TO BE OFFERED NEXT MONTH.**

Cleveland

1. Communicated with two banks, neither of which favors district quotas, one believing that the certificates should be placed where the demand appears to be, and the other fearing the difficulty of arriving at a fair apportionment. It was said that, if quotas were based on district aggregate banking resources, New York District quota might be entirely out of proportion to its ability to absorb, for the reason that at the present time that district has the lowest excess reserves proportionate to its banking resources.

2-3. One bank sees no necessity for preferred allotment of any amount. The other bank feels that preferred allotments up to, say, \$50,000, would prove extremely attractive to corporations which are discouraged under present circumstances from entering subscriptions, since they are reluctant to enter very large subscriptions in order to obtain the amount they desire.

4. Both banks believe the four classes of subscribers outlined in the press statement of December 3, 1941, are fair and equitable.

5. No suggestions.

Cincinnati

1. Two banks believe allotment should continue to be made on basis of nationwide subscriptions. A third bank believes that, since certificates of indebtedness are devised primarily for banks, banks should be advised to subscribe for say 10% or 20% of their capital and surplus, with expectation of receiving fairly full allotment. If quotas were set up for each Reserve district, they would probably be based on the banking capital of each district and no purpose would be served by making allotments public. It was stated that the suggested procedure would give banks assurance of receiving reasonable allotments and would eliminate the fear of too high allotment which accompanies the present necessity of entering too large subscriptions in the hope of obtaining a reasonable amount.

2. Two banks believe preferred allotments to investors other than commercial banks would be advantageous. The third bank suggests that it would be helpful if banks could be urged to sell certificates of indebtedness over the counter to investors, whether they placed their subscriptions on the day of issue or not; in other words, really work up a market of par bid and par asked all the time between the banks, with, say, a handling charge of an agreed sum.

3. Two banks believe preferred allotment should be given on all subscriptions up to a maximum amount, one suggesting \$250,000 as the maximum, and the other "a substantial figure." The third bank doubts the desirability of any preferred allotments, especially of short-term issues.

Cincinnati (continued)

4. One bank believes banks and trust companies should be limited to 50% of capital and surplus, and all other restrictions released. The other two banks made no comments.

5. Announcement of issues should be made three or four days, possibly a week, before the date set for accepting subscriptions.

Through continuous publicity, newspaper and otherwise, the market for certificates should be broadened, and banks should undertake to sell certificates of indebtedness to their customers, thus absorbing idle funds and capital accumulations of corporations unable to convert to war work.

Inclusion in the terms of the certificates of the privilege of using them at suitable times in payment of taxes of the United States would have wide appeal to corporations who presently hesitate to invest what appears to them "abnormal" amounts in non-negotiable tax notes. These corporations would prefer to invest in low-yield securities for which there is an open market rather than lay aside similar amounts in tax notes, the interest on which would be forfeited if sudden need for cash arose.

Pittsburgh

1. Five banks believe allotment should continue to be made on basis of nation-wide subscriptions. One bank believes that the total of each issue should be apportioned in advance between Federal Reserve districts and allotments made separately in each district according to the district's experience, based on short-term issues such as Treasury bills; announcement of the amount to be apportioned to each district should be made at the time of the offering.

2. Three banks believe preferred allotments should be given investors other than banks; one bank believes no preferred allotments should be made on short-term obligations; two banks believe no preferred allotments whatever should be made.

3. Five banks believe no preferred allotments should be made on subscriptions up to a given maximum; one bank believes preferred allotment should be given on all subscriptions by corporations and individuals up to \$100,000.

4. All banks consulted are satisfied with the four classes set out in the press statement of December 3, 1941.

5. All feel no wider publicity is necessary.

March 26, 1942.

Cincinnati (continued)

4. One bank believes banks and trust companies should be limited to 50% of capital and surplus, and all other restrictions released. The other two banks made no comments.

5. Announcement of issues should be made three or four days, possibly a week, before the date set for accepting subscriptions.

Through continuous publicity, newspaper and otherwise, the market for certificates should be broadened, and banks should undertake to sell certificates of indebtedness to their customers, thus absorbing idle funds and capital accumulations of corporations unable to convert to war work.

Inclusion in the terms of the certificates of the privilege of using them at suitable times in payment of taxes of the United States would have wide appeal to corporations who presently hesitate to invest what appears to them "abnormal" amounts in non-negotiable tax notes. These corporations would prefer to invest in low-yield securities for which there is an open market rather than lay aside similar amounts in tax notes, the interest on which would be forfeited if sudden need for cash arose.

Pittsburgh

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3. Five banks believe no preferred allotments should be made on subscriptions up to a given maximum; one bank believes preferred allotment should be given on all subscriptions by corporations and individuals up to \$100,000.

4. All banks consulted are satisfied with the four classes set out in the press statement of December 3, 1941.

5. All feel no wider publicity is necessary.

March 26, 1942.

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160

FEDERAL RESERVE BANK
OF RICHMOND

March 26, 1942.

The Honorable D. W. Bell,
Under Secretary of the Treasury,
Washington, D. C.

Dear Mr. Bell:

In the absence of Mr. Leach, I am replying to your telegram of March 23, requesting his views on the questions set forth therein.

We have interviewed the officials of several banks and insurance companies whose views we have considered in connection with our reply.

1. We favor allotment on the basis of total nation-wide subscriptions.
2. We do not favor giving preferred allotment to subscriptions from investors other than commercial banks for their own account.
3. We do not think that there would be much gained by a preferred allotment on all subscriptions up to a maximum amount for issues of the type under consideration.
4. We suggest that no changes be made at this time in the classes of subscribers or in the basis of subscriptions as set out in the Treasury's Press Statement of December 3, 1941.
5. It has been suggested to us that more corporations would buy certificates of indebtedness if they were given direct advance notice of offerings and were allowed more time between the opening and closing of the books than has been allowed in the past for Treasury bonds.

The general impression is that there will be a good demand in this district for the certificates of indebtedness, provided, of course, the rate of interest is acceptable.

Very truly yours,

(Signed) J. S. Walden, Jr.,
First Vice President.

[C O P Y]

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W62WASH F43 ATIA 27-1143

BELL.

Not feasible to discuss with our board of directors questions contained in your telegram of twenty-third as the board will not meet until April 10. However the questions were discussed with members of the executive committee and with bankers, brokers, and large investors in head office and branch cities. After giving due consideration to opinions of persons consulted our views are as follows:

1. Total amount of each issue should be allotted on basis of nation-wide subscriptions but if not allotted on that basis amounts apportioned to each district should be publicly announced at time of offering.
2. Do not feel that proposed issues of certificates of indebtedness will be particularly attractive to investors other than large commercial banks on account of short maturities and low interest rate and therefore do not think anything would be gained by making distinction between commercial banks and other investors for their own account.
3. Would like to see preferred allotment on all subscriptions up to \$25,000.
4. Do not know of any reason why there should be any changes in the four classes of subscribers or basis of subscriptions.
5. Some form of preliminary announcement should be made to the press, and otherwise, prior to the offering date in order to give corporations sufficient time to have their investment committees definitely decide whether or not they would be interested in the purchase of the proposed certificates.

McLarin

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1942 MAR 27 PM 1 02

W77WASH 6183 CCG 27-1149

HONORABLE D. W. BELL UNDER SECRETARY OF THE TREASURY

Reference your telegram March 23 concerning proposed issue of certificates of indebtedness which will be offered by Secretary next month. This matter was carefully considered at our Directors' meeting held yesterday. We also contacted representative bankers in Chicago, Detroit, Milwaukee, Indianapolis and Des Moines. The opinion of our directors as well as that of the majority of the bankers contacted follows:

- (1) Total amount of each issue should be allotted on basis of total nationwide subscriptions as at present. If Treasury should decide that total amount of each issue be apportioned in advance of offering between Federal Reserve Districts and allotments made separately in each district, the yardstick to be used should be the capital and surplus of the member banks of each district, and that if the Treasury should decide to use the yardstick of excess reserves of each district in relation to total reserves the average excess reserves over a three-month period should be used due to fact that April first tax situation in Illinois reduces substantially excess reserves in this district.
- (2) That Treasury should not give preferred allotment to subscriptions from investors other than commercial banks for their own account.
- (3) That subscriptions up to maximum amount of \$5,000 be allotted.
- (4) That there should be no change in the four classes of subscribers or basis of subscriptions set out in press statement of December 3, 1941 with exception that banks should be permitted to subscribe up to 100 percent of capital and surplus.
- (5) We have no suggestions for publicity other than a preliminary notice a few days before issue is announced as to maturity and rate. I have given considerable thought to question numbered four and recommend that all classes of subscribers be placed on the same basis with exception that banks be permitted to subscribe in amounts equal to 100 percent of capital and surplus.

YOUNG

1942 MAR 27 PM 1 25

W86WASH 6219 CCG 1222 CCG 27- 1222

D.W. BELL TREASURY

With further reference my wire today relative Treasury certificates. Thought you might be interested to know that it is consensus of opinion among the large interested buyers in this district that an issue of Treasury certificates short-term in the amount of \$1,500,000,000 could easily be sold.

YOUNG

[COPY]

FEDERAL RESERVE BANK

OF
ST. LOUIS

March 26, 1942.

Honorable D. W. Bell,
Undersecretary of the Treasury,
Washington, D. C.

Dear Mr. Bell:

This is in reply to your telegram of March 23 regarding the proposed issues of certificates of indebtedness. We consulted leading bankers and corporation officials in St. Louis and discussed the question at length at our Board of Directors meeting on March 26.

Generally speaking, the proposed certificates of indebtedness are regarded as issues most appropriate to banks, and it is thought likely that the bulk of the issues will be held ultimately by the larger banks of the country. While these certificates would be more attractive to corporations than Treasury bills, the corporate demand for even a short term market-risk issue is believed to be small. Most corporations with idle funds wish to keep these funds immediately available in order to meet possible emergencies that may arise and consequently would prefer a special non-market-risk issue. Even with such an issue a selling job must be done with corporations and the issue should remain on tap in order to achieve best results. Corporations do not have the same flexibility as do banks and other investing institutions in subscribing to offerings of marketable securities for which the books are open for only one or two days.

Our answers to your specific questions are listed below and they are based on the premise that these issues should be primarily directed toward the bank market rather than the market for corporate funds. Even though our suggestions would result in banks obtaining a larger amount of the certificates on original allotment, this does not mean that the banks would obtain any greater percentage of the total Treasury financing over the period ahead. We know that the banks are going to have to purchase a substantial amount of the Government securities to finance the war effort and we believe that those which they purchase should be of short or intermediate term which are most suitable for bank investment at this time.

1. We would not recommend at this time an apportionment of each issue between Federal Reserve Districts and separate district allotments. Many of the investors to whom we talked felt that such apportionment at present might be regarded as the beginning of a quota system to force investors to take so much of each issue when financing is increased in the future, and felt that this would have a bad psychological effect on the Government security market. There were a few investors who favored an apportionment by districts in order to reduce the allotments going to New York City and thus obtain a wider distribution of Treasury securities.

If an apportionment by districts was adopted, we would suggest that the basis for the apportionment should be the percentage which each district holds of the total deposits of individuals, partnerships, and corporations, plus excess reserves of member banks.

We believe the amount apportioned to each district should be publicly announced at the time of the offering.

2. No preferred allotment should be given to investors other than commercial banks for their own account.

3. We would give a preferred allotment on subscriptions up to a maximum amount of \$10,000: Provided, suitable safeguards could be devised to prevent padding of subscriptions through entering the subscriptions in the names of people who intend to sell them to banks and other financing institutions. Our thought here is that this would enable the smaller country banks who would plan to hold the securities to obtain a larger allotment.

4. The only change we would suggest from the basis of subscriptions set out in the press statement of December 3, 1941, is that banks and trust companies for their own account be permitted to subscribe not to exceed 100 percent of capital and surplus. We would recommend that it be announced at the time of the offering, however, that this change in bank subscriptions would apply only to this or similar issues.

5. Our only suggestion to obtain wider distribution of the securities would be to allow the offering to stay open two days instead of one. This would enable the offering literature to reach all of the banks of the western and southern districts which in some cases are not reached on the first day of the offering.

Sincerely yours,

(Signed) Chester C. Davis

Chester C. Davis,
President.

Via Air Mail.

[COPY]

1942 MAR 27 PM 1 05

W80WASH 6185 STL 27-1124

BELL

Re our reply to your telegram of March 23 airmailed last night. Wish to supplement answer to question No 5 with suggestion that consideration be given to announcing that the reason books are to be left open an extra day is to give investors more time to study the new type of security and thereby to secure a wider distribution of the certificates. Such an announcement should serve to counteract a possible public interpretation that leaving the books open longer means the Treasury is concerned about the success of the certificates.

DAVIS

FEDERAL RESERVE BANK OF MINNEAPOLIS
Ninth District

March 26, 1942.

Mr. D. W. Bell
Undersecretary of the Treasury
Treasury Department
Washington, D. C.

Dear Sir:

This is in reply to your wire of March 23 addressed to the president of this bank and asking for his views on questions regarding the proposed issues of certificates of indebtedness. President Peyton is out of the city for a few days. In his absence I have discussed these questions with qualified individuals in the Twin Cities and the following answers are the consensus of this group.

1. Should the total amount of each issue be allotted on the basis of total nation-wide subscriptions or by prearranged district apportionment? If fixed amounts are set for the total issue, they should be allotted on a nation-wide basis. It would be impossible to arrive at an equitable apportionment between the Federal Reserve Districts owing to seasonal factors and the tremendous distortion of the money market due to the movement of funds at income tax time. The larger city banks are temporarily short of reserves and New York in particular might not be able to absorb all of its allotment on a district basis. Under the nation-wide allotment plan, the distribution levels off naturally since the securities automatically flow to the points where they are desired. The offering could be made at a lower rate with safety under a nation-wide allotment since it would not be necessary to fix a rate that would assure the absorption of the securities in relatively high rate districts.

2. Should the Treasury give preferred allotment to subscriptions from investors other than commercial banks? Banks and industrial investors alike saw no advantage from a preferred allotment to non-bank investors. The distribution between types of investors will automatically be controlled by the type of security and the rate. If the banks want them, they will buy them from "riders" thus nullifying any prearranged special allotment. These short term Treasury issues will serve a useful purpose in bank portfolios where there is a tendency at the present time to sacrifice liquidity for yield in their government bond holdings.

3. Should the Treasury give preferred allotment on all subscriptions up to a maximum amount and if so, what should this maximum be? Opinion was divided but the majority thought the present maximum of \$5,000 to be satisfactory. It was stated that the small fellow needs short term investments and this amount would permit him to cover his short term requirements without encouraging him to purchase the issue for a speculative profit.

4. Should there be any change in the four classes of subscribers or basis of subscriptions? All classes of subscribers appear satisfied with the present arrangement.

5. Other suggestions.

(a) Leave subscription books open for at least a week. This is a new type of security to many investors and time should be permitted for the

treasurers of corporations to discuss the features with their boards of directors.

(b) Several investors recommended that the first issue at least of the new certificates of indebtedness be made an open end issue with the announcement that all subscriptions would be accepted. A typical case is that of the Bank of North Dakota which will have \$4 million of tax funds to invest and would be much better accommodated if the entire amount could be placed definitely at one time instead of the present uncertainty of placing a bid with the practical certainty that the allotment would be less than the amount subscribed for. Other large concerns having sizable amounts of cash earmarked for later tax payments would also be prospective customers for the certificates of indebtedness if the maturities were fixed to coincide with tax payment dates. Here again it would be advantageous to the investor if the entire subscription were to be allotted. To indicate the size of these funds which might be tapped, one local flour milling concern has more than \$7 million of cash of which about \$2½ million is earmarked for taxes. A seed crushing plant has \$6 million of cash of which \$2 million is earmarked for taxes.

(c) Specifically state that these securities can be used for the payment of federal taxes and space maturities to coincide with quarterly tax dates. These certificates would then be more flexible than tax anticipation notes and it is doubtful whether the market would ever go below par.

(d) Have some issues mature in less than one year. A commercial paper broker states that he rarely has a market for commercial paper longer than six months. Most idle cash is of a seasonal character and while the general picture is one of idle money, it is customary for every firm to have periods when most or all of its cash is employed.

(e) Offer an attractive rate. While institutions like the Bank of North Dakota are forbidden by statute from investing in commercial paper and similar short term investments, bankers and other investors are usually not so restricted. The commercial paper dealer referred to above stated that the new taxable certificates of indebtedness would need to compete in this market with ninety day commercial paper yielding $\frac{1}{2}$ of 1% and six months commercial paper yielding $\frac{5}{8}$ of 1%. The Treasurer of an insurance company stated that his company has an outlet for all of its idle funds through the purchase of Federal Intermediate Credit Bank debentures yielding .65 of 1% for six months and .85 of 1% for eight months.

(f) Publicity of the certificates of indebtedness should be specialized and directed specifically to banks, trust officers and treasurers of large concerns. Probably the credit departments of the larger banks could furnish suitable lists. These individuals could then be circularized directly by the Federal Reserve Banks.

(g) It was suggested that the law be amended to eliminate reserve requirements for member banks against war loan deposits since these deposits are adequately secured. In this way an average of 20% of the funds would be released for further investment or to state the matter another way, the income to a banker from investing in government securities on a "by credit" basis would be materially increased.

Very truly yours,

(Signed) O. E. Powell
First Vice President.

W58WASH 0460 KC 27-525

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BELL

Following are my views in response to the several questions contained in your wire of March 23 with respect to the proposed two issues of certificates of indebtedness.

