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## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 26, 1941

TO Secretary Morgenthau

FROM A. M. Kamarck

The attached tables were prepared in response to your request for a digest of airplane deliveries to the British.

Should this information be put on a chart?



- 2 -

Division of Monetary  
ResearchAirplane Shipments to the British  
(From January 11 to March 29 by sea;  
February 1 to April 19 by air)

Table A - Shipments by Area

To the United Kingdom

|                                                |          |     |
|------------------------------------------------|----------|-----|
| Bombers                                        | 77       |     |
| Reconnaissance bombers (Lockheeds)             | 90       |     |
| Naval patrol bombers (All Consolidated<br>PBV) | 30       |     |
| Pursuit                                        | <u>0</u> |     |
| Total to United Kingdom                        |          | 197 |

To the Middle East

|                            |            |     |
|----------------------------|------------|-----|
| Bombers (All Martin 167)   | 91         |     |
| Reconnaissance bombers     | 0          |     |
| Naval patrol bombers       | 0          |     |
| Pursuit (All Curtiss P-40) | <u>225</u> |     |
| Total to Middle East       |            | 316 |

To the Far East

|                                                |           |    |
|------------------------------------------------|-----------|----|
| Bombers                                        | 0         |    |
| Reconnaissance bombers                         | 0         |    |
| Naval patrol bombers (All Consolidated<br>PBV) | 3         |    |
| Pursuit (All Brewster F2 A-1)                  | <u>82</u> |    |
| Total to Far East                              |           | 85 |

Totals

|                        |            |     |
|------------------------|------------|-----|
| Bombers                | 168        |     |
| Reconnaissance bombers | 90         |     |
| Naval patrol bombers   | 33         |     |
| Pursuit                | <u>307</u> |     |
| Grand total            |            | 598 |

Table B - Total Shipments by Types

|                                    |           |           |
|------------------------------------|-----------|-----------|
| Boeing B-17                        |           | 3         |
| Brewster Buffalo (F2 A-1)          |           | 82        |
| Consolidated Catalina (PBX)        |           | 33        |
| Liberator (B-24)                   |           | 3         |
| Curtiss Tomahawk (P-40)            |           | 225       |
| Douglas - Boston I (DB-7)          | 1         |           |
| Boston II (DB-7A)                  | <u>70</u> |           |
| Total                              |           | 71        |
| Glenn Martin Maryland (Martin 167) |           | 91        |
| Lockheed - Hudson I (Model 214-40) | 1         |           |
| Hudson III (Model 414-56)          | 33        |           |
| Hudson IV (Model 414-08)           | 18        |           |
| Hudson V (Model 414-13)            | 35        |           |
| Electra                            | <u>3</u>  |           |
| Total                              |           | <u>90</u> |
| Grand Total - All Types            |           | 598       |

Table C - Plane Deliveries to the British by Weeks

| Week<br>Ended | Bombers  | Reconnais-<br>sance<br>Bombers | Naval<br>Patrol<br>Bombers | Pursuit  | Total     |
|---------------|----------|--------------------------------|----------------------------|----------|-----------|
| Feb. 8 *      | 17       | 5                              | 3                          | -        | 25        |
| Feb. 15 *     | 33       | 9                              | -                          | 100      | 142       |
| Feb. 22 *     | 30       | 5                              | -                          | 27       | 62        |
| Mar. 1*       | 5        | 2                              | 5                          | 25       | 37        |
| Mar. 8 *      | 13       | 3                              | 3                          | 10       | 29        |
| Mar. 15 *     | 15       | 12                             | 4                          | -        | 31        |
| Mar. 22 *     | 5        | 12                             | 2                          | 22       | 41        |
| Mar. 29 *     | 12       | 13                             | 3                          | 18       | 46        |
| Apr. 5 *      | 15       | 6                              | 7                          | 73       | 101       |
| Apr. 12 *     | 14       | 9                              | 2                          | 27       | 52        |
| Apr. 19 *     | <u>9</u> | <u>14</u>                      | <u>4</u>                   | <u>5</u> | <u>32</u> |
|               | 168      | 90                             | 33                         | 307      | 598       |

\* The date given is that for shipments by air. Shipments by water start three weeks earlier. That is, the statement reporting the shipment of planes by air for the week ending March 29 would report the shipment of planes by water for the week ending March 8.