1. The total amount of each issue should be allotted on the basis of total national wide subscriptions as at present.
2. Treasury should not give preferred allotment to subscriptions from investors other than commercial banks for their own account.
3. Treasury should give preferred allotment on all subscriptions up to a maximum amount. Suggest such maximum as \$10,000.
4. Believe following changes should be made in the four classes of subscribers or basis of subscriptions set out in press statement of December 3, 1941, which would be applicable to all issues hereafter.
 - (a) Permit insurance companies to subscribe on basis of 10 percent of total resources or 100 percent of net worth, whichever is higher. Present basis penalizes many small insurance companies in this district although larger insurance companies have benefited.
 - (b) Allow trust accounts to subscribe for 10 percent of total resources or 100 percent of cash deposited with subscription, whichever is higher. Many small trusts are now being penalized by the 10 percent limitation.
5. If at all feasible issue statement several days in advance of actual offering indicating probable approximate amount, maturity and rate.

LEEDY

WLB WASH Q 309 DLS 27-222

BELL

1942 MAR 27 PM 3 56

Replying your telegram March 23 concerning proposed issues of certificates of indebtedness - answer to question

1. Think allotment should be made on basis of total nationwide subscriptions as at present. In my opinion, there is no particularly good reason for allotting certificates on one basis and other securities on another. If, however, Treasury should decide that certificate issues should be apportioned in advance between Federal Reserve Districts, believe apportionment should be made on basis of ratio of total bank deposits of each District to total bank deposits of nation, but that amount apportioned to various districts should not be publicly announced at time of offerings.
2. In order to limit as far as possible the total amount of securities it may be necessary to offer to commercial banks, think that as a general rule, Treasury should give preferred allotment to subscriptions from non-bank investors, especially in connection with future offerings of intermediate and long-term securities. However, as certificates are short-term securities and bear low rates of interest, they will probably not be very attractive to investors other than banks. Consider it unnecessary, therefore, for Treasury to give preferred allotment to subscriptions for certificates received from investors other than commercial banks.
3. Believe it would be helpful if Treasury would offer to give preferred allotment on all certificate subscriptions up to \$10,000 as that might encourage medium-size and even smaller banks to subscribe and thus broaden distribution of securities. All certificate issues should be in coupon form.
4. No changes in classes of subscribers or basis of subscriptions are suggested in connection with certificate offerings.
5. Unless practice of keeping subscription books open usually for only one day requires its continuation, think it would be advisable to keep books open for at least two days. Also, think it would be helpful if an appropriate notice in regard to first certificate offering were mailed to bank and other investors about two days in advance of regular announcement by Treasury.

GILBERT.

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BELL

Following is composite of views arising from discussions officers and directors your telegram March 23:

1. There is no dependable measure for determining investment desires in advance of issue or amount of funds actually available for investment within a District. While in some instances district banks collectively show considerable excess reserves there is wide disparity in relative ownership thereof. In circumstances nothing constructive would be gained by fixing district quotas.
2. To give commercial banks junior rights to acquire any security having immediate marketability is not recommended because purpose would be circumvented by individuals and corporations free-riding for commercial banks.
3. Believe preferred allotments according to size of subscriptions undesirable. However recommend \$10,000 as lowest denomination of certificates of indebtedness to accommodate small banks and small business institutions which become permanently disinterested once they have experienced receiving insignificant allotment on subscription of say \$10,000 to \$25,000.
4. No change recommended in 4 classes prescribed press statement December 3, 1941.
5. Recommend at least 3 days advance notice of terms of any issue be given thus affording time for Reserve Banks and commercial banks to circularize likely investors.

CLERK

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE March 23, 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending March 21, 1942.

Summary

(1) The general price level continues to move gradually higher and by mid-March it stood at a new high since September 1928. In contrast, the Canadian wholesale price index has levelled off since last October. A ceiling on retail prices put into effect on December 1, 1941 thus far appears to have served as an effective restraint to any material further advance in Canadian wholesale prices.

(2) The BLS index of basic commodity prices showed little change last week, despite a decline in grain prices. Hog prices continued to rise, and have advanced 33 percent since the outbreak of war in the Pacific. However, ceiling prices will go into effect on pork products today.

(3) The cost-of-living index rose 0.6 percent further in February, with nearly all groups showing further mark-ups. Clothing costs again advanced sharply, rising 2.5 percent above the previous month.

(4) The urgent need for additional ships caused the WPB to divert steel plates to shipbuilders in February, at the expense of synthetic rubber and aviation gasoline plant development. Despite record plate shipments in February, some merchant ship construction is said to have been lost due to lack of steel plates. Plate production is expected to rise substantially in the current month, as a result of the conversion of continuous strip mills.

(5) Construction contract awards last month rose 60 percent above year-earlier levels, despite curtailment in some types of construction such as private residential building. Engineering construction awards last week rose sharply to the second highest level on record.

Prices continue to advance

Despite an increasing number of OPA price regulations, the general commodity price trend continues upward, though recently at a slackened pace. In the week ended March 14, the BLS all-commodity index rose 0.2 percent to 97.1, a new high since September 1928. The group index for commodities other than farm products remained unchanged, while the index for farm products advanced 0.8 percent.

It is of interest that general wholesale prices in Canada have shared only to a minor degree in the sharp price upturn of recent months in the United States. As brought out in Chart 1, the Canadian wholesale price index of nearly 600 commodities has held nearly level since last October, when the outline of the Canadian price control plan became generally known. In the four months since October, a rise of only 0.9 percent in the Canadian index contrasts with a rise of 4.7 percent in our BLS all-commodity index.

The ceiling on Canadian retail prices which was put into effect December 1, together with other positive actions taken by the Canadian government to meet the inflation problem, appears to have been chiefly responsible for the levelling out of wholesale prices. The price ceiling plan adopted in Canada is directly opposite to the method being used in the United States. The Canadian plan, which is admittedly experimental, is designed to halt inflation immediately, at a point where it contributes strongly to the inflation spiral -- at the retail level. Any resulting burdens due to squeezes between basic costs and retail selling prices are to be studied and equitably distributed, with the Government assuming part of the burden in some cases by the payment of subsidies.

The plan adopted in the United States aims to control inflation chiefly by placing ceilings on prices of certain basic commodities near the beginning of the manufacturing process. While retail ceilings have been placed on some scarce products, retail prices generally are not restricted and can advance as costs increase. Lack of effective control over wages, moreover, means a lack of control over costs. With legislative restrictions preventing effective restraints on prices of farm products, it is difficult to foresee more than a limited effectiveness of the present ceiling plan.

Evidence of inflation spiral

The Department of Commerce, in a report released last week, estimates that price inflation in 1942 will cost

consumers about \$8.8 billions. The estimate indicates that consumer expenditures for goods and services this year will approximate \$74.8 billions, but that in terms of 1941 dollars the total value would be only \$66.0 billions. In other words, \$8.8 billions would be due to increased prices. The overall price increase in 1942 for goods and services is forecast at 12 percent, made up of an increase of 18 percent for durable goods, 15 percent for nondurable goods, and 5 percent for services.

The difficulty of controlling commodity prices under our present system is illustrated in a recent BAE demand and price report, citing the trend of events set off by the wage increase granted to railroad workers late in 1941. As a result of the wage increase, the IOO recently granted increases in railroad freight rates and passenger fares. The increase in freight rates will, in turn, be added partly or wholly to commodity prices. Finally, the resulting increase in living costs will form the basis of demands for higher industrial and railroad wage rates.

Many basic commodities now under control

The number of basic commodities now under price ceilings or other form of control is illustrated in Chart 2, showing movements of basic commodity prices. Those under price control -- 17 of the 28 commodities -- are shown in the lower section of the chart by black lines, the lines for other commodities being in color.

The effectiveness of price control for this limited group of commodities is reflected in stability of the BLS price indexes for 12 basic foodstuffs and 16 raw industrial materials since the first of the year. (Upper section of Chart 2.)

Basic commodity prices last week on the whole showed little change. Grains, however, were relatively weak, with wheat prices dropping to the lowest levels since December. Reports of excellent weather for winter wheat, together with a recent revision of the AAA program to permit the harvesting of volunteer-growth wheat, have led to apprehension over the adequacy of storage space for the new crop in view of the present huge carryover.

Flaxseed prices fluctuated broadly last week, scoring sharp gains, and now are 46.8 percent higher than on December 6. The fluctuations largely reflected uncertainty concerning the

shipping of Argentine supplies. The Argentine Government holds large quantities bought at prices below the present official selling price, which would doubtless be a more serious price-depressing factor if shipping were available.

Hog prices continued to rise, and have risen 33-1/3 percent since December 6. The ceiling on pork products, becoming effective today, will of course limit the prices paid for hogs by packers.

Cost of living continues rise

The upward trend of wholesale commodity prices was reflected in a further increase in living costs in February. (See Chart 3.) The BLS cost-of-living index for February rose 0.6 percent above the January level, and stands 14.2 percent above the pre-war level of June 1939.

Prices were again marked up for almost all lines of merchandise purchased by moderate-income families. Clothing costs advanced sharply for the second successive month, the increase amounting to 2.5 percent. The index is 18.3 percent higher than in June 1939. Food costs are 24.8 percent above the June 1939 level, but the February advance of 0.5 percent was much less than the January rise. Other component costs rose moderately.

Taxes add 0.3 percent to living costs in year

In calculating the cost of living, the Bureau of Labor Statistics makes separate estimates of the amount of increase in living costs due to Federal excise taxes. While living costs increased 11.7 percent between February 1941 and February 1942, according to the BLS index, it is estimated that 0.3 percent was due to increased taxes.

Higher living costs, both current and prospective, are playing an increasing part as the basis of demands for higher wages. To forestall the use of the full increase in the cost of living (including that due solely to tax increases) as a basis for higher wage demands, it would seem desirable to publicize the distinction between the two components. It would obviously be inequitable to grant wage increases to cover laborers' tax contributions to the war effort.

Transportation problems complicate war effort

Production problems posed by the vast war program are complicated by actual or prospective transportation difficulties. The most serious of these, of course, is that of ocean

shipping. In recognition of the prime importance of the ship-building program, officials of the WPB recently revealed that shipyards are getting steel plates ahead of synthetic rubber and aviation gasoline plants. Although steel plate shipments in February reached the highest level on record, and a further increase is expected for the current month, press reports say that ship construction thus far this year has run behind schedule due to steel plate limitations.

Although not to be compared with the ocean shipping problem at the present time, domestic transportation facilities appear likely to be hard pressed as a result of rubber and gasoline shortages, expanding freight traffic, troop movements, possible traffic congestion at ports, etc. In recognition of the importance of railroad requirements, the WPB recently ordered steel mills to fill railroad needs for 36,000 freight cars and 1,260,000 tons of heavy rails before the end of April.

In an effort to get off to an unusually early start in Great Lakes shipping, icebreakers began operations last week to open up a channel for ore boats in the St. Mary's river in the vicinity of Sault Ste. Marie, Michigan. Moreover, 14 of the Cleveland Cliffs Iron Company's fleet of 23 ore boats cleared from lower lake ports last week on their first upbound trip of the year. The earliest opening of the Soo Canal thus far recorded was in 1902, when the canal opened for traffic on April 1.

Steel scrap situation improved

Partly as a result of seasonal factors, and partly due to Government efforts to move auto graveyard and farm scrap, the tight supply situation in steel scrap appears to have improved somewhat. Indicative of efforts to speed up the flow of scrap, government agents in one instance seized a small auto junk yard of a recalcitrant dealer in Valparaiso, Indiana, and in another instance expedited court proceedings which enabled the Metals Reserve Company to buy 15,000 tons of steel and nonferrous metals tied up in the abandoned New York, Westchester and Boston Railroad.

Despite the moderate improvement reported in some districts, one source recently stated that 19 open hearth furnaces in various sections were shut down, wholly or partly because of the lack of scrap supplies. Nevertheless, steel operations have continued to expand gradually, and the

tonnage of steel ingots scheduled for production last week reached a new peak as the operating rate rose 0.5 percent to 97.9 percent of capacity. During the current week, operations are scheduled at a sharp advance to 99.0 percent of capacity.

Construction contracts awarded in large volume

Despite curtailment in some categories, notably in private residential building, construction contract awards in the aggregate have been running well above year-earlier levels. Thus, total construction awards last month as reported by the F. W. Dodge Corporation ran 60 percent above the corresponding month in 1941. Although privately-owned residential awards in February fell 10 percent below year-earlier levels, a heavy increase in publicly-owned projects carried the total residential figure for the month 44 percent above February of last year. (See Chart 4, upper section.)

After declining steadily since last spring, mortgages selected for appraisal by the FHA last month showed only a small upturn. (Refer to Chart 4, upper and lower sections.) However, it should be specifically noted that these results do not include defense housing mortgages financed under Title VI. Although the amendments comprising Title VI were added to the National Housing Act for the purpose of facilitating defense housing about a year ago, mortgages financed under this title did not assume outstanding proportions until recent months. However, by February the larger part of the mortgages being selected for appraisal by the FHA were covered by Title VI, as will be seen in the following table:

Mortgages selected for appraisal

	Title II Section 203	Title VI Section 603 (Defense Housing)
November 1941	\$72,600,000	\$19,100,000
December 1941	64,200,000	19,000,000
January 1942	54,700,000	38,600,000
February 1942	61,900,000	82,700,000

Thus, despite a decline in non-defense residential construction, total mortgages selected for appraisal by the FHA in the first 2 months of 1942 ran 28 percent above year-earlier levels.

Heavy construction contracts rise to new high

The expanding war effort has of course stepped up heavy construction activity, and contract awards for this type of

construction as reported by the Engineering News Record last week reached the second highest level on record. (See Chart 5.) The total for the week, amounting to \$274,000,000, was only 8 percent below the record high reached in the week ended July 10, 1941.

WHOLESALE PRICE INDEXES IN U.S. AND CANADA

1926 = 100

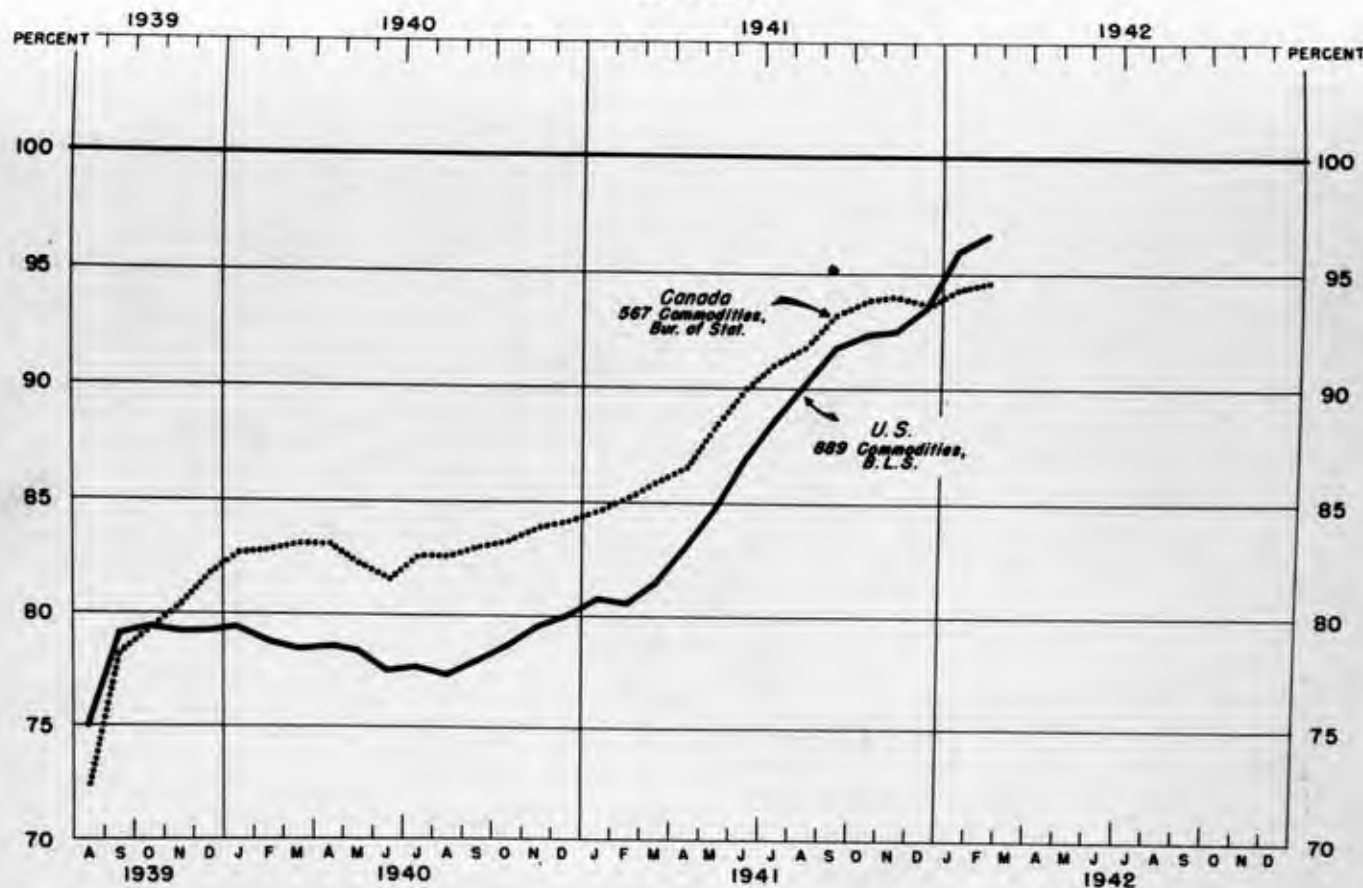
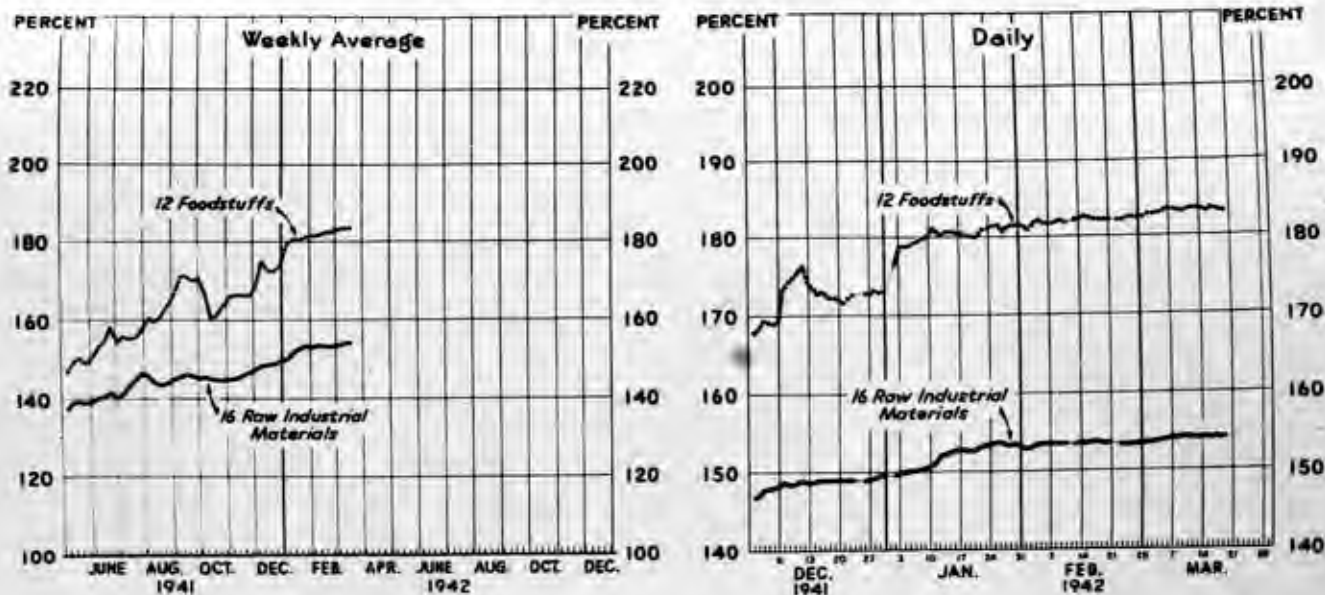