April 26, 1941

Major Smith telephoned that the following is the radiogram received from London, from General Arnold:

"Our superchargers received a big boost throughout all air organizations when B-17 went to 33,000 feet with full load and still had climb left. No such performance has ever been made by a British bomber."

Major Smith added that they have no report of a service trip over Germany, but have sent a cable to see if there has been a combat flight under service conditions and to ask for a full report.

N.M. Chauncey

# THE SOUTH CAROLINA NATIONAL BANK

CENTRAL OFFICE

COLUMBIA, S.C.



B. M. EDWARDS  
PRESIDENT

April 26, 1941

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

Dear Mr. Morgenthau:

When I went to Washington some six or seven weeks ago, you asked me to devote about five days per week until May 1, to help out in the program for the sale of defense securities and to contact the banks in this and other matters. I presume that Mr. Bell and Mr. Graves have kept you somewhat informed as to the work that I have been doing.

At the request of Mr. Graves, I came here on Thursday to assist in setting up the organization in South Carolina, and I also made a talk to a bankers' group in Columbia on Thursday afternoon.

I am leaving today for Concord, N. C., where I will make a talk to a group of North Carolina bankers, and from there I will go on to Hot Springs, Va. to attend the annual meeting of the Executive Council of the American Bankers Association; they have insisted that I should stay there until Tuesday night, but anyway I expect to be in Washington on Wednesday and Thursday of next week.

Sometime during the day Wednesday or Thursday, I should like very much to have a short talk with you as to what I can do further in your program. I am of the opinion that we have the banking end of the program in fairly good condition. ||

With my sincere regards and best wishes, I am

Very truly yours,

B. M. Edwards.

BME:mtb

MEMORANDUM

April 26, 1941

To: PRICE ADMINISTRATION COMMITTEE  
From: David Ginsburg, Secretary

Hereto annexed are the following documents:

1. Minutes of the meeting of April 14, 1941.
2. Agenda and minutes of the meeting of April 22.
3. Article on the concentration of industry from the London Economist, March 8, 1941.
4. Letter of April 21 to the farm machinery companies.

Copies of the agenda for the meeting Tuesday, April 29, will be sent to you on the preceding Monday.



CONFIDENTIALSUMMARY OF STENOGRAPHIC TRANSCRIPT OF MEETING OF  
PRICE ADMINISTRATION COMMITTEEApril 14, 1941  
11:00 a.m.

Chairman: Mr. Henderson

Present: Secretary Morgenthau, Secretary Jones, Secretary Wickard,  
Messrs. Knudsen, Hillman, Ayres, Hider, White, Goodlow,  
Clayton, Ginsburg1. Organization

Mr. Henderson pointed out that the committee was created by the Executive Order (of April 11, 1941) setting up the Office of Price Administration and Civilian Supply, and that it reestablished in a general way the Price Fixing Committee of the War Industries Board, which was found very useful in the last emergency. He indicated that the Chairman of the Securities and Exchange Commission would also be appointed a member of the committee.

Mr. Henderson requested the head of each department or agency represented on the committee to name an alternate who would serve full time as nearly as possible, but at least half time. The alternates are to work closely with OPACS so that their principals may be kept informed concerning proposed actions of the Administrator. In addition, he indicated the desirability of continuing to tap the technical assistance available in the various agencies for special studies from time to time.

Mr. Henderson stated that though he must accept responsibility for the decisions of the Office, he would not wish to take a step which might cut across the functions assigned to other agencies or make an important decision without the knowledge available to him through members of the committee, or without fully informing the members of the committee. He therefore proposed to advise the committee of all proposed actions of any importance unless there were some compelling reason to the contrary. He indicated that at least so far as these preliminary matters were concerned, he was not asking for the assent or approval of any member of the committee, but he did wish to avail himself at least of their tentative views. So far as the future was concerned, he proposed to advise the committee beforehand of matters to be considered at committee meetings, and on such matters opinions might be solicited. Until such time, however, Mr. Henderson felt that it would be unfair to request any member of the committee to express a final opinion.