Chart 1

178

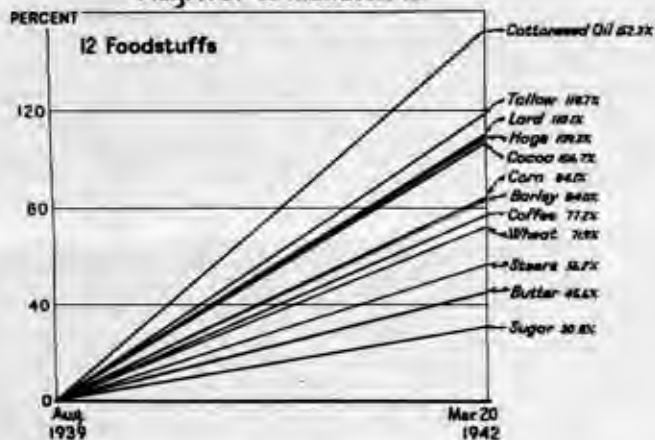
MOVEMENT OF BASIC COMMODITY PRICES

AUGUST 1939 = 100

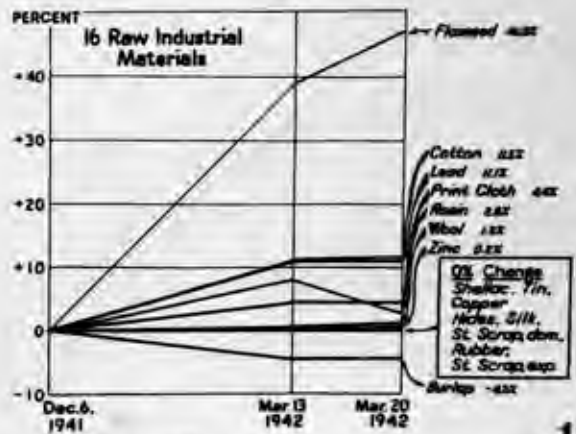
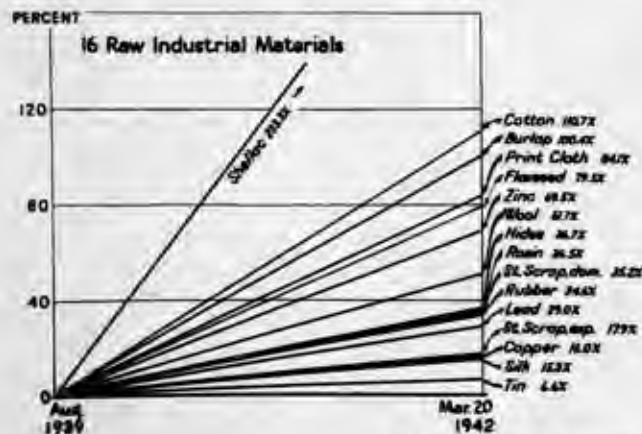
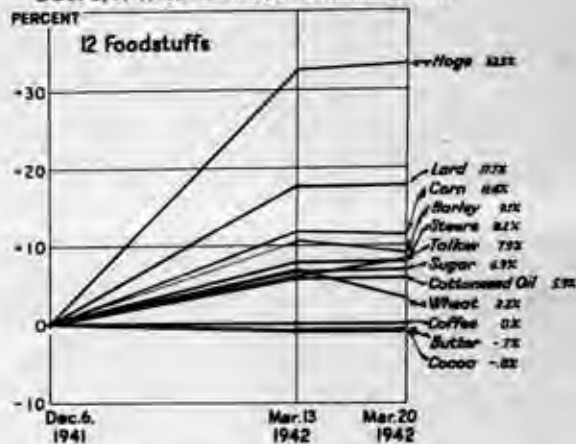


PERCENTAGE CHANGE FOR INDIVIDUAL COMMODITIES*

Aug. 1939 to Mar. 20, 1942



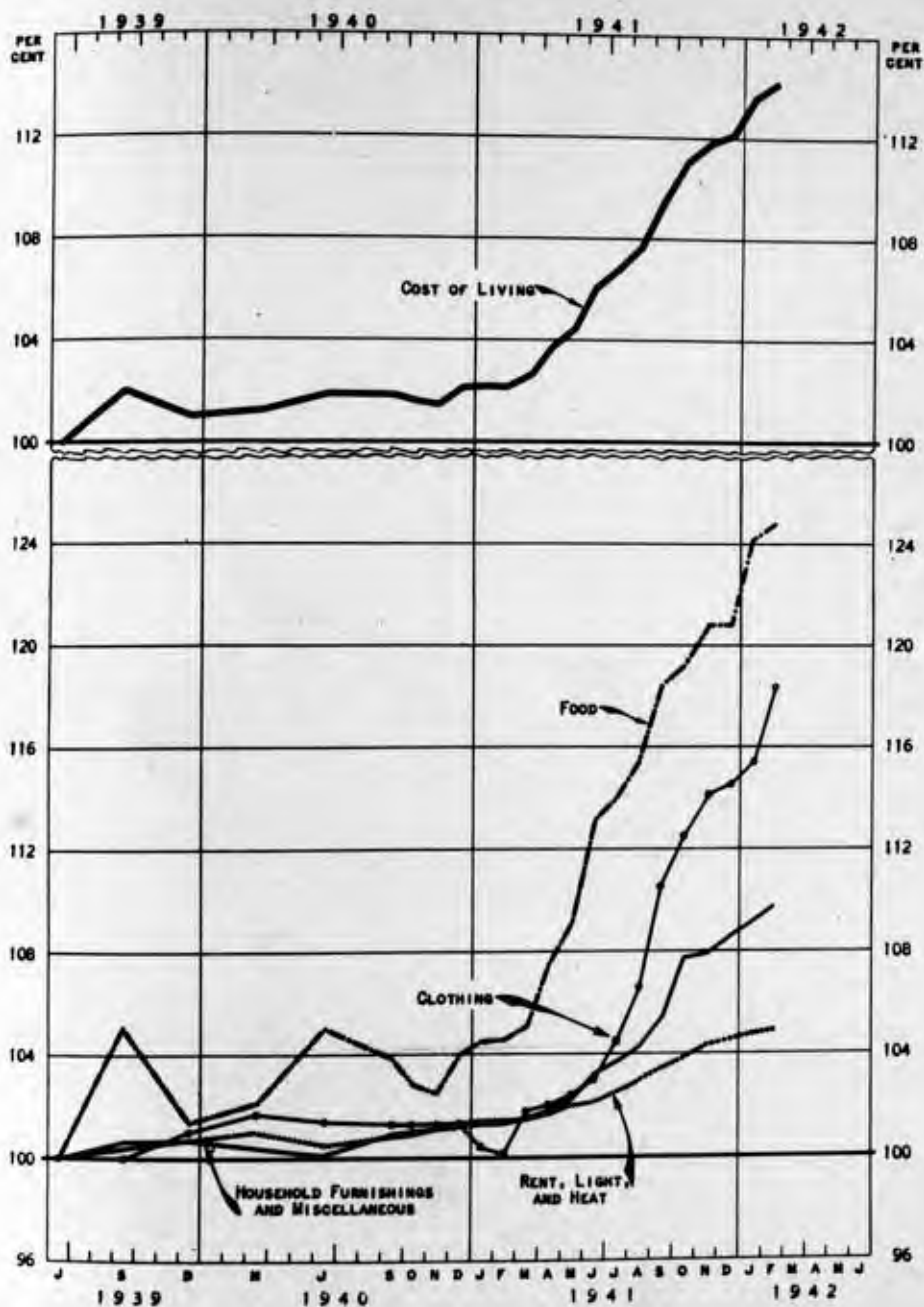
Dec. 6, 1941 to Mar. 13, and Mar. 20, 1942



*Black lines indicate commodities under price ceilings or other control

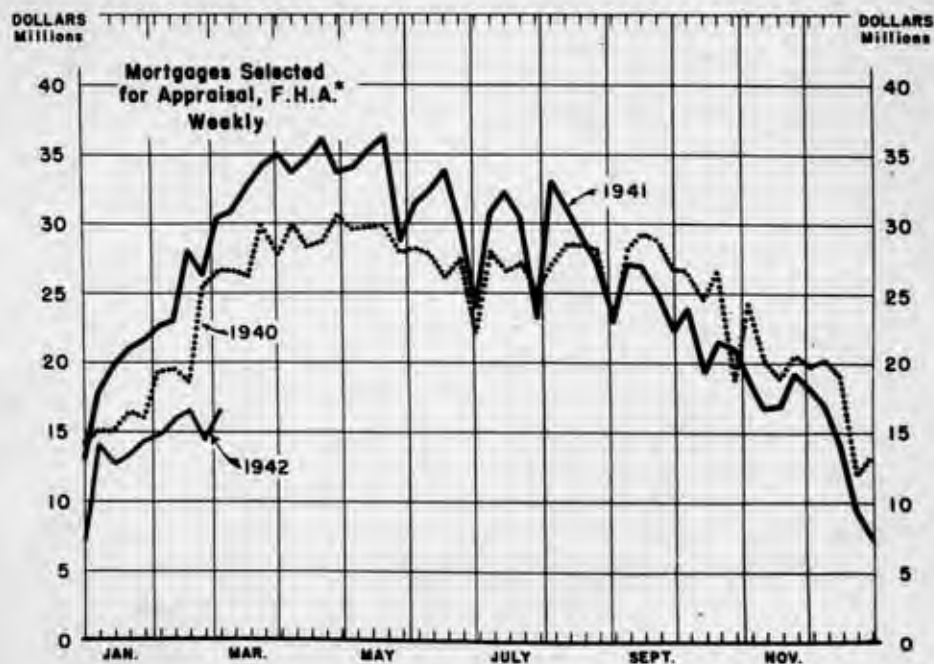
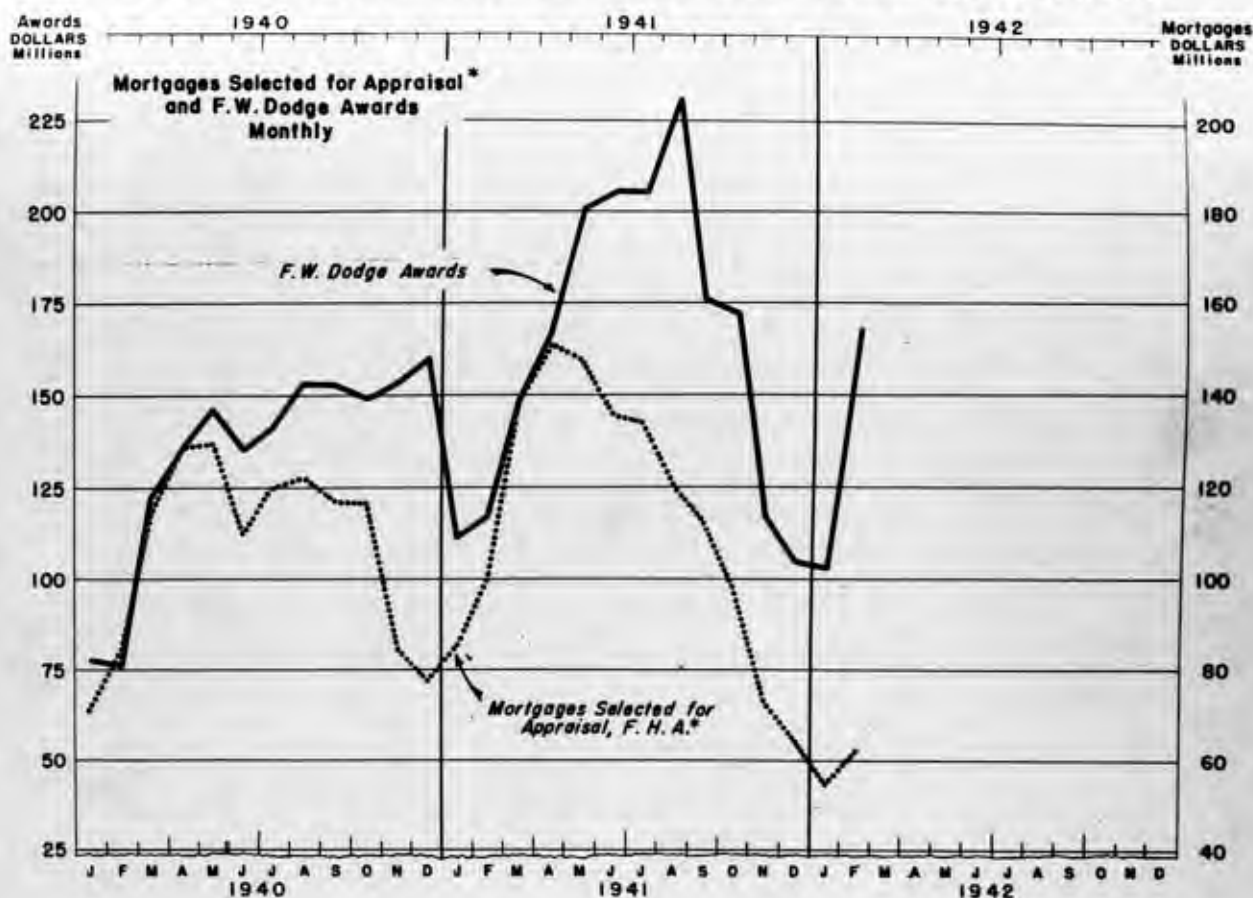
COST OF LIVING AND SELECTED ITEMS

JUNE 1939 = 100



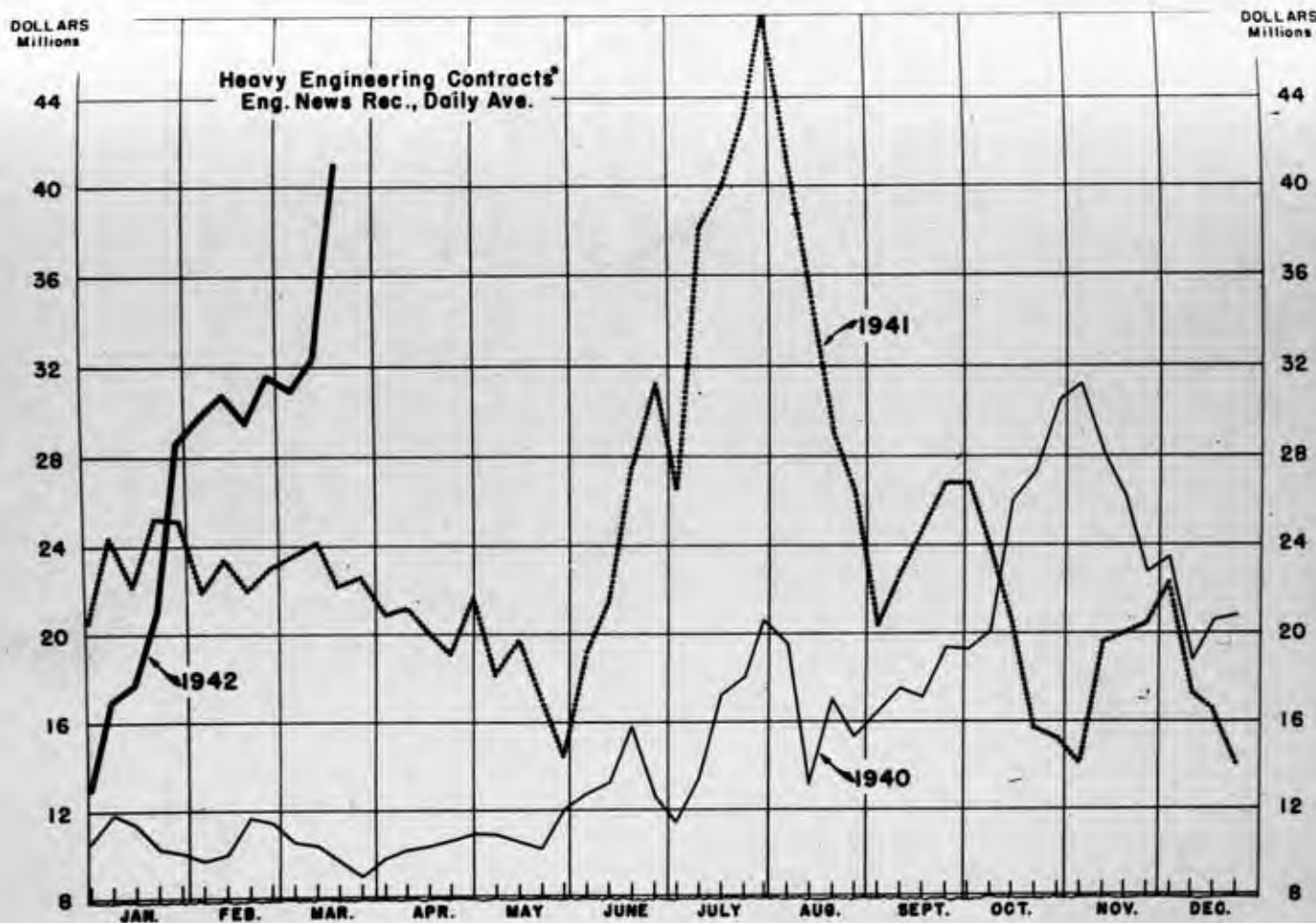
Source: B.L.S.