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## 2. Iron and Steel

Pointing out that the U. S. Steel Corporation had estimated that the proposed 10-cent per hour increase in wages, together with the estimated increases in the cost of goods and services which they buy in the open market, and assuming about a 5 percent increase in the tax rate, would reduce their return on invested capital to about  $5\frac{1}{2}$  percent (instead of about  $7\frac{1}{2}$  percent in 1940), Mr. Henderson proposed that a ceiling be established immediately on steel prices as they existed before the wage increase was granted, with a statement that when second quarter reports were available, prices would be reconsidered.

Mr. Henderson stated that his staff had made a reexamination of U. S. Steel estimates and had come to the conclusion that the contemplated increases in wages and other costs would in all likelihood still give the Corporation about a 7 percent return on invested capital. The estimates include a dollar increase in wages for coal. The discrepancy between the U. S. Steel's estimate of  $5\frac{1}{2}$  percent and OPACS's estimate of 7 percent return is partially explained because the Corporation's estimate was based on operations at 94 percent of capacity, whereas present operations are practically at 100. Mr. Henderson pointed out that if, on its own estimates, U. S. Steel's return for 1941 were to be  $5\frac{1}{2}$  percent, the smaller non-integrated companies would have a still smaller return. The problem of the marginal operator, as well as the whole problem of price, therefore should be reexamined shortly after the close of the second quarter; individual cases of extreme hardship would be considered immediately.

Mr. Henderson stressed the importance of forestalling any idea that wage increases could be negotiated and automatically translated into increased prices. Since Mr. Olds of U. S. Steel felt that when the news of the wage increase was released, some statement should be made concerning prices, Mr. Henderson stated that in his view it was desirable to set a ceiling immediately.

After stating the facts at some length and after some preliminary discussion, Mr. Henderson requested the views of each member of the committee. No dissent was expressed although Mr. Knudsen indicated that, if possible, it might be desirable to take final action now rather than to postpone the evil day.

## 3. Coal

Mr. Henderson then set forth his proposal to lift the maximum prices which were set on coal as of March 28 just as soon as there is a settlement with the northern operators, which have about 50 percent of capacity. Secretaries Wickard, Morgenthau and Jones felt that they were not sufficiently informed to express an opinion. No dissent was voiced, however.



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#### 4. Automobiles

Mr. Henderson called attention to the generally recognized necessity for eventually curtailing automobile production because of the use of necessary materials, etc. Among the proposals already advanced were (1) increasing the price of automobiles as a means of curbing sales and (2) the shortening of terms by the finance companies which would narrow the field of potential purchasers. Mr. Henderson stated that unless the consumer credit approach were a very elaborate scheme reaching every one who loans money it would not work and further that it is not the ideal control method. No proposal was made concerning automobile prices. However, Mr. Henderson said that an understanding with the Automobile Manufacturers Association that models would not be changed slightly as a basis for price changes would probably suffice to avoid indirect increases without announcements of actual price dollar increases. Secretary Morgenthau added that the problem of control over consumer credit raises the whole question of pools of capital, the Treasury position, and the financing program of the Treasury and therefore should be thoroughly discussed before action is taken.

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The meeting adjourned with the understanding that the committee is to meet weekly on Tuesday at 11 a.m. Either the principal or the alternate may attend.

Mr. Henderson appointed Mr. David Ginsburg as secretary to the committee.



April 22, 1941

AGENDA

PRICE ADMINISTRATION COMMITTEE

Meeting No. 2

2000 Massachusetts Avenue

- 
1. Stenographic transcripts will be taken at each meeting and the transcripts summarized so as to constitute minutes of each meeting. Copies will be sent to each member of the committee and to his alternate. The minutes of the first meeting will be circulated this week.
  2. Reaction to issuance of Steel Price Schedule.
  3. Problems arising under coal freezing order.
  4. Automobiles.
  5. Letter to manufacturers of farm machinery.
  6. Proposed action with reference to textiles.
  7. Necessity for import of zinc concentrates.