RESIDENTIAL CONTRACT AWARDS AND F.H.A. MORTGAGES



*Excluding Title VI Mortgages (Defense Housing)

HEAVY CONSTRUCTIC CONTRACT AWARDS



^aFour-week moving average placed on fourth week

WAR PRODUCTION BOARD
WASHINGTON, D. C.

OFFICE OF
DONALD M. NELSON
CHAIRMAN

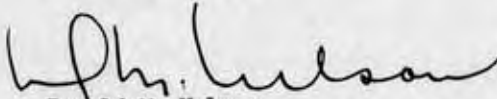
March 23, 1942

My dear Mr. Secretary:

Thank you for your letter of March 20, attaching a report on the cost of living in Canada as compared with that of the United States.

I found this to be quite interesting and appreciate your sending it on to me.

Sincerely yours,


Donald M. Nelson

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

March 23, 1942

Mr. Liversy

Mr. Dietrich

Attached is a revised copy of the letter to Dr. H. H. Kung from Henry Morgenthau, Jr., Secretary of the Treasury, which please cable to the American Embassy, Chungking, for delivery to Dr. Kung. Please have the Embassy advise Dr. Kung that the original letter is being mailed to him today.

TD: dml 3/23/42

Dear Mr. Kung:

I would like to take this occasion on the conclusion of our negotiations on financial aid to China to express my appreciation of the cooperative and understanding spirit which you and the other members of the Government of China have always brought to discussions with me and my Government.

The peoples of the United Nations have benefited from the indomitable will shown by the Government of China and its valiant leader, Generalissimo Chiang Kai-shek, to fight on until the last Japanese soldier has been driven back into the sea and the evil forces of Japanese militarism destroyed.

The financial assistance being given by the United States to China illustrates to the entire world the good faith and determination of the United Nations when they pledged themselves to pool their resources to defeat the common enemy. Of equal importance it is an expression of the faith and confidence which the American people have in their comrades-in-arms -- the Chinese people and their leaders.

The fulfillment of the purposes of the Agreement will greatly strengthen China's ability to continue its successful resistance. The past splendid record of the Government of China in adhering to the aims and intent of Agreements entered into with the U. S. Treasury gives me absolute confidence that the carrying out of the Agreement will be to the mutual satisfaction of both countries.

Sincerely yours,

Secretary of the Treasury.

Dr. H. H. Kung,
Ministry of Finance,
Chungking, China.

HDW:BB:ISF:dah
3/21/42.

TELEGRAM SENT

AMT

GRAY

March 23, 1942

5 p.m.

EMBASSY,

CHUNGKING, (CHINA) VIA N.R.

PRIORITY

206

Please inform Dr. H. H. Kung, Minister of Finance that the following letter to him from Henry Morgenthau, Jr., Secretary of the Treasury is being mailed today.

QUOTE. Dear Dr. Kung:

I would like to take this occasion on the conclusion of our negotiations on financial aid to China to express my appreciation of the cooperative and understanding spirit which you and the other members of the Government of China have always brought to discussions with me and my Government.

The peoples of the United Nations have benefited from the indomitable will shown by the Government of China and its valiant leader, Generalissimo Chiang Kai-shek, to fight on until the last Japanese soldier has been driven back into the sea and the evil forces of Japanese militarism destroyed.

The financial

-2- #206, March 23, 1942, 5 p.m., to Chungking

The financial assistance being given by the United States to China illustrates to the entire world the good faith and determination of the United Nations when they pledged themselves to pool their resources to defeat the common enemy. Of equal importance it is an expression of the faith and confidence which the American people have in their comrades-in-arms-the Chinese people and their leaders.

The fulfillment of the purposes of the Agreement will greatly strengthen China's ability to continue its successful resistance. The past splendid record of the Government of China in adhering to the aims and intent of Agreements entered into with the U. S. Treasury give me absolute confidence that the carrying out of the Agreement will be to the mutual satisfaction of both countries. Sincerely yours,
Henry Morgenthau, Secretary of the Treasury. UNQUOTE.

WELLES
ACTING
(FL)

FD:FL:BMcB

FE

PA/H

MAR 21 1942

Dear Mr. Kung:

I would like to take this occasion on the conclusion of our negotiations on financial aid to China to express my appreciation of the co-operative and understanding spirit which you and the other members of the Government of China have always brought to discussions with me and my Government.

The peoples of the United Nations have benefited from the indomitable will shown by the Government of China and its valiant leader, Generalissimo Chiang Kai-shek, to fight on until the last Japanese soldier has been driven back into the sea and the evil forces of Japanese militarism destroyed.

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The fulfillment of the purposes of the Agreement will greatly strengthen China's ability to continue its successful resistance. The past splendid record of the Government of China in

- 2 -

adhering to the aims and intent of Agreements entered into with the U. S. Treasury gives me absolute confidence that the carrying out of the Agreement will be to the mutual satisfaction of both countries.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.
Secretary of the Treasury.

Dr. H. H. Kung,
Ministry of Finance,
Chungking, China.

*By [Signature] - 10.20
4/24/42*

HW:BB:ISF:ckh
3/21/42.

Treasury Department
Division of Monetary Research

190

Date19

To: Miss Chauncey

From: L. Shanahan

Attached is copy of letter (first page) as originally signed by the Secretary. The pencil changes were suggested by the State Department, to Mr. B. Bernstein, and first page of the letter was re-typed.

MAR 21 1942

Dear Dr. Kung:

I would like to take this occasion on the conclusion of our negotiations on financial aid to China to express my appreciation of the co-operative and understanding spirit which you and the other members of the Government of China have always brought to discussions with me and my Government.

The peoples of the United Nations have benefited from the indomitable will shown by the Government of China and its valiant leader, Generalissimo Chiang Kai-shek, to fight on until the last Japanese soldier has been driven back into the sea and the evil forces of Japanese militarism destroyed.

The financial assistance being given by the United States to China demonstrates to the entire world the good faith and sincerity of the United Nations when they pledged to pool their resources to defeat the common enemy. Of equal importance it is an expression of the faith and confidence which the American people have in their comrades-in-arms — the Chinese people and their leaders.

The fulfillment of the purposes of the Agreement will greatly strengthen China's ability to continue its successful resistance. The past honorable record of the Government of China in

FILE COPY



Photostated to Hanes
3/30/42 192
AUSTRALIAN LEGATION,
WASHINGTON, D. C.

March 23rd, 1942

My dear Mr. Morgenthau,

Many thanks indeed for your kind
letter of March 20th.

For reasons that I think you will
appreciate, I had a difficult choice to make when
I was offered this position, but I think that, in
all the circumstances, I did what was right.

With best wishes to you for the future,
believe me -

Yours sincerely,

McCleary

Hope I may have an opportunity
to call on you before I go - but
Winston appears to want me at
very short notice & I may not
have a chance. I am most
grateful to you for all your
courtesy & am a look forward
to meeting again hope Aug.

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

WCC

March 20, 1943.

My dear Mr. Cacey:

Permit me to congratulate you upon the honor that has just come to you. Those of us who know of your service on behalf of your country here, feel sure that any new task that is entrusted to you will be well done. I have enjoyed our contacts during the past months, and hope that if there is any way I can be of service to you in your future work, you will not hesitate to call upon me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Richard G. Cacey,
3120 Cleveland Avenue,
Washington, D. C.

H.M.C.

GEF/dbs

WAR PRODUCTION BOARD
WASHINGTON, D. C.

194

March 23, 1942

IN REPLY REFER TO

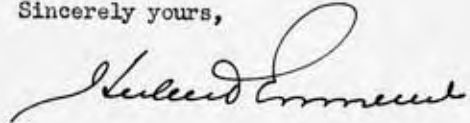
Honorable Henry Morgenthau, Jr.

Secretary of the Treasury

Dear Mr. Secretary:

It was very good of you to write me as generously as you did on March 18, and I want you to know how much I appreciate your congratulations and good wishes.

Sincerely yours,



FOR VICTORY
BUY
UNITED
STATES
SERIAL
BONDS
AND
STAMPS

March 18, 1942.

Dear Mr. Emerich:

It was with much pleasure that I heard of your new appointment, and I want to add my congratulations to the many I know you are receiving. I feel that the Administration also is to be congratulated upon having a man of your wide experience and keen personal interest in a post of such importance at this time. My best wishes go with you as you take up the new work.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Herbert Emerich,
Administrator, United States Housing
Authority,
Washington, D. C.

GEF/dbs

File H.M.C.

196

PRESIDENT ROOSEVELT NOMINATED HERBERT EMMERICH OF ILLINOIS TO BE ADMINISTRATOR OF THE USHA, A UNIT OF THE NEW NATIONAL HOUSING AGENCY. THE APPOINTMENT OF EMMERICH, WHO WAS EXECUTIVE SECRETARY OF THE OFFICE OF PRODUCTION MANAGEMENT, WAS RECOMMENDED BY JOHN B. BLANDFORD, JR., ADMINISTRATOR OF THE OVER-ALL AGENCY.

3/17--S1241P

Treasury Department
Division of Monetary Research

197

Date..... March 25, 1942..... X5

To: Miss Chauncey

From: Mr. Southard

The matter dealt with in the attached cable has come to the Secretary's attention in another way. I think it can therefore be put in the file.

INCOMING 140 from Iceland

MR. WHITE
Branch 2058 - Room 214½

C O P Y

198

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD

March 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of telegram No. 140, dated March 5, 1942, from the American Legation, Reykjavik, Iceland, regarding documents deposited with Mr. Barnes, in the name of the Icelandic Minister in Washington, by the Minister of Finance.

Enclosure:

From Legation, Reykjavik,
No. 140, March 5, 1942.

TEM

GRAY

Reykjavik

Dated March 5, 1942

Rec'd 1 a.m. 6th

Secretary of State,

Washington.

140, March 5, 6 p.m.

Department's telegram no. 129, November 21, 7 p.m. and Legation's mail despatch no. 41, November 25, 1941.

The Minister of Finance has just deposited with me new documents in the name of the Icelandic Minister in Washington. These documents are in English and read as follows:

One. "With reference to an Act no. 130 of December 19, 1941 paragraph one, authorizing the Government to guarantee a working loan for the National Bank of Iceland, I the undersigned, Jakob Moller, Iceland's Minister of Finance, acting on behalf of the Treasury do confer upon the Icelandic Minister in Washington, Mr. Thor Thors, full and unrestricted power of attorney to sign a declaration on the Icelandic Treasury as guarantor of full and due repayment of principal and payment of interest on a loan not exceeding two million dollars (repeat \$2,000,000) which the National Bank of Iceland proposes borrowing from the Stabilization Fund, Washington, D.C., United States of America.

Reykjavik, this 4th day of March 1942.

Signed: Jakob Moller".

Two. "This is to certify that Landsbanki Islands, Reykjavik, hereby gives the Iceland Minister in Washington, Mr. Thor Thors, a full and unlimited power to sign a Stabilization Fund's agreement with the Secretary of the Treasury of the United States of America, amounting to maximum equivalent of United States dollars two million (repeat \$2,000,000 United States dollars). Whatever Minister Thors may do in connection with this matter is equally valid as if we had done it ourselves.

Done in Reykjavik the 4th day of March 1942.

Landsbanki Islands.

National Bank of Iceland.

Signed: Vilhjalmur Thor.

Signed: Petur Magnusson."

The Minister of Finance expressed the hope that with the deposit of these full powers with the Legation it will be possible for the Icelandic Minister in Washington to proceed to sign the loan agreement without delay. Appropriate instructions are being sent to him. Original documents will be forwarded in next pouch.

BARNES

NFL

Copy:bj:3-23-42

C
O
P
Y

201

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
Le 740.00113 European
War 1939/313

March 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and advises him of the receipt on March 18, 1942 of a telegram from the American Legation at Bern, Switzerland stating that on March 13 it had been informed by the Swiss Foreign Office that the Swiss Legation in Budapest had in turn been informed confidentially by the Hungarian Foreign Office that Hungary has not yet issued any decree in regard to the confiscation of property belonging to the enemy, but that one is in the process of preparation by the Hungarian authorities.

Copy:bj:3-25-42

C
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202

DEPARTMENT OF STATE

WASHINGTON

In reply refer to
Le 740.00113 European War
1939/312

March 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits for his information a copy of a telegram dated March 17, 1942 received from the American Legation at Bern, Switzerland transmitting a summary of Thai Legislation on the control of enemy property.

Enclosure:

Copy of telegram from
Bern, Switzerland,
March 17, 1942.

eh:copy 3-25-42

Dated March 17, 1942

Rec'd 3:03 a.m., 18th

Secretary of State,
Washington.

1066, seventeenth

AMERICAN INTERESTS THAILAND.

Department's 524, February 21.

Swiss Consul, Bangkok, telegraphs March 3 summary Thai Legislation on control enemy property as follows.

"First: Act BE 2484 (date being requested) provides for controlling and managing business or properties of aliens of certain categories in emergency. Committee appointed by Minister Economics to take over control and management sending written information to aliens concerned and posting notice. Committee empowered to name business or properties to be controlled including those shared with Thai and other persons, manage and conduct, stop business, confiscate properties or sell articles which require expensive upkeep or are perishable, liquidate business with approval Minister, and in case alien excessively in debt to file with court of bankruptcy. Also to pay to aliens whose property under control a suitable amount for their or their families living expenses those whose properties are taken over must deliver business together with accounts, seals, documents and all other related articles and those responsible therefor must report possession to competent authorities. Aliens representing persons whose properties taken over must appear before authorities whenever called and may only change residence with permission committee. When notification of control issued contracts made thereafter without permission committee except contract for buying essential commodities are void, any action taken before control came into force only valid if done through official channels. Expenses of control including salaries, wages and bonus for committee and competent authorities to be deducted from properties of such aliens. In case after liquidation any balance left it shall be taken care of by committee. Shall not be responsible for any damage resulting from management and persons whose property controlled cannot make any claim for compensation or interest persons hindering committee's action subject fine and imprisonment.

Second: extract of Act BE 2485 (date being requested) dealing with enemy nationals and their properties. Section 7 states with regard to the properties of enemy nationals measures are to be taken in accordance with provisions of law (BE 2484) dealing with control and management of business or properties of aliens of certain categories in time of emergency.

Third: notification defining enemy nationals forwarded to Department in Legation's 786, February 26, 1942. Includes American citizens with certain exceptions relating to Asiatic women and children.

Fourth: act of December 26, 1941 dealing with enemy nationals and properties (No. 2 BE 2485) provides: all British and American commercial banking and industrial enterprises of all kinds including clubs, societies and properties will be controlled and managed by committee under Minister of Economics according to act of December 1941 (BE 2484) controlling and managing business and properties of certain categories of aliens. Committee is empowered under this act as follows: (one) to carry on business; (two) confiscate properties; (three) liquidate business; (four) pay from time to time to alien whose business is under control and management a suitable amount for his and his family's living expenses. (Consul adds most business still closed and decisions of committee still pending). This act supplemented February 20 by following section: property of enemy national who escapes from kingdom leaving his property behind shall become property of state.

Fifth: extract of criminal investigation department order 19 regarding protection and management of aliens: section one provides persons mentioned are permitted take with them to camp (internment) foodstuffs and other essential commodities remaining properties belong to those persons except firearms, ammunition and explosives will be taken charge of by local police authorities. Section two provides legations and consulates of the British, American and Netherlands together with persons exercising the diplomatic rights of these nationals will continue to be taken care of by the police authorities in accordance with regulations and instructions already issued."

In addition Consul telegraphed March 2 as follows:

British Indians are treated according to notification transmitted with telegram February 21 (Legation's telegram 786, February 26). Subject to their not showing themselves enemies of Thailand they are treated according to the laws applicable to non-enemy aliens and therefore free in respect to pursue ordinary avocations. This applies also to all other Asiatics of British or American nationality."

HARRISON

ENC

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE March 23, 1942

TO Secretary Morgenthau
FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£50,000
Purchased from commercial concerns	£49,000

Open market sterling was again quoted at 4.03-3/4, with no reported transactions.

In a quiet market, the Canadian dollar discount widened to 13% by the close, as compared with 12-3/4% on Saturday.