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CONFIDENTIAL

SUMMARY OF STENOGRAPHIC TRANSCRIPT OF MEETING OF  
PRICE ADMINISTRATION COMMITTEE

April 22, 1941

11:00 a.m.

Chairman: Mr. Henderson

Present: Messrs. March, Ryder, Eicher, Pike, O'Connell, Ezekiel,  
Clayton, Lubin, Plummer, Ginsburg

1. Reaction to issuance of steel price schedule

Mr. Henderson reported that, although U. S. Steel did not accept the prospective steel order with any pleasure, Mr. Olds had made technical suggestions regarding the form of the schedule; that the industry generally had accepted the schedule; and that in Mr. Henderson's judgment it would be obeyed. Some small operators have already indicated a desire to be consulted when adjustments are to be made.

2. Coal freezing order

Mr. Henderson reported that, pending the translation of additional wage costs into the official minimum prices set by the Bituminous Coal Division, CPACS had permitted operators in Northern Michigan and in some parts of Illinois, who had reopened under retro-active wage agreements, to sell newly mined coal at the maximum prices with side agreements in the nature of an escalator clause providing for additional payments not to exceed increased costs when the strike was finally settled. Retail prices have been effectively maintained, with the assistance of State and local councils.

3. Automobiles

Following the discussion of the automobile problem at the committee's meeting on April 14, Mr. Knudsen's conference with the industry resulted in an announcement that production would be curtailed 20 percent. The companies are submitting briefs to Mr. Knudsen concerning the probable effect of the reduction. Mr. Henderson announced that he expects to have his staff use these briefs for whatever help they may be in preparing for a conference on automobile prices.

Messrs. Ezekiel and Lubin raised a question whether the proposed reduction in automobile production would release additional facilities and labor, as well as raw materials, or whether this would merely mean that the automobile concerns would be operating on a shorter week without releasing any additional facilities or labor for defense production. This matter was generally discussed and Mr. Henderson indicated that so far as he was aware the precise manner in which the reduction would be effected had not yet been determined.

He called attention to an article on the concentration of industry in the London Economist, March 8, 1941 (copy attached), concerning the difficulty in England of getting concentration of orders in the most efficient plants, working full time, and utilizing facilities thus released for other purposes, and to the similarity of our experience.

#### 4. Farm machinery

Mr. Henderson reported that, since International Harvester last week granted a wage increase and a price increase was threatened, a letter had been sent on April 21 to the farm machinery companies asking them not to raise their prices (copy attached).

#### 5. Zinc concentrates

Mr. Henderson read a letter which he proposed to send to the Federal Loan Administrator stressing the need for an additional supply of zinc concentrates. He proposed to recommend that zinc concentrates be declared a strategic and critical material so that the Metals Reserve Company might be empowered to build up a stock pile. No objection was voiced to sending the letter, although Mr. Clayton indicated problems might arise regarding the availability of an adequate supply of bottoms.

#### 6. Textiles

Mr. Henderson called attention to increasing evidence of speculation in textiles and a growing shortage in view of increased demands. He indicated that, if the textile situation could not be kept in bounds by other means, a price schedule would be established. Various methods of control were discussed—establishing priorities, use of the Australian wool stock pile in case prices go above a certain level—but no decision was reached.

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The meeting adjourned at 12:45 p.m. to meet Tuesday, April 29.



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No. 5089

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## Concentration of Industry

THE announcement made on Tuesday by the President of the Board of Trade promises to be the beginning, not before its time, of a real advance in the mobilisation for war of all the economic and industrial resources of the country. Ever since the beginning of the war a growing list of industries manufacturing for the domestic consumer have been progressively restricted in their scale of operations. The necessity for such a restriction may have arisen from a variety of causes: shortage of imported raw materials has been one of the most pervasive. But whatever may have been the original occasion, the purpose that restriction of consumption goods industries can be made to serve in a war economy is to release for fighting and for munition-making the largest possible volume of resources of man-power, materials, factory space and industrial plant. If this is the purpose, then it is obviously better served if the vestigial output left to an industry is concentrated in the smallest possible number of factories than if a simple proportionate cut is imposed on every producer. If every firm is reduced to a quota of, say, 30% or 25%, then every factory is still partly employed, every firm has to have at least its minimum reserve stock of materials, every machine is retained in partial use and the greater part of the labour force remains attached to the industry though on part-time.

The necessity for a measure of induced—and, if necessary, compelled—concentration of production in restricted industries is no novelty to readers of *The Economist*. It has now been recognised by the Government. Mr. Lyttelton's proposals refer mainly—at this stage entirely—to the group of industries subject to the Limitation of Supplies Orders and to the rationing of raw materials. These industries—hosiery, pottery, the major textile industries, boots and shoes, and some others—are, as the President said, "the main sources of factory-trained labour for munitions."

The object is defined as being "to concentrate production in a reduced number of factories working full-time. These factories should be able to produce the output required for Government orders, the greatest practicable export trade and the minimum needs of our population, while at the same time preserving the goodwill of the factories closed down." The Government will facilitate this concentration "by granting to groups of undertakings which fulfil the necessary conditions special help to safeguard their requirements of labour and of raw materials," but "they cannot contemplate the use of public funds to . . . provide compensation."

The method of achieving concentration is, in the first place, to be by negotiations between the Board of Trade and "representatives of employers and workers in the industries concerned"; to assist in this task the existing Export Council is to be enlarged and re-named the Industrial and Export Council; its executive members, who have had experience of negotiating with industries for the formation of Export Groups, will no doubt bear the brunt of the work. There was, however, a sting in the tail of this declaration of adherence to the voluntary principle: "the Government accept ultimate responsibility for seeing that the necessary measure of concentration is achieved; and, where firms are either unwilling or unable to meet the situation by their own efforts, the Government will be prepared in the last resort to impose the reorganisation which circumstances require." The absorption into the war effort of the resources of man-power set free will, of course, remain the responsibility of the Ministry of Labour. The conversion of plant and buildings should be facilitated by the concentration in the hands of the Board of Trade of responsibility for co-ordinating the requirements of all Government Departments for factory and storage accommodation. As for the restoration of the status quo after the war, a record



of factories closed down and labour transferred will be kept and "the Departments concerned will take all measures open to them to assist their speedy reopening."

For this new policy in general there cannot be anything but unqualified, if somewhat impatient, welcome. It should have been made clear from the inception of the policy of limiting supplies that concentration of production was a necessary corollary. The hour is now so late that the task must be accomplished very quickly; the weapon of compulsion cannot be kept in reserve for very long. The President of the Board of Trade and the members of his Industrial and Export Council must steel their hearts to treat delay on the same footing as recalcitrance. Industries must be told that time is of the essence of their contraction.

It is unquestionably appropriate that industries should be given an opportunity of making their own arrangements for concentration before any question of compulsion arises. But the community has a concern not merely with the fact of concentration but also with the methods by which it is brought about. Circumstances should not be allowed to force the weaker firms in an industry to accept concentration on the terms of the stronger. Even apart from these questions of equity within the industry, there are points of general principle that arise. For example, in the majority of cases it would be better for the community if concentration took the form of a temporary pool of financial interests, or even a holding company, rather than that the majority of firms should, for the duration, lose not merely their physical participation in the trade but their financial interest as well. It is to be hoped that the negotiators will be provided with a code of principles to be followed wherever possible. This is not a matter that can be pursued quite haphazard.