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

Argentine peso (free)	.2370
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2815
Cuban peso	3/16% premium

We sold \$4,988,000 in gold to the Central Bank of the Argentine Republic, which was added to its earmarked account. In order to replenish the Stabilization Fund's gold balance, we purchased \$4,988,000 in gold from the General Fund through the New York Assay Office.

The Federal Reserve Bank of New York reported that the Government of French Equatorial Africa shipped \$1,050,000 in gold from French Equatorial Africa to the New York agency of Barclays Bank, for sale to the New York Assay Office for that Government's account.

In London, spot and forward silver remained at 23-1/2d, equivalent to 42.67¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

Copy No. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 96

Information received up to 7 A.M., 23rd March, 1942.

1. NAVAL

MEDITERRANEAN. On the afternoon 22nd, our light cruisers and destroyers escorting an important convoy from ALEXANDRIA to MALTA met 3 enemy cruisers which were driven off. Two hours later an enemy battleship, 4 cruisers and destroyers were sighted and in the subsequent action of which details are not yet available it would appear that the battleship received at least one torpedo hit and that the enemy were again driven off. Two H.M. destroyers were damaged but were able to proceed at half speed.

2. MILITARY

LIBYA. During 20th/21st and 21st columns of our forward troops carried out successful raids into enemy forward posts and brought back about 200 prisoners including about 50 Germans. Our Artillery shelled MARTUBA and TMIMI landing grounds during the day and Free French shelled enemy transport about 30 miles south southeast of MEKILI. Some of our patrols penetrated to a point 20 miles northeast of MEKILI.

BURMA. 21st. All quiet both fronts.

3. AIR OPERATIONS

LIBYA. 21st. Bostons attacked BARGE landing ground. Two are missing.

MALTA. In addition to raids reported in OPTEL No. 95 a further 95 enemy aircraft attacked the Island on the 21st. Anti-aircraft destroyed three JU 88's and damaged three more. On 22nd, 53 enemy aircraft attacked but caused little damage. Hurricanes damaged four JU 88's and anti-aircraft two ME 109's. One Hurricane crashed. In raids from 20th to 22nd inclusive, 11 of our aircraft were burnt and a further 28 were damaged on the ground.

BURMA. 21st. Our bombers successfully attacked MINGALADON aerodrome. No details available yet. 59 enemy bombers with fighter escort made three attacks on MAGWE. Eight Blenheims were destroyed and seven damaged and all the American Volunteer Group aircraft were damaged - all on the ground. Two Hurricanes were shot down but pilots are safe.

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, March 24, 1942.
3/23/42

Press Service
No. 30-84

The Secretary of the Treasury announced last evening that the tenders for \$150,000,000, or thereabouts, of 83-day Treasury bills, to be dated March 25 and to mature June 16, 1942, which were offered on March 20, were opened at the Federal Reserve Banks on March 23.

The details of this issue are as follows:

Total applied for - \$512,778,000
Total accepted - 150,262,000

Range of accepted bids: (Excepting two tenders totaling \$135,000)

High	- 99.981	Equivalent rate approximately	0.082 percent
Low	- 99.949	" " "	0.221 "
Average Price	- 99.953	" " "	0.203 "

(39 percent of the amount bid for at the low price was accepted)

-000-

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 24, 1942

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

Here is the latest on the Walt Disney situation, as described by Mr. Whitney, who is in charge of films for the Nelson Rockefeller office.

Disney spent a whole day with the editors of The Reader's Digest, discussing the proposed film series. The Reader's Digest people were enthusiastic about the idea of using at least some of these films to tell the truth about life under Nazi rule. They objected, however, to any financial underwriting of the project by the Government, and preferred to assume the whole cost themselves. The films would be sold commercially to exhibitors, and Disney has no doubt that they will sell if they have The Reader's Digest name and backing.

The only possible drawback to this arrangement, as I see it, is that we would not have editorial control over the subject matter of the films, since we would not be bearing any of the cost or financial risk. Mr. Whitney believes, however, that this will not be serious in view of The Reader's Digest approval of your ideas, and also in view of the extremely cooperative attitude which this magazine has shown in all its dealings with us. He thinks we can do just as well by a good talk with The Reader's Digest people, so that they may know our wishes. We might have such a talk soon after you get back, either by having The Reader's Digest editor come to Washington or by sending someone up to Pleasantville for a heart-to-heart talk on the subject.

One small difficulty is that the movie rights of "Education for Death" have already been sold to Paramount.

but Mr. Whitney believes that he can get the rights back for Reader's Digest if this title is to be used for the film about the Nazi child.

The alternative to The Reader's Digest project is to have the films made and distributed on a give-away basis. The cost of this would approach half a million dollars for six films, and I think The Reader's Digest project is infinitely preferable. The Disney brothers are convinced that there is no way to get exhibitors to buy propaganda films except with a tie-up such as that with The Reader's Digest.

A letter from the Disney Studio tells me that work on these films has been discontinued pending a decision from us and from The Reader's Digest.

J. K.

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A letter from the Disney Studio tells me that work on these films has been discontinued pending a decision from us and from The Reader's Digest.

J. K.

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FERDINAND KUHN JR

TREASURY DEPT

PLEASE WRITE ME AIR MAIL JUST EXACTLY WHERE WE STAND
WITH DISNEY ON OUR NEXT PICTURE

HENRY MORGENTHAU JR.

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Daily changes in the stock of Series E savings bonds on hand ^{1/}

(In thousands of pieces)

	: Number of : pieces sold : this day	: Number of pieces: : manufactured : this day	: Stock on hand : at close of : day	: ISM : deliveries : this day
March 9	344	500	25,786	-
10	123	500	26,163	-
11	192	300	26,271	-
12	157	300	26,414	800
13	193	300	26,521	-
14	137	none-closed	26,384	-
15	none-closed	none-closed	26,384	-
16	271	300	26,413	-
17	144	300	26,569	-
18	148	300	26,721	650
19	160	300	26,861	-
20	259	300	26,902	600
21	162	none-closed	26,740	-
22	none-closed	none-closed	26,740	-
23	312	300	26,728	-

March 24, 1942

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

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

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
First Nineteen Business Days of March, February and January 1942
(March 1-23, February 1-23, January 1-22)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	March	February	January	March over February	February over January	March over February	February over January
	:	:	:	:	:	:	:
Series E - Post Offices	\$ 65,877	\$ 74,939	\$117,865	-\$ 9,062	-\$ 42,926	- 12.1%	- 36.4%
Series E - Banks	<u>195,418</u>	<u>269,925</u>	<u>349,287</u>	- <u>74,507</u>	- <u>79,362</u>	- <u>27.6</u>	- <u>22.7</u>
Series E - Total	261,294	344,863	467,153	- 83,569	- 122,290	- 24.2	- 26.2
Series F - Banks	30,731	43,917	52,152	- 13,186	- 8,235	- 30.0	- 15.8
Series G - Banks	<u>137,927</u>	<u>208,842</u>	<u>207,667</u>	- <u>70,915</u>	<u>1,175</u>	- <u>34.0</u>	<u>0.6</u>
Total	<u>\$429,952</u>	<u>\$597,622</u>	<u>\$726,971</u>	- <u>\$167,670</u>	- <u>\$129,349</u>	- <u>28.1%</u>	- <u>17.8%</u>

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

March 24, 1942.

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

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

UNITED STATES SAVINGS BONDS
Daily Sales - March, 1942
On Basis of Issue Price
(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
March 1942									
2	\$ 5,811	\$ 15,868	\$ 2,043	\$ 8,726	\$ 26,636	\$ 21,678	\$ 2,043	\$ 8,726	\$ 32,447
3	2,975	8,459	1,629	8,780	18,868	11,434	1,629	8,780	21,843
4	3,395	8,833	2,658	12,558	24,048	12,228	2,658	12,558	27,443
5	3,869	10,448	1,680	11,870	23,998	14,317	1,680	11,870	27,867
6	4,179	10,696	1,759	10,825	23,279	14,875	1,759	10,825	27,458
7	3,480	11,586	1,586	6,328	19,499	15,066	1,586	6,328	22,979
9	4,967	18,636	3,944	8,488	31,068	23,604	3,944	8,488	36,035
10	2,804	5,719	1,365	4,162	11,246	8,523	1,365	4,162	14,050
11	3,156	10,002	1,533	7,287	18,823	13,158	1,533	7,287	21,979
12	2,686	8,114	1,133	5,504	14,750	10,800	1,133	5,504	17,436
13	2,682	10,594	1,065	5,007	16,666	13,276	1,065	5,007	19,348
14	2,797	6,616	1,102	4,745	12,463	9,413	1,102	4,745	15,260
16	4,464	13,193	1,415	8,693	23,301	17,658	1,415	8,693	27,766
17	2,967	6,384	1,015	2,561	9,961	9,351	1,015	2,561	12,927
18	2,552	7,097	1,201	9,433	17,731	9,650	1,201	9,433	20,283
19	2,559	7,911	1,019	5,527	14,457	10,470	1,019	5,527	17,016
20	3,510	13,306	1,511	5,524	20,341	16,817	1,511	5,524	23,852
21	2,662	7,998	1,122	3,714	12,833	10,660	1,122	3,714	15,495
23	4,362	13,955	1,953	8,199	24,107	18,317	1,953	8,199	28,469
Total	\$ 65,877	\$195,418	\$ 30,731	\$137,927	\$364,076	\$261,294	\$ 30,731	\$137,927	\$429,952

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

March 24, 1942.

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

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

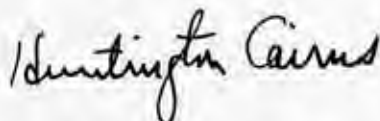
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE MAR 24 1942

TO Secretary Morgenthau
FROM Mr. Foley

In accordance with existing instruction, there is submitted herewith a summary report of studies and projects carried on by the Legal Staff for the months of December 1941, and January 1942.

Attachment

A handwritten signature in cursive script, reading "Huntington Cairns".Acting General Counsel

SUMMARY REPORT ON STUDIES AND PROJECTS IN
THE OFFICE OF THE GENERAL COUNSEL
DECEMBER, 1941, AND JANUARY, 1942.

The following matters received attention in the Office of the Chief Counsel for the Bureau of Internal Revenue:

1. Exemption of Certain Property from State and Local Taxes. A report has been prepared on H. R. 6049, a Bill to exempt from State and local taxes the sale, purchase, storage, use, or consumption of tangible personal property for use in performing defense contracts. This Bill is designed to overcome a recent Supreme Court decision (Alabama v. King & Boozer) that defense activities are fully taxable by States so long as the legal incidence of the tax falls on private persons.
2. Filing of Returns Under a Declaration. A legislative recommendation has been prepared and is now under review whereby the Commissioner would be permitted to prescribe by regulations that returns may be filed under a declaration that they are true and complete, and that such declaration is made under penalties of perjury, instead of being filed under oath. This proposed legislation provides criminal penalties for the making of a false declaration in such cases. As an alternative, it is recommended that section 3632 (b) of the I. R. C. be amended to permit postmasters

- 2 -

and officers in the military and naval forces of the United States to administer oaths to internal revenue returns.

3. Inspection by OPA of Certain Tax Returns. A proposed Treasury decision and Executive Order have been prepared so as to provide for the inspection by the Office of Price Administration of certain corporation statistical transcript cards prepared by the Bureau of Internal Revenue from corporation income and declared value excess-profits tax returns filed for years beginning after June 30, 1935 and ending before July 1, 1941. These cards show the name and location of the corporate taxpayer, the principal receipt and deduction items and items of assets and liabilities.

4. Priority of Wage Claims Over Federal Taxes. The Chairman of the Social Security Board, in a letter to the Commissioner, states that the Board favors such legislation as may be necessary to accord wage claims substantially the same priority of payment over Federal taxes in insolvency cases as is now provided in bankruptcy proceedings. The matter is being carefully studied.

5. Exemption from Taxation of Income Derived from Forfeiture of a Leasehold. Under the Supreme Court decision in the case of Bruun v. Helvering, 60 S. Ct. 631 (1940), a lessor realized

- 3 -

taxable income upon forfeiture of a leasehold, the tenant having erected a building upon the premises. Consideration is being given to a suggestion that such income be exempted from taxation and that no adjustment be made to the basis of a lessor's property by reason of the erection of a building on his land by a lessee or the forfeiture of the lease after the building is erected.

6. Amendments to the Retirement Law. A compilation has been prepared showing in its entirety the retirement law as it exists at this time. This compilation consists of: (1) New provisions incorporated into the law by the Act of January 24, 1942, Public Law No. 411, 77th Congress, entitled "An Act to amend further the Civil Service Retirement Act approved May 29, 1930, as amended;" (2) amendments made by the Act of January 24, 1942, to the existing retirement law; and (3) provisions contained in previous acts on the subject of retirement which are still in force and effect.

The following work was done under the supervision of Assistant General Counsel Cairns:

7. Regulations under Trading with the Enemy Act. Messrs. Chambers and Ivey prepared a Treasury decision containing amendments to the regulations under section 3(c) of the

- 4 -

Trading with the Enemy Act, dealing with communications outside the regular course of the mails. The principal amendment extends the licensing authority to cover certain types of communications being brought into the United States. The Treasury decision in question was signed on January 26, 1942, by Acting Secretary Gaston.

8. Solicitor's Office, New York. On January 14, 1942, while at the customhouse in New York, Mr. Chambers ascertained that the plans recently discussed with Assistant General Counsel Cairns by Collector Durning at New York, regarding the transfer from the Legal Division at New York to the collector's administrative staff of cases involving failure to produce consular invoices had not been put into effect. After a discussion with Mr. Durning and Mr. Altschuler, solicitor to the collector, instructions were issued by Mr. Durning for the transfer of this type of work to become effective on January 19, 1942. Both Mr. Durning and Mr. Altschuler agreed that this work is of a type more suitable for handling by the administrative than the legal staff.

9. Meaning of the Phrase "Dispensing Physician" in Section 2551(a) of I.R.C. An opinion addressed to the Solicitor General of the United States, which was written by Mr. Feidler

- 5 -

and signed by Mr. Cairns as Acting General Counsel on November 29, 1941, concluded that the phrase "including dispensing physicians" in the second proviso to section 2551(a) of the Internal Revenue Code does not include physicians administering exempt preparations in circumstances which would except physicians from the record keeping requirements of section 2554(c)1 of the Internal Revenue Code.

10. Retired Foreign Service Officers Employed by the Board of Governors of Federal Reserve System or by Federal Reserve Bank. An opinion addressed to the Administrative Assistant to the Secretary, which was prepared by Mr. Meeker and Mr. Meyer, and signed on December 2, 1941, concludes that a foreign service officer retired for age may be employed by a Federal Reserve bank, but is barred from employment by the Board of Governors of the Federal Reserve System by the provisions of section 204 of the Economy Act of June 30, 1932 (U.S.C. title 5, sec. 715a). A foreign service officer retired for disability or longevity of service may be employed either by the Board or by a Federal Reserve bank, and may receive both retirement pay and compensation for current services.

11. Gift of Widener Art Collection to National Gallery of Art - Payment of Inheritance Tax by Donee. An opinion

- 6 -

addressed to the Secretary, which was prepared by Miss Goode, and signed on December 11, 1941, concludes that if the collection is left in the National Gallery by the exercise by Joseph Widener of a power of appointment in his father's will, it will be subject to a Pennsylvania inheritance tax of 5 per cent. With respect to payment of the tax by the United States it is concluded that it may be paid from (1) a special appropriation for that purpose by Congress, (2) in part, the trust funds of the National Gallery, or (3) in part, the trust funds of the Smithsonian Institution.

12. Purchase by the Secretary of Hawaiian Bonds. An opinion addressed to the Secretary, which was prepared by Mr. Feidler and Mr. Gilmore, and signed on December 18, 1941, concludes that, although strictly the statutes of the United States do not prohibit the Secretary from purchasing obligations of the Territory of Hawaii, the spirit and purpose of section 243 of Rev. Stat. of 1873 (U.S.C. title 5, sec. 243) probably make such purchase of doubtful propriety.

13. Federal Housing Administrator's Position Regarding Redemption of Certain Housing Insurance Fund Debentures. An opinion addressed to Undersecretary Bell, which was prepared by Mr. DuBois, Mr. Gilmore and Mr. Feidler, and signed on

- 7 -

December 27, 1941, concludes that a written undertaking by the Federal Housing Administrator not to redeem certain Housing Insurance Fund debentures, is of no force and effect as a contract, and has only the legal effect of an expression of present intention which would not bind the Administrator, the Secretary of the Treasury or their successors.

14. Federal Officers as Air Raid Wardens in the District of Columbia. An opinion addressed to the Secretary, which was prepared by Mr. Feidler, and signed on January 5, 1942, concludes that there is no legal objection to the Secretary's accepting the position of air raid warden while holding the office of Secretary of the Treasury.

15. Illustrations of Coins Appearing in "Pic" Magazine. An opinion addressed to Chief Wilson, which was prepared by Mr. Meyer and Mr. Ranta, and signed on January 16, 1942, concludes that illustrations of coins appearing in an article of a numismatic character do not violate any provisions of Federal law.

16. Pledge for Regular Investment in Defense Savings Bonds. An opinion addressed to the Secretary, which was prepared by Mr. Feidler and Mr. Gilmore, and signed on January 19, 1942, concludes that pledge to purchase Defense Savings Bonds at

- 8 -

regular intervals for the duration of the war, as long as the promissor is "financially able to do so" is not enforceable by the United States against the signer of the pledge.

17. Special Studies Completed in the Opinions Section.

- a. Brief for the Government in the case of John Barr v. United States -- protest 57467-K- before United States Customs Court in New York. The brief was written by Mr. Feidler and Mr. Smith. The case involves the rate of conversion of the British pound for determination of customs duties and necessitated a thorough and extensive review of the judicial authorities.
- b. A memorandum dealing with the power of the Office of Censorship to distribute to other Government agencies material which comes into its possession in the course of censorship and which that Office believes may be of interest to other Government agencies in the enforcement of laws entrusted to their administration. The study was prepared by Mr. Feidler and Mr. Collins.

18. Foreign-Trade Zones. As alternate for the Secretary of the Treasury, Mr. Chambers attended a meeting of the Committee of Alternates of the Foreign-Trade Zones Board on December 18, 1941. The meeting considered a request of the City of New

- 9 -

York for permission to postpone for one year the erection of a large utility building in the foreign-trade zone at Staten Island, New York. Colonel Coughlin, alternate for the Secretary of War, pointed out that, due to the location and facilities of the zone, there is a strong possibility that the army or navy might take over all or part of it for war purposes at some indeterminate date during the war. He indicated that the large open space back of the piers in the zone would probably be of greater use for war purposes without the utility building on it. In view of the present war-time conditions, the committee agreed that the request of the City of New York for delay in erecting the building should be granted. By subsequent telephone communications, the Committee of Alternates agreed, after obtaining the indorsement of the Coast Guard (which is interested in patrolling the water-side), to request the City of New York, as a war-time measure, to erect immediately a permanent barrier for the water-side of the trade zone and to clear a roadway for automobile patrolling of the land boundaries of the zone.

19. Regulations Under the Trading with the Enemy Act. Mr. Chambers participated in the preparation of regulations under section 3(c) of the Trading with the Enemy Act, relative

- 10 -

to the bringing into, or taking out of, the United States of letters and other tangible forms of communication, except in the regular course of the mails. The regulations, approved December 11, 1941, have been printed as T. D. 50525. They were amended on December 15, 1941, by T. D. 50529, to include Italy and Japan, and allies thereof. By T. D. 50536, dated December 24, 1941, the Secretary designated the new Office of Censorship to deal with communications with enemies and allies of enemies, and designated the Bureau of Customs to deal with other tangible forms of communication (not with an enemy or ally of enemy), coming into or leaving the United States outside the regular course of the mails.

The following work was done under the supervision of Assistant General Counsel Bernard:

20. Law Committee of Defense Communications Board (for description see November report, Item 23). Mr. Spingarn (who is the Treasury representative on the Law Committee of the Board) assisted in the preparation of drafts of a Presidential Proclamation to confer all authority possible under existing law on the appropriate government agencies to take such control of communications functions as is necessary (a) in a state of war, and (b) in a national emergency preceding

- 11 -

war. Mr. Spingarn is also assisting in the preparation of a report for the Board, concerning diathermy and other equipment which may be used for subversive communication purposes. A memorandum commenting on the memorandum to the Board about requisitioning radio equipment manufactured for foreign governments was prepared and forwarded to the proper party.

21. Un-American Activities Committee (for description see August report, Item 8). Mr. Cross, under the supervision of Mr. Spingarn (who is the legal member of the Treasury Committee considering charges of Un-American activities on the part of Treasury employees), has completed a memorandum relative to statutes of importance in the work of this departmental committee. Mr. Spingarn reviewed a number of cases as the law member of this committee and prepared memoranda to Mr. Thompson recommending action thereon. In addition Mr. Spingarn attended an inter-departmental meeting on January 9, in Warner Gardner's office. The purpose of the meeting was to discuss the possibility of a general Government committee composed of both public and Government representatives to consider (and hold hearings when necessary) charges of Un-American or subversive activities against Government officers or employees. Mr. Spingarn prepared several

- 12 -

drafts of executive orders on the subject. He also attended another meeting later in the month on the subject in Jim Rowe's office at the Department of Justice. In connection with the work of this committee, a study has been commenced of the meaning given to "Communist" in decisions of the courts, preparatory to making an analysis of this phase of the problem for the committee.

22. Economy Committee Material (for description see November report, Item 8). There was prepared for the use of the Secretary of the Treasury in his work as a member of the Joint Committee on Reduction of Non-essential Federal Expenditures, established by section 601 of the Revenue Act of 1941, an analysis of the omnibus Rivers and Harbors bill, H.R. 5993, a second and third report on other legislation pending in Congress, and a supplemental report on two bills on which further action was imminent.

23. State Cooperation with Federal Agencies in Defense Efforts (for description see November report, Item 9).

Members of the Legislative Section met with representatives of the Justice Department, which Department is acting as coordinator for all Federal units, to discuss Treasury problems in connection with Federal defense efforts in the states.

- 13 -

Members of this office also attended a general conference (sponsored by the Department of Justice) of representatives of the Council of State Governments and of the Federal Government. The Treasury problems relative to certification of state incorporated institutions as defense bond issuing agents, and Marihuana eradication legislation were presented. A proposed letter suggesting administrative action in the certification of certain institutions as defense bond issuing agents, and a proposed bill for state enactment, expressly authorizing action as issuing agents, were sent to Justice. We have been advised by the Special Defense Unit that the state officials' responses have been whole-heartedly in favor of the suggestion.

24. Federal Depositary System (for description see original report, Item 8). This bill entitled, "Government Depositary Act, 1942", which has been redrafted by the Legislative Section to comply with certain suggestions made by the Federal Reserve, will be resubmitted to the Bureau of the Budget in the near future.

25. Proposed Legislation to Regulate Production of Opium Poppies (for description see May report, Item 9). This bill to discharge more effectively the obligations of the United States under certain treaties relating to the manufacture and

- 14 -

distribution of narcotic drugs, by providing for domestic control of the production and distribution of the opium poppy and its products, and for other purposes, is under consideration by the Bureau of the Budget.

26. Board of Legal Examiners (for description see August report, Item 7). Mr. Bernard, as a representative for Mr. Foley, attended several meetings of the Board of Legal Examiners. Mr. Bernard submitted a report recommending that the Board appear before the subcommittee of Congress in behalf of certain modifications of the Hatch bill (S. 1987). This bill introduced by Senator Hatch provides that no former Government employee may receive compensation for services performed before any court or agency of the United States in connection with any matter in which the United States is an interested party within two years after the termination of his Government service.

27. Equalizing Privileges of Government Obligations (for description see September report, Item 8). Copies of this proposed bill and an explanatory memorandum on this matter were sent to Messrs. D. W. Bell, J. J. O'Connell, W. Heffelfinger, George Barse, T. W. Cunningham, and Walter Wyatt of the Federal Reserve System for their consideration and comment.

28. Federal Tort Claims Bill. This section is circulating the various branches of the Department to get their views on

- 15 -

the new Federal Tort Claims bills which have been introduced in both houses (S. 2221 and H. R. 6463), as a result of a recent Presidential message of recommendation on the subject. The bills are now receiving active consideration by the Judiciary Committees of both houses. The Treasury Department has long been in favor of this type of legislation.

29. Public Debt Act of 1942. This office drafted a bill called the Public Debt Act of 1942, which is designed (1) to increase the public debt limit; (2) to give the Treasury greater and more flexible control over Treasury bonds, bills, notes, and certificates of indebtedness as media of financing; (3) to give the Treasury the authority to receive any obligations of the United States, redeemable upon demand of the owner or holder, in payment of any taxes imposed by the United States; (4) to authorize the exchange of obligations of the United States for obligations of any agency or instrumentality which are unconditionally guaranteed both as to principal and interest by the United States; (5) to clarify the authority of the Treasury to purchase outstanding obligations of the United States; (6) to terminate the issuance of postal-savings stamps when defense stamps are issued by the Treasury; and (7) to subject all shares and other evidences of ownership issued in the future by any agency or instrumentality of the

- 16 -

United States to Federal taxation by removing all privileges of exemption from such taxation which they now enjoy.

30. Alien Property Custodian Legislation. Immediately after the outbreak of war, Mr. Spingarn of this office participated in conferences of a War Legislation Committee at the Department of Justice which prepared the First War Powers Bill. Title III of this bill contained the legislation extending our freezing control statute to include the meat of the so-called alien property custodian powers in the old Trading with the Enemy Act in effect during the last war. These provisions were drafted by Mr. Bernstein's office, with the assistance of this office. Spingarn appeared with the Attorney General and Oscar Cox before the committees of Congress and personally explained these provisions of the bill to the House Judiciary Committee, where the bill began its course through Congress. He also prepared the House and Senate Judiciary Committee reports on this phase of the First War Powers Bill, and assisted Chairman Hatton Sumners of the House Judiciary Committee and other members of the House and Senate during the course of this legislation through Congress. In some of the later phases of this work, he was assisted by Mr. Luxford of Mr. Bernstein's office.

- 17 -

31. New 5-cent Coin and Conditional Gift Legislation. The Second War Powers Act contains two Treasury-sponsored titles, the conditional gift legislation and the silver-nickel coin legislation. Mr. Spingarn, assisted by Mr. Rupert, drafted and managed these provisions, cooperating generally with the Attorney General's War Legislation Committee not only with respect to these titles but also with respect to other titles in which the Treasury is interested, notably that sponsored by the Federal Reserve to permit direct purchase of Government obligations. Mr. Spingarn testified before the House and Senate Judiciary subcommittees. The pertinent sections of the committee reports were prepared by this office, as well as numerous tables and memoranda for the committee members in charge of the measure. This project was carried through with the cooperation of the administrative, technical, and research personnel of the Department interested in these provisions.

32. Silver Legislation. This office has been working on the silver problem. There have been prepared drafts of legislation on the various proposals, including repeal of the silver purchase laws, suspension thereof during the war, and the sale of silver. Particular attention has been given to

- 18 -

the integration of the several proposals with the war legislation program generally. Our studies have been carried on in collaboration with the other interested Treasury offices. Mr. Spingarn and Mr. Rupert are working on this.

The following work was done under the supervision of Assistant General Counsel Bernstein:

33. Legislation. Immediately after the outbreak of war, this office drafted legislation providing the President with plenary powers under section 5(b) of the Trading with the Enemy Act for dealing with all foreign property, including the power to vest such property. The legislation drafted by this office was incorporated into the First War Powers Act as Title III. This office also participated in the preparation of committee reports and in conference work at the Capitol during the enactment of this legislation. Messrs. Bernstein, Luxford and Reeves worked on this matter.

34. Proposed Executive Order Delegating Authority Under Section 5(b) of the Trading with the Enemy Act. This office participated in the various conferences relating to and the drafting of several proposed executive orders in connection with the delegation of authority under Title III of the First War Powers Act. It also prepared the papers delegating to High

- 19 -

Commissioner Sayre of the Philippines and Governor Poindexter of Hawaii all the powers under Title III in order that they might be able to cope with any emergency which might arise in either area. Messrs. Bernstein, Luxford and DuBois worked on this matter.

35. Extension of Freezing Control. Freezing control was extended to Thailand on December 9 and Hong Kong on December 26, 1941. The executive order freezing Hong Kong also provided for the automatic freezing of assets of any other territory in case it should be occupied or overrun by the Axis. On January 5, 1942, a public circular was issued announcing that freezing control had been extended to the Philippine Islands as of January 1, 1942. In all these cases, appropriate public documents were issued in order to carry out the freezing program. In connection with the freezing of Hong Kong, a public circular was issued, adjusting the "China Program" to the changing conditions resulting from the occupation of Shanghai and Hong Kong by the enemy. Messrs. Bernstein, Luxford, DuBois and Aarons handled this.

36. Control of Axis Business Enterprises.

a. General Aniline and Film Corporation: A thorough investigation of the files and personnel of this corporation

- 20 -

is underway, and five of the top officials of such firm have been suspended. A staff of Treasury men has been installed in the corporation and is supervising its conduct. Consideration is being given to the vesting of title to the shares of this corporation and the documents incident to such action are in the course of preparation. Messrs. Bernstein, Klaus, O'Connell, Sherbondy, Lawler, Linville handled this matter.

b. Schering Corporation: A thorough investigation of the files and personnel of this corporation was made and eight of the officials and employees were suspended. An application by George Gallowhur to purchase this corporation was denied. Messrs. Bernstein, Sherbondy, Lawler and Clay worked on this.

c. American Bosch Corporation: A thorough investigation of material available in Washington relative to this corporation was made. On the basis of that information, a staff of Treasury investigators has been installed in the corporation and is conducting a thorough investigation of records and personnel. Messrs. Bernstein, Sherbondy, Lawler and Quint handled this matter.

d. Luscombe Airplane Corporation: A study was made of information available to the Navy Department, War

- 21 -

Department, and the Civil Aeronautics Administration relative to this corporation. As a result of that study, a staff of Treasury investigators has been installed in the corporation and is making a study of personnel and records. Messrs. Bernstein and Sherbondy handled this matter.

e. Herman A. Brassert and Company; Askania Regulator Company: We have almost completed a thorough study of information available in the State Department, Department of Justice, War Department, Navy Department, and Immigration Service (in Justice), relative to the above companies and to Herman A. Brassert. Herman A. Brassert and Company was about to play an important part in the construction of steel mills for the Brazilian Government, financed by a \$25,000,000 loan from the Export-Import Bank. It is contemplated that as a result of this study recommendation may be made for an investigation of records and personnel of the above companies. Messrs. Bernstein, Sherbondy and Park worked on this.

f. General Ceramics Company; Arnhold and Bleichroeder, Inc.: A study has been completed of available information in Washington with respect to the relationship between the corporation, which manufactures vital insulation material

- 22 -

for military radio transmission, and the private banking house of Arnhold and Bleichroeder. At present Treasury representatives are supervising the operations of General Ceramics Corporation. As a result of our study recommendation has been made for an investigation of the files of Arnhold and Bleichroeder. Messrs. Bernstein, Sherbondy and Park worked on this matter.

37. Latin America.

a. Mission to Latin America: On November 25, 1941, a mission composed of Mr. Christian M. Ravndal of the State Department; Mr. Paul H. Nitze of the Board of Economic Warfare and James H. Mann of this office, left Washington for a tour of the United States Embassies in Brazil, Uruguay, Argentina, Chile, and Peru and the United States Legations in Paraguay, Bolivia and Ecuador. The mission returned to the United States on January 8 and had conferences in Miami, Florida on January 9 with representatives of the American delegation to the Rio Conference. The representative from this office returned to Washington on January 10, 1942.

The above-mentioned mission visited the various Embassies and Legations, conferred with the Ambassadors or

- 23 -

Ministers and their respective staffs relative to the Proclaimed List work and freezing control. The Embassy and Legation staffs were advised of the current work being done in Washington and were given technical advice by the representative of this office on the administration of that part of the economic warfare problem which concerned the Treasury Department. Problems of listing and deleting firms from the Proclaimed List were taken up and discussed at length. Ways and means of making the Proclaimed List program more effective, and proposed plans for coping with the problem of cloaking merchandise shipments and dollar transactions were taken up in detail. The mission sought to set up an intelligence system at each Embassy and Legation visited for obtaining commercial information and also advised the various Embassies and Legations of the war measures and Proclaimed List developments in the other countries visited. Where the countries visited had adopted a plan for freezing the assets of the Axis powers, such plan was discussed and analyzed with our Embassies and Legations. On this trip the Treasury representative wrote reports totaling about eighty-five pages, making suggestions and recommendations which have served as a basis

- 24 -

for projects presently under consideration in this office. Mr. Mann handled this matter.

b. The Proclaimed List: With the outbreak of war, a considerable number of Japanese concerns in Latin America have been added to the Proclaimed List. In addition, Axis individuals and firms in Portugal, Spain, Sweden, Switzerland and Turkey have been added to the Proclaimed List.

With the outbreak of war, new instructions were sent to our missions in Latin America designed to cut off more completely all trade by United States concerns, including their branches in Latin America, with Proclaimed List nationals.

In addition, considerable work has been done setting up a procedure to prevent the cloaking of transactions by Latin American concerns for Proclaimed List nationals.

c. Freezing Decrees by Latin American Countries: With the outbreak of war we prepared, together with the State Department, instructions to the missions in Latin America requesting that they approach the local governments of such countries in an effort to have such local governments of such countries set up local freezing laws with respect to German, Italian and Japanese nationals. As a result,

- 25 -

practically every Latin American country has set up some sort of a local freezing law with respect to German, Italian and Japanese nationals. Efforts are being made to have these freezing decree laws tightened and to have them effectively administered.

d. A resolution was drafted by Treasury and State for the recent Rio Conference of American Republics recommending that such republics take appropriate action to cut off all financial, trade and commercial intercourse between such republics and the Axis countries and the states subservient to them and recommending that action be taken to control activities by firms within such countries inimical to the defense of the Western Hemisphere. The substance of this resolution was adopted at the Rio Conference. Messrs. Bernstein, DuBois, Mann and Rains handled this matter.

38. "Scorched Earth" Program. This office participated in the formulation of, and drafted the documents with respect to, a program designed to prevent Japan from gaining access to securities, currency, bullion and similar valuables in connection with the occupation of the Philippine Islands. Prior to the fall of Manila, High Commissioner Sayre was given blanket authority under the First War Powers Act to take such

- 26 -

steps that might be necessary to attain this objective. Instructions were also furnished him regarding the manner in which to record currency and securities so that they might thereafter be destroyed. In addition, subsequent to the fall of the Philippines, and with the cooperation of the Philippine Government and the Department of the Interior, a program was executed designed to prevent the liquidation by Japan of any Philippine currency or securities which she might loot in the Philippines. Messrs. Bernstein, Luxford and Aarons handled this matter.

39. Action With Respect to Japan and her Nationals. With the outbreak of war on December 7, 1941, all licenses relating to Japan or any national thereof were revoked, as a precautionary measure, placing a complete stoppage on all Japanese financial and commercial transactions. At the same time the Treasury took custody of many Japanese enterprises. Thereafter these tight restrictions were relaxed under appropriate safeguard, various general licenses being reinstated with respect to Japanese nationals. Messrs. Bernstein, DuBois and Aarons worked on this.