Coupled with this general welcome, however, there will naturally be questionings on a number of the details and the implications of such a drastic policy. A whole series of problems revolves round the question of compensation. There is very considerable risk of real or induced confusion on this issue and it is important to get the various elements of the problem clear. It is obvious that an industry which has had its output compulsorily reduced to, say, 25 per cent. of its peacetime output has suffered severe financial damage, and it might well claim that since the necessity for the restriction arises out of the community's actions and cannot in any way be blamed upon the restricted industry, it should receive public assistance in the same way as the wounded, the widows and the orphans of the war. But this financial damage, and the resultant claim for compensation, emerge from the restriction of output, which is already in force. The new policy announced by Mr Lyttelton this week does not restrict output any further; it merely concentrates the existing restricted output. There is no reason, in the typical case, for supposing that the amount of profit accruing to the industry as a whole will be smaller when production is concentrated than when it is scattered. On the contrary, in the majority of cases it will be larger. There is, therefore, in general, no very strong case for compensation arising out of the policy of concentration, though there may be a case arising out of the previous limitation. What is necessary, of course, is to see that the profit made out of the concentrated output shall be equitably distributed among the different constituent units of the industry. Industries will have an opportunity of making their own arrangements for this, but in the typical case the nucleus factory (or factories) chosen to remain in production will, in effect, be trading not for its own account but as agents for the whole industry. Technical difficulties and commercial complications (of which the existence of brands and trade marks are not the least) will necessitate variations from this theme in different industries, but the principle is clear enough. Factories that are closed down can expect to receive a share in the profits of those that stay open; they should not ordinarily expect to receive compensation.

This will not, however, prevent claims for compensa-

tion from being put forward. It would be too much to expect that the effects of the previous limitation and the new concentration will always be rigidly distinguished. Where similar ideas have been put into practice or have reached the stage of detailed discussion—as, for example, in coal and cotton—it has usually been found necessary to include a *douceur* for those who are to be temporarily excluded, and the Board of Trade may well find that countenancing arrangements of the sort may be the price it has to pay for speedy agreement. If so, a warning must be entered from the outset. The financing of compensation to the excluded out of the proceeds of a levy to be added to the price charged to the consumer is an expedient that is indefensible in principle and pernicious in practice. It is a capricious and arbitrary form of regressive taxation. Where extra money has to be found for the payment of compensation and it cannot be taken out of the profits of those who remain in business, it should come from the Exchequer. To insist on this principle will, incidentally, ensure that compensation is paid only where there is genuine necessity for it.

Another set of questions arises out of the effect that the new policy, and its post-war corollaries, will have on the future organization of industry. The war has already very powerfully reinforced the previously existing tendency towards the "combination" of industries. For negotiating with the Government about output quotas or raw material allocations, for forming export groups, and now for devising concentration schemes—for all these purposes industries have been encouraged and compelled to regard themselves more and more as centrally directed and co-ordinated units. The Trade Association is already the governing body of the industry and now it bids fair to be the producing organism as well. All this was in greater or less degree inevitable in time of war, and it would be churlish for anyone who has advocated the mobilisation of industry to cavil at it. But for peacetime purposes the wholesale pooling, co-ordination and cartelisation of industry have severe and obvious disadvantages. The mechanism that has been built up in wartime for restricting production might be used in peacetime for the same purpose, though in a very different context. The latest development in the Government's industrial policy makes it more than ever imperative that the distinction between the requirements of peace and war should be clearly drawn, that the growth of monopoly and cartelisation should be very carefully watched, and that the Government and the public between them should devote a great deal of thought, before it is too late, to the problem of post-war industrial organization.

This necessity is enhanced rather than diminished by the tenor of the Government's proposals for restoring the *status quo*. There is to be a register of displaced firms and the Government are to "take all measures open to them" to assist in the reopening of these firms. These assurances are only reasonable. But what may they be taken to mean after the war? May it not be contended that newcomers in an industry must be kept at bay until every last one of the firms that existed in the industry in 1939 has been restored to production—and even to profitable production? The industries will certainly maintain such a claim and will try to enforce it by every device open to their Trade Associations; they will certainly invoke the assistance of the law, and unless public opinion is much more enlightened on the issues at stake than it has shown itself to be in recent years, the post-war Board of Trade will consider nothing more natural than to establish a *de jure* monopoly for the pre-war firms in these industries just as tight as the *de facto* monopoly which many other industries have already succeeded in establishing. The vista of restriction, of monopoly profits, of the discouragement of enterprise and the support of inefficiency thus opened up is frightening in the extreme. It may be true that there is nothing that can be done about it now—unless it is insistence upon

March 8, 1941

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a rigid time-limit for the exercise of these special post-war favours. But extreme care will be needed immediately the war is over to ensure that those who have had the honour of being mobilised for the community's service do not exercise over the economic life of this country a dominance as restrictive and damaging as that exerted over the political life of other democracies by the "veterans" of their wars.