On December 7, 1941, three attorneys from this office, together with four men from the administrative offices, were

- 27 -

in San Francisco in connection with our educational program. As a result, we had a substantial staff in this vital area to meet the Japanese problem precipitated by the war. The educational program was suspended and this group organized and directed the West Coast operations in supervising and closing Japanese firms and handling Japanese transactions and property. They also aided Washington in keeping fully informed as to the West Coast situation. Three other attorneys were also sent to California during this period to assist in this program. Messrs. Freidman, Lawler, Dugan, Murphy, McMurray and Naiden handled this matter.

A representative of this office, together with a representative from the administrative office of Foreign Funds Control, spent nine days on the West Coast investigating the Japanese agricultural situation. Public officials, bankers, farmers, labor leaders and produce merchants in various parts of the State of California were interviewed in the course of the investigation. Subsequently, a conference was held at the Department of Justice concerning the demand of the Army and Navy that Japanese aliens be removed from certain strategic areas on the West Coast. Mr. Lawler worked on this.

40. Trading with the Enemy and Censorship. The outbreak of the war brought into effect section 3(a) of the old Trading

- 28 -

with the Enemy Act which prohibited any type of trade with any "enemy" or "ally of enemy". Since the provisions of section 3(a) overlap to a large extent the operations being conducted under freezing control, it was necessary to integrate the two sections. This office prepared a general license which was signed by the President and approved by the Secretary of the Treasury and the Attorney General for this purpose. Messrs. Bernstein, Luxford, DuBois, Aarons and Golding handled this matter.

The over-all problem of the course of action which should be followed under freezing control with respect to transactions and communications involving enemy territory and enemy nationals has been the subject of conference and study in this office. With the cooperation of the various interested Government agencies, together with the banking community in New York, this office is drafting a general ruling, respecting the obligations of Americans in connection with trade and communication with the enemy. Similarly this office is drafting for the Office of Censorship a proposed general license which will permit the synchronization of the restrictions of trading with the enemy to those relating to communications with the enemy. This program envisages a departure of the old 1917 concepts

- 29 -

of "enemy" and "ally of enemy" and the use of the new concept "enemy national", more adapted to the needs of this country during the present war. Messrs. Bernstein, Luxford, DuBois, Aarons, Murphy and Golding handled this.

This office is also participating in the formulation of a program for cooperation of freezing control with Censorship in order that they may have the benefit of our experience in the financial field in their censoring mail and we, in turn, will have the benefit of the information gleaned through the Censorship channels. Messrs. Bernstein and Luxford worked on this matter.

41. Meeting with the New York Federal Reserve Bank Representatives. Representatives of the New York Federal Reserve Bank met with representatives of this Department with respect to various problems which have arisen in connection with freezing control, particularly since the outbreak of war. This meeting was very fruitful and considerable progress has already been made in solving the problems which were discussed at this meeting. Messrs. Bernstein, Luxford, DuBois, Aarons, Rains, Murphy and Golding handled this matter.

42. Publicity and Educational Program. Representatives of this office attended and spoke at meetings at Cleveland, Chicago, Denver, San Francisco and Omaha, explaining the

- 30 -

purposes of freezing control and the functions of the various documents issued thereunder. It was planned that such meetings would also be conducted at Dallas, New Orleans and Atlanta, but the outbreak of war required part of the men involved to remain on the West Coast to meet problems arising in that area. Such meetings were very successful in obtaining the cooperation of the banking community in such areas. Messrs. Luxford, Murphy and Naiden handled this matter.

In connection with the issuance of each major document during the months of December and January, explanatory press releases were issued. Such releases explained to the public in simple language what the purpose of each document was and its general provisions. This office prepared eight press releases of such nature.

During the same period this office participated in the preparation of six additional press releases, explaining various operations and functions of freezing control. These releases were not intended to educate the public regarding any particular freezing control document, but were intended to show the scope of problems being dealt with under freezing control.

A pamphlet on Freezing Control for Treasury investigators is in the process of preparation. Such pamphlet will briefly

- 31 -

outline the history, purposes and machinery of Foreign Funds Control. Messrs. Murphy and Naiden handled this.

43. Securities Matters. This office participated in the preparation and execution of a program designed to permit the Danish Government to pay interest on its dollar obligations to other than Danish holders thereof. Public Circular No. 9 was issued in connection therewith. Messrs. Bernstein, Luxford, DuBois and Aarons worked on this matter.

This office participated in the drafting and issuance of a new public circular prohibiting the purchase for any blocked account of more than 1 percent of the outstanding shares of any corporation. In connection with such program a new report form on securities was required in order to facilitate the enforcement of the 1 percent clause. Messrs. Bernstein, Luxford, DuBois and Aarons worked on this.

As previously stated, this office participated in the program dealing with Philippine currency and securities.

This office is also participating in the preparation of a general license authorizing the purchase, sale, and other dealings in Government bonds. Messrs. Bernstein, Luxford, DuBois and Aarons handled this matter.

44. Modifications in Public Documents. Among the other documents issued or modified were the following:

- 32 -

Public Circular No. 13, eliminating the reporting requirement in six general licenses.

The issuance of a new series entitled "Public Interpretations". Two interpretations were announced under that series.

Consideration is also being given to the problem of lifting the restrictions on blocked nationals resident in the United States. This will probably be the subject of a major study. Messrs. Bernstein, Luxford, DuBois and Aarons worked on these matters.

45. Census Reports. Series J of Form TFR-300, to be used by certain Japanese nationals in filing a new census report, and Public Circular No. 4-A in connection therewith, were issued. Series K and Public Circular No. 4-B, covering the Census Report of Philippine nationals, is in the process of preparation. During this period, letters were sent to the State and Federal agencies regarding the reporting requirements on Report Form TFR-300. This office participated in advising the enforcement and investigative units in regard to methods of checking large withdrawals or deposits of blocked nationals disclosed by the various reports filed on Form TFR-300. Messrs. Bernstein, Reeves and Arnold handled this matter.

- 33 -

46. Control of Axis Postage Stamp Racket. A program was formulated for terminating the Nazi postage stamp racket by banning the importation of postage stamps from Axis and Axis-occupied nations. Prior to the imposition of such control, the Axis had made a practice of printing many new stamp series for the occupied nations which they would forward through neutral cloaks to American stamp collectors who would in turn pay dollars for them. The sum of money obtained in this manner has been estimated to be \$20,000,000. This traffic was terminated by issuing instructions to the Collectors of Customs to block the importation of stamps in which Axis and Axis-occupied countries or their nationals had an interest. At the same time, steps were taken to prevent the evasion of this control by subjecting stamp transactions with Latin America to a special control. Messrs. Bernstein and Rains handled this matter.

47. Certifications Under Section 25(b) of the Federal Reserve Act. Various licenses, notifications and certifications have been issued under section 25(b) of the Federal Reserve Act, permitting the accredited representatives of certain countries to operate the accounts in this country held in the names of the governments of such countries and their central banks.

- 84 -

This includes licenses, etc., over the accounts of the Netherlands Government, Norwegian Government, the Danish Government and central bank, and the central bank of Greece. Messrs. Bernstein and DuBois worked on this matter.

48. New Five-Cent Coin. This office cooperated with the Legislative Section and Dr. White's office in the preparation of a bill authorizing the issuance of a new five-cent coin which would contain one-half copper and one-half silver.

Mr. Bernstein, Mr. Brenner and Miss Hodel handled this.

49. Other Silver Legislation. This office cooperated with the Legislative Section and Dr. White's office in the preparation of a memorandum to the Secretary and drafts of bills which would permit the sale of silver for industrial purposes, as well as the repeal of the whole silver purchase program.

Mr. Bernstein, Miss Hodel and Mr. Brenner worked on this.

50. Double Commission Silver Cases. With the approval of the Treasury, the Department of Justice accepted offers of two brokers in compromise of their claims for extra commissions for canceling the Government's silver futures contracts when the nationalization order became effective. After having been advised by the Department of Justice that it was unable to effectuate a settlement with four other brokers and after having restudied all the cases, this office recommended that

- 35 -

the four remaining cases be closed. The Department of Justice was so advised. Mr. Bernstein, Miss Hodel, and Mr. Brenner handled this matter.

51. China Loan. We participated in a number of conferences with State and Treasury representatives studying the Chinese situation and the requests of the Generalissimo for extensive financial aid. We prepared the draft of legislation authorizing a \$500,000,000 loan. Mr. Bernstein worked on this.

52. LaGrange Case. The plaintiff claimed he was entitled to \$35.00 per ounce instead of \$20.67 for newly-mined gold delivered to the Mint in 1933. The Court of Claims followed its decision in the Alaska Juneau case held for the Government. It is not likely that the plaintiff will ask the Supreme Court to review the case. Mr. Bernstein handled this.

53. International Stabilization Fund. We participated in conferences relating to this idea including the drafting of resolutions to be introduced at the Rio Conference and the cables exchanged between the Treasury and Dr. White on the matter. Mr. Bernstein handled this matter.

TREASURY DEPARTMENT

250

INTER OFFICE COMMUNICATION

DATE March 24, 1942.

TO Secretary Morgenthau
FROM Mr. Haas *CH*

I am attaching a copy of Mr. Tickton's report on his trip to Philadelphia yesterday. The matters involving the Procurement Division, mentioned in this report, have been brought to Mr. Mack's attention.

The figures on the number of cars loaded are being compiled and will be sent you by airmail tonight. I didn't want to hold up this report, however, by waiting for the figures.

MOVEMENT OF RUSSIAN LEND-LEASE MATERIAL FROM PHILADELPHIA PORT

Field Trip Report by Mr. Sidney G. Tickton, March 24, 1942

On Monday afternoon, March 23, I visited Mr. Louis Kline, Vice President of the Moore-McCormack Lines, and Colonel H. G. Williams, of the War Department's Service of Supply, at their Philadelphia offices, to discuss the movement from the port of Philadelphia of lend-lease materials for Russia. Before going to Philadelphia I had visited Brigadier-General Charles P. Gross, Chief of the Transportation Branch of the War Department's Service of Supply, to discuss the same subject.

A summary of the developments at Philadelphia as derived from my conversations with the foregoing gentlemen follows:

1. The Philadelphia traffic situation with respect to lend-lease materials has improved considerably during the past 4 or 5 days. This has been due to the fact that General Gross and Colonel Williams (who arrived in Philadelphia on Wednesday, March 18, as a result of Secretary Morgenthau's conversations with Under-Secretary Patterson) provided the leadership that has been lacking in Philadelphia -- a lack of leadership that has caused the railroads, the steamship company, the Russians, the War Department and the Maritime Commission to work ineffectually with each other for the past 6 weeks. General Gross and Colonel Williams have within the space of a few days, it appears, made it possible for all of the various parties concerned with the movement of lend-lease materials to Russia, to work in harmony and cooperation. As a result:
 - (a) Eight or nine ships will clear the port of Philadelphia by Friday of this week. This compares with three ships that cleared the port last week and four ships that cleared the week before.
 - (b) The number of gangs of stevedores loading ships has been raised from 35 last Monday, March 16, to 48 this Monday, March 23. (Mr. Kline said on the telephone Tuesday afternoon, March 24, that the railroad traffic situation had so improved during the 24 hours since I had seen him, that the number of gangs working had been increased to 64.)

2.

- (c) The Pennsylvania Railroad's main line to the piers is no longer congested with freight cars.
 - (d) Deliveries to shipside are completed within a space of a few hours. This operation has been facilitated by the twice-a-day meetings ordered by Colonel Williams between the three railroads, the Russians and the steamship company. The cargo requirements for the ensuing twelve-hour period are presented by the steamship company and the Russians at these meetings and an agreement is reached with the railroads as to which cars they are to deliver to the piers.
2. There are two items which have been brought to my attention which are the responsibility of the Procurement Division of the Treasury Department. These are:
- (a) A possible shortage of bottom cargo. There are 10 or 12 ships which have not loaded their bottom cargo -- steel, tin plate, brass, etc. -- at the present time. If sufficient bottom cargo does not arrive in Philadelphia as fast as the various ships are ready for it, the loading program will be delayed. (Bottom cargo goes into a ship first and the lack of such cargo shuts down all loading operations on that ship.) The Procurement Division of the Treasury Department, it appears, is responsible for the purchase of all the items considered as bottom cargo.
 - (b) A possible delay in the receipt of papers. Manufacturers have been permitted to become careless in their paper work, and they frequently fail to forward bills of lading at the time the freight cars leave their plants. As a result, cars sometimes reach Philadelphia before the bills of lading arrive and must be held in storage pending the receipt of these papers. Any delay in loading as a result of the failure to receive papers is the responsibility of the procuring agency.

3.

3. There is still a need for coordination between (a) the Maritime Commission, and (b) the other parties interested in the movement of lend-lease materials, on the question of the ship capacity of the port of Philadelphia. The Maritime Commission has 25 ships for the Russians loading in Philadelphia today, but Colonel Williams feels that the port's optimum operation occurs when only 12 to 14 ships are in port. The Colonel hopes that he can settle this question with the Maritime Commission before the end of the week.

TREASURY DEPARTMENT

254

INTER OFFICE COMMUNICATION

DATE March 24, 1942.

TO Secretary Morgenthau
FROM Mr. Haas *GH*

I am attaching a table showing the estimated number of cars of Russian freight placed aboard ship at the Port of Philadelphia since March 11, 1942. No data for March 9 and 10 are available.

Estimated Number of Cars of Russian Lend-Lease Freight
Placed Aboard Ship at the Port of Philadelphia

March 11	109
12	105
13	123
14	60
15	58
16	117
17	121
18	126
19	136
20	142
21	75
22	67
23	139

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

March 24, 1942

Note: March 14 and 15 and March 21 and 22 were weekends. The number of cars loaded on these days was smaller than the number loaded during the week.

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

Cofay to Mr. S. 1/6
3/25/42
256
25

E. R. Stettinius, Jr.
Administrator

March 24, 1942

Dear Mr. Secretary,

I am sending you herewith information contained in a cablegram I have sent to Mr. Wasserman, our Lend-Lease Representative in Australia, which I believe will be of interest to you.

With kindest regards,

Sincerely yours,

T. B. McCabe

T. B. McCabe
Acting Administrator

The Honorable

The Secretary of the Treasury

C O P Y

March 21, 1942

My dear Mr. Secretary:

It is requested that the following cablegram be sent to the American Legation in Canberra:

FOR WASSERMAN FROM McCABE:
Secret.

One. The question of whether supplies should be furnished under Lend-Lease directly to Australia or by the retransfer procedure from the United Kingdom is one that has been considered at this end for several months. The problem involves not only the efficiency of getting the supplies to Australia, but also the relationships between us and the United Kingdom and the United Kingdom and its dominions. This whole problem is one which is being taken up with the British and Dominion authorities in Washington.

The Washington discussions of Lend-Lease relationships mentioned above will also cover the formal aspects of reciprocal aid, that is, the manner in which records will be kept here and the provisions which will be inserted in agreements covering reciprocal aid. This, however, need not interfere in any way with immediate operations in Australia. The Allied Supply Council has been established to deal with supply and procurement matters. Colonel Roop is the Government's representative upon this Council. He is also in charge of the Joint Purchasing Board which will handle the details of procurement for Army and Navy. There is, of course, no reason whatever why the actual procurement of supplies as a matter of reciprocal aid should not proceed at once, the details of actual requisitions being worked out with your assistance by the Joint Purchasing Board, and the division of supplies being made by the Allied Supply Council. In accordance with the authorizations previously issued by Mr. Stettinius to the Army and Navy, they are authorized under the Lend-Lease Act to accept supplies and other materials turned over to them. Your function is to see to it that proper records are kept and reports made to the Lend-Lease Administration so that the records may be kept here and conformed to whatever final agreement is entered into. You may, of course, assure the Australians that due credit will be given for all supplies, services, etc., requested and accepted by the Army and Navy, whether the supplies have

- 2 -

been turned over or the services rendered before or after final agreement is made."

Very truly yours,

Thomas B. McCabe
Deputy Administrator

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DEC 6 1944
U.S. DEPT. OF JUSTICE

MINISTER FOR FOREIGN AFFAIRS
REPUBLIC OF CHINA

March 24, 1942

Dear Mr. Bell:

With reference to my letter of March 21st to the Secretary, I find that the words "through the Minister of Finance" should have been included. This would be in line with the similar additions previously included in the draft agreement, to make the Minister of Finance the channel through which communications between the respective governments are to be conducted.

I am enclosing a revised copy of my letter of March 21, in which the above-mentioned correction has been made. If it is possible, will you please substitute this for the original letter I sent you? If for any reason such substitution is inconvenient, then please drop the matter.

Yours sincerely,



Mr. D. W. Bell,
Under Secretary of the Treasury
Washington, D. C.

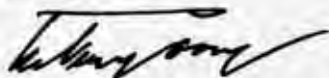
MINISTER FOR FOREIGN AFFAIRS
REPUBLIC OF CHINA

March 21, 1942

My dear Mr. Secretary:

In connection with the Agreement concluded today between the Governments of the United States of America and the Republic of China regarding financial aid to China, as a manifestation of the cooperative spirit which underlies the common war effort of our two countries, I wish to inform you that it is the intention of my Government, through the Minister of Finance, to keep you fully informed from time to time as to the use of the funds provided in the said Agreement.

Sincerely yours,



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

MAR 24 1942

MEMORANDUM TO THE PRESIDENT:

Attached for your records is a photostatic copy of the Agreement for \$500 million of financial aid to China which was signed on March 21, 1942.

In order that the Treasury's records may be complete and in view of the statutory requirement that the Agreement be with your approval, would you kindly confirm the approval which you have given to the Agreement by signing below.

W. D. Ball
Acting Secretary of the Treasury

I have approved the Agreement
of March 21, 1942, for \$500 million
of financial aid to China

BB/ma - 3/23/42

Vincent L. Lupton 10.15
cc - ma



THE SECRETARY OF THE TREASURY
WASHINGTON

MAR 24 1942

MEMORANDUM TO THE PRESIDENT:

Attached for your records is a photostatic copy of the Agreement for \$500 million of financial aid to China which was signed on March 21, 1942.

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W. B. E.

Acting Secretary of the Treasury

I have approved the Agreement
of March 21, 1942, for \$500 million
of financial aid to China

Franklin D. Roosevelt

FOR DEFENSE



CHRONOLOGY OF CHINA LOAN PROPOSAL

Beginning December 31, 1941

1941

December 31

Treasury received copy of cable, Gause to State (dated December 30) stating that the Generalissimo said the United States and Great Britain must give China financial help totalling one billion United States dollars.

Dr. Soong called on Mr. White at Dr. Soong's request and stated that more detailed information as to the aid expected would be forthcoming in a few days.

1942

January 2

Treasury received copy of cable from Gause to State (dated December 31) supporting the loan for political reasons and suggesting a total loan of \$500 million.

January 2

State Department called a meeting, attended by a representative from Treasury, at which State supported a China loan on political and military grounds. State to ask Gause for more information.

January 3

Secretary Morgenthau received a letter from Sir Frederick Phillips stating the British loan proposal, which had been presented to China by Sir Otto Niemeyer. Secretary Morgenthau referred this proposal to Treasury officials who, after a conference, the British proposal was inadequate to meet the situation.

January 5

Secretary Morgenthau received from Mr. Fox a cable (dated January 3) supporting the proposed loan.

January 8

A meeting in Mr. White's office, called at the Secretary's instructions and attended by Messrs. Berle and Livesey from State, Mr. Currie and Treasury officials, agreed that the loan was necessary on political grounds, and that it would be desirable for the Secretary of State to send a communication to this effect to the Secretary of Treasury. It was also agreed that Mr. Fox should be recalled from Chungking for consultation.

- 2 -

Division of Monetary
Research

- January 8 Secretary Morgenthau received from Fox a cable (dated January 6) reporting that Sir Otto Niemeyer believes the British will refuse the Chinese request for a loan. Treasury officials, at a meeting, decided that the British attitude should not affect the ultimate decision of the United States.
- January 9 Secretary Morgenthau received a memorandum (dated January 9) from President Roosevelt, expressing his desire to extend financial assistance to the Generalissimo, and asking Secretary Morgenthau whether he could do this by the purchase of yuan. In this connection, Treasury officials considered the possibility of using the Stabilization Fund to make a political loan.
- January 9 A letter from State to Secretary paraphrases telegram (dated January 7) from the American Embassy in Chungking concerning recent changes of Government personnel in China. In the opinion of the Ambassador the changes do not seem to indicate any division on the policy of resistance in the Government or the party.
- January 10 A cable from Fox encloses message from Dr. Kung appealing for a \$500 million political war loan and stating that the British have already been approached for a loan of 100 million sterling, and that he is confident that if the United States will lead the British will follow.
- January 10 Memorandum was submitted to the Secretary by Mr. Coo regarding the latter's conversations with Dr. Soong on January 9. Generalissimo was said to be cabling the Secretary direct about the loan. Generalissimo told Dr. Soong that the British proposal was utterly inadequate.
- January 12 Secretary Morgenthau received a letter (dated January 10) from Secretary Hull, recommending that for political and military reasons a loan up to \$500 million should be made with the greatest possible expedition, and that the British should be kept informed.

- 5 -

Division of Monetary
Research

January 12

Secretary Morgenthau talked with Mr. Hornbeck of the State Department about the Far Eastern situation, conferred with Treasury officials concerning the proposed loan, and called in Sir Frederick Phillips to ascertain the British position on the proposed loan.

In the afternoon, Secretary Morgenthau spoke with Foreign Minister T. V. Soong, who stated that a proposal which the Secretary outlined to him was feasible and worth exploration. After the meeting with Dr. Soong, Secretary Morgenthau called in Treasury officials and discussed his conversation with Dr. Soong and the proposal to finance current military expenditures of the Chinese. The Secretary said that he wanted to obtain the President's approval before carrying this proposal any further, and that he wanted the State Department to be informed of these conversations and of his intention to discuss the matter with the President. He instructed Mr. Coe to call upon Mr. Hornbeck, communicate this information, ask him to pass it on to Secretary Hull, and give Mr. Hornbeck the Secretary's invitation to be present at a conference the next morning for advice and criticism. The Secretary asked that a similar message be transmitted to Mr. Currie.

January 12

In the afternoon, Mr. Coe called upon Messrs. Hornbeck and Currie and transmitted the Secretary's message. Mr. Hornbeck agreed to be present at the morning meeting and said that he would transmit the message to Secretary Hull and to Mr. Berle. Mr. Currie also agreed to be present at the morning meeting.

January 12

A cable from Fox (dated January 9) states that the Chinese attitude is one of firm insistence on financial aid.

January 12

Memorandum submitted to the Secretary by Mr. Coe regarding Secretary's proposal for loan to China including draft statements to be made by the Secretary and the President on loan to China.

January 12

In the evening, Secretary Morgenthau discussed the China loan proposal with Prime Minister Churchill and Mr. Beaverbrook. (See below.)

- 4 -

Division of Monetary
Research

January 15

At 9:15 the Secretary conferred with Treasury officials, Mr. Hornbeck of the State Department and Mr. Currie of the White House. The Secretary reported on his conversations with Dr. Soong and Prime Minister Churchill. The Prime Minister said that Secretary Morgenthau should go ahead with his negotiations and the British would follow, also said that the British proposal was inadequate. Secretary Morgenthau asked Mr. Leuchlin Currie to make the necessary transportation arrangements for the return of Mr. Fox from Chungking. Mr. Currie later reported that he had done this.

The Secretary outlined the proposal which was being explored and which he was to present to the President at 10 o'clock.

Secretary Morgenthau directed Treasury officials to devote full time to the investigation of the Chinese proposal, to keep him informed of all developments and to press studies and conferences as to the most suitable type of financial assistance.

January 15

At 10 o'clock Secretary Morgenthau conferred with President Roosevelt. The President directed Secretary Morgenthau to transmit to the Chinese the following proposal: United States Government would undertake to finance the pay and maintenance of one million Chinese soldiers at the monthly rate of \$5 for pay and \$5 for maintenance. Payment might be in United States currency or in other forms.

January 15

In the afternoon the Secretary called in Dr. Soong and transmitted the proposal which the President had directed him to make. Dr. Soong said that he would transmit the proposal to his Government.

January 15

Secretary Morgenthau asked Under Secretary Bell to carry on the negotiations with Dr. Soong during any period in which the Secretary was away. The Secretary asked Mr. Gee to call upon Mr. Hornbeck of the State Department and inform him of the proposal which the President had authorized the Secretary to make to Dr. Soong, and ask him to transmit this information to Secretary Hull. The Secretary also asked Mr. Gee to inform Mr. Currie of what had happened. Mr. Gee transmitted the information and the Secretary's request to Mr. Hornbeck.

- 5 -

Division of Monetary
Research

- January 14 Secretary Morgenthau wrote to Sir Frederick Phillips (replying to his letter of January 3) suggesting a conference at a later date on the China loan proposal.
- January 14 Acting Secretary Bell received a letter from Mr. Hornbeck expressing doubts regarding the Secretary's proposal. Mr. Bell communicated the contents of the letter to Secretary Morgenthau and conferred with Treasury officials concerning the proposal which had been made in Chungking.
- January 17 Dr. Soong told Mr. Cee that an answer from Chungking would shortly come through. He stated that though he believed the answer would be somewhat unfavorable to specific proposal he had nothing official to communicate.
- January 20 State transmitted copy of dispatch from Ambassador Gauss (dated December 31, 1941) concerning financial and economic conditions in China, and enclosing a memorandum prepared by Sir Otto Niemeyer.
- January 21 State transmitted a paraphrase of telegram from Ambassador Gauss (dated January 17) reporting that the Chinese have overcome the substantial shock caused by our initial setbacks and that he has not found evidence of a defeatist attitude. The Generalissimo is said to be completely committed to the policy of resistance and should be able to maintain his commanding position. However, a political loan is recommended to check developments in the economic field which might undermine the authority of the Government.
- January 21 Letter from Foreign Minister Soong to the Secretary enclosing the message from the Generalissimo. The Generalissimo expressed doubts as to whether the Secretary's proposal was practicable, and repeated his request for a political loan of \$500 million, saying that there should be no security or other prearranged terms as to its use or means of repayment.
- Dr. Soong suggested that the Secretary might like to await Mr. Fox's arrival before renewing discussions with Dr. Soong.

- 6 -

Division of Monetary
Research

- January 22 Letter from the Secretary to the President enclosing the correspondence from Dr. Soong, and asking for his advice as to the next step.
- January 24 Memorandum from Secretary of State in response to Secretary Morgenthau's note relative to the proposed China loan, enclosing a memorandum (dated January 23) prepared by Mr. Berle. This memorandum recommends generosity in order to get the maximum political effect from a loan, and suggests the amount of \$500 million. Mr. Pasvolsky in his comments on Mr. Berle's memorandum also agrees to the figure of \$500 million.
- January 26 Note from President to the Secretary, in reply to his letter of January 22, suggesting payment of troops in yuan in amounts up to \$20 - \$25 million per month.
- January 26 Memorandum to the Secretary from Mr. Coo outlining results of most recent Treasury consideration of China loan proposal.
- January 26 The Secretary telephoned Secretary Hull and asked him who in the State Department was currently handling the China loan matter. He was informed that Messrs. Hornbeck and Feis were. The Secretary then instructed Mr. Southard to arrange a meeting with these officials in order to ascertain the State Department's present position on the China loan. At this meeting (at which the State Department was represented by Messrs. Hornbeck, Feis and Berle) it was stated that the official position of the State Department was given in Secretary Hull's letter of January 10 to Secretary Morgenthau. Unofficially, the members of the State Department seemed to favor the immediate announcement of the grant of a \$500 million loan.
- January 27 Memorandum to Secretary by Mr. Southard summarizing the State Department position as expressed at the meeting on January 26.
- January 27 Secretary replied to Dr. Soong's letter of January 22 accepting Dr. Soong's suggestion that the Secretary might await Mr. Fox's arrival before renewing negotiations.

- 7 -

Division of Monetary
Research

- January 27 Fox cables Treasury that he has been delayed in India eleven days thus far.
- January 27 Letter from Sir Frederick Phillips to the Secretary informing him that the British propose to make available to China under Lend-Lease arrangement all munitions and military equipment that it is possible for them to supply. They do not feel able to offer a "very large psychological sterling loan," and suggest a British loan of 10 million pounds.
- January 28 In the late afternoon Mr. Hornbeek informed Mr. White by telephone that the Secretary of State, in view of the delay in Mr. Fox's arrival, now felt (contrary to his earlier statement to Secretary Morgenthau) that action on the China loan should not await Mr. Fox.
- January 29 Secretary Morgenthau got in touch with Secretary Hull to arrange a meeting with him that day to discuss definite proposals. Secretary Hull was ill that day and the conference was arranged for the following morning at Secretary Hull's office.
- The Secretary met Treasury people to discuss the various proposals and a letter was prepared and sent to Secretary Hull that afternoon setting forth in brief the proposals that were to be discussed at the conference in Secretary Hull's office the next morning.

- 8 -

Division of Monetary
Research

- January 30 Secretary Morgenthau conferred with Secretary Hull in Secretary Hull's office. The Secretary of State outlined to Secretary Morgenthau the political situation in the Far East, saying that he assumed that there was agreement that under the circumstances financial aid to China was urgent. Mr. Hornbeck of the State Department said that he thought the sum should be \$500 million instead of \$300 million. With reference to the source of the loan, it was agreed that Secretary Hull and Secretary Morgenthau should see the President. It was agreed that in the meantime a draft of a Message and a Bill should be prepared to show the President that afternoon in the event he agreed that that was the way to handle the matter.
- January 31 Secretary Morgenthau conferred with Secretary Jones and officials of the Treasury Department regarding the China loan. Secretary Jones said that he would like to know about the China proposal now being considered. Secretary Morgenthau outlined to Secretary Jones the developments during the past month regarding the loan. Secretary Jones suggested that in the Joint Resolution "Secretary of Treasury, with the approval of the President, is hereby authorized" should be substituted for "the President is authorized."
- January 31 Secretaries Morgenthau and Hull conferred with the President and it was agreed that the loan should be authorized by a Joint Resolution of Congress.
- February 1 Secretary Morgenthau conferred with Dr. Soong and informed him confidentially of the latest developments.
- February 1 The Secretary informed Sir Frederick Phillips of the latest developments regarding the China loan proposal.
- February 2 The Secretary conferred with Congressional leaders regarding the China loan. It was agreed that he would appear before the proper Committees the next day.
- February 2 In the morning the Secretary received a proposal from the British increasing the amount of their proposed loan and stating the conditions under which it would be given.

- 9 -

Division of Monetary
Research

- February 2 Treasury officials drafted a statement to be made by the Secretary to the appropriate Congressional Committees.
- February 2 Secretary Morgenthau conferred with Dr. Hoag and informed him of the decisions reached regarding the loan.
- February 2 Another communication was received from the British in which they informed the United States that they were now prepared to make a loan of 50 million pounds sterling, with conditions to be decided after the agreement on the granting of the loan.

- January 30 Secretary Morgenthau conferred with Secretary Hull in the latter's office. Secretary Hull outlined the political situation in the Far East, saying that he assumed that there was agreement that under the circumstances financial aid to China was urgent. Secretary Morgenthau replied that his position was set forth in his letter of the preceding day. Secretary Morgenthau agreed with Mr. Hornbeck of the State Department that the sum should be \$500 million instead of \$300 million. With reference to the source of the loan, it was agreed that Secretary Hull and Secretary Morgenthau should see the President. It was agreed that in the meantime a draft of a Message and a Bill should be prepared to show the President that afternoon in the event he agreed that that was the way to handle the matter.
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- January 31 Secretaries Morgenthau and Jones conferred with the President and it was agreed that the loan should be authorized by a Joint Resolution of Congress.
- January 31 Early in the evening Secretary Morgenthau conferred with Dr. Soong and informed him confidentially of the latest developments.
- February 1 The Secretary informed Sir Frederick Phillips of the latest developments regarding the China loan proposal. Sir Frederick informed the Secretary of a new British proposal of a combined loan of \$400 million. The Secretary then indicated that we would probably go ahead in view of Mr. Anthony Eden's statement.
- February 2 The Secretary conferred with Congressional leaders regarding the China loan. It was agreed that he would appear before the proper Committees the next day.

- February 2 Another communication was received in which they informed the United States that they were now prepared to make a loan of 500 million pounds sterling, with conditions to be discussed after the agreement on the granting of the loan.
- February 2 Secretary Morgenthau conferred with the President and informed him of the decisions reached regarding the loan, and reviewed with Treasury Secretary Clegg the draft of the statement which he expected to read before the House Committee.
- February 3 The Secretary appeared before the House Committee on Foreign Relations to read his prepared statement on the China loan and to answer questions. He was followed before the Committee by Secretaries Stimson and Knox and by Assistant Secretary of State Long. The general discussion was very favorable to the proposal of the \$500 million credit to China and at a subsequent Executive session the Committee unanimously voted to report the proposed Joint Resolution favorably.
- February 3 Simultaneously with the announcement in United States of our intention to ask Congress to approve a \$500 million loan announcement was made in London that the British Government intended to offer China a 50 million pound sterling loan.
- February 4 About noon the House of Representatives approved without debate a Joint Resolution authorizing a \$500 million credit to China.
- February 5 The Secretary appeared before the Senate Committee on Foreign Affairs to read his prepared statement on the China loan. Secretaries Jones, Stimson and Knox and Assistant Secretary of State Long also appeared. The Committee voted to report the proposed Joint Resolution favorably.
- February 5 The Senate unanimously passed the Joint Resolution.

- 9 -

Division of Monetary
Research

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- 10 -

- February 9 Secretary Morgenthau appeared before the Sub-Committee of the House Appropriations Committee and read his prepared statement, a copy of which he informed the Committee would be made available for its record.
- February 10 The Senate Appropriations Committee approved unanimously the House Bill appropriating \$500 million for China. No hearing was held on the Bill.
- February 13 President Roosevelt signed the bill appropriating \$500 million for a loan to China.
- February 13 Cable from State Department to American Ambassador in Chungking, giving newspaper reaction to Congress' approval of extending financial aid to China.
- February 14 Sir Frederick Phillips wrote to Mr. White requesting information regarding the China loan.
- February 14 Acting Secretary Welles sent a letter to Secretary Morgenthau, suggesting that steps be taken promptly towards formulating a proposal whereby there would be made available immediately to the Chinese Government some substantial portion of the authorized aid. Mr. Welles suggested a conference be held regarding this matter.
- February 16 Secretary Morgenthau sent a letter to Dr. Kung in reply to Dr. Kung's letter of January 14, 1945, transmitted to the Secretary by Mr. Fox.
- February 16 Secretary Morgenthau sent a letter to the Generalissimo replying to the Generalissimo's letter of January 14, transmitted to the Secretary by Mr. Fox.
- February 16 Dr. Soong called on Mr. White at the former's request. Dr. Soong reported that he had talked to Mr. Fox about the possible uses of the loan, and that Mr. Fox had stated that aside from the general approach to the problem, the matter had not yet been definitively discussed. Dr. Soong said he would like to have it understood that he was acting solely as an intermediary for transmitting messages from his Government to the Treasury, or reverse.