None of these questionings, however, should detract from the merits of a very substantial advance in the technique of industrial mobilisation. They should not, for example, be held to justify any watering-down

or postponement of plans that are already sufficiently mild and tardy. On the contrary, the next need is to extend a policy which is now proposed for a relatively small group of productive industries to the long list of other non-essential trades. As in every other department of the Government's mobilisation plans, the large service trades are still ignored. Distribution, for example, is much the largest reservoir of labour which, though it may not be "factory-trained," could nevertheless quickly be put to munitions work. The next task for the Board of Trade is to devise a plan for the concentration of retail trade.



## OFFICE FOR EMERGENCY MANAGEMENT

Office of Price Administration and Civilian Supply

For A.M. release  
Tuesday, April 22, 1941

PM 301

Manufacturers of farm implements were requested yesterday not to increase farm machinery prices at this time, in a letter sent out by Leon Henderson, Administrator, Office of Price Administration and Civilian Supply. Voluntary cooperation was asked in the hope "that other steps may be avoided."

The letter is being sent to several hundred manufacturers of farm machinery. Mr. Henderson pointed out that in announcing the steel price schedule of last week he had stressed "the wide range of finished products into which steel enters as a raw material and the importance of maintaining stable prices in these finished products."

Among the products Mr. Henderson had in mind at that time were farm machinery and equipment because of their importance as a factor in the cost of farm production and their relation to prices of domestic supplies of food and fiber. The letter read in part:

"Recently wage increases have been announced in certain parts of the industry. Moreover, I am aware that certain other cost elements have advanced. But with assured prices of the major raw material and a favorable demand in the industry generally, I feel justified in requesting that there be no increase in farm machinery prices at this time. I also request that there be no alteration in your cash discounts, trade discounts, volume discounts, carry allowances, methods of quoting prices, credit practices or other trade or price policies which would have the effect of increasing net manufacturer's prices of individual items. Where prices of equipment have not yet been quoted for this year, I request that you adhere to the price schedules which were last in effect. I am asking your voluntary cooperation in the hope, which I am sure we both share, that other steps may be avoided in this industry."

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PM 301

Text of letter to farm equipment manufacturers follows:

Gentlemen:

As you know this Office has recently taken steps to maintain steel prices at the levels which prevailed during the first quarter of this year. In announcing the Steel Price Schedule, I drew attention to the wide range of finished products into which steel enters as a raw material and the importance of maintaining stable prices in these finished products.

One of the products which I had especially in mind was farm machinery and equipment. The prices of these products are an important factor in the cost of farm production. As such they are related to the prices of our entire domestic supplies of food and fiber. Should labor supplies become scarce in certain agricultural areas as a result of the defense program farm machinery will become even more important in the farm economy.

Recently wage increases have been announced in certain parts of the industry. Moreover, I am aware that certain other cost elements have advanced. But with assured prices of the major raw material and a favorable demand in the industry generally, I feel justified in requesting that there be no increase in farm machinery prices at this time. I also request that there be no alteration in your cash discounts, trade discounts, volume discounts, carry allowances, methods of quoting prices, credit practices or other trade or price policies which would have the effect of increasing net manufacturer's prices of individual items. Where prices of equipment have not yet been quoted for this year, I request that you adhere to the price schedules which were last in effect. I am asking your voluntary cooperation in the hope, which I am sure we both share, that other steps may be avoided in this industry.

If carrying out this request imposes undue hardships on your company in some particular, I will entertain a plea for its modification, and at any time I will be glad to meet with representatives of your industry to discuss questions raised by this request.

Yours very truly,

Leon Henderson  
Administrator



Text of letter to farm equipment manufacturers follows:

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As you know this Office has recently taken steps to maintain steel prices at the levels which prevailed during the first quarter of this year. In announcing the Steel Price Schedule, I drew attention to the wide range of finished products into which steel enters as a raw material and the importance of maintaining stable prices in these finished products.

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If carrying out this request imposes undue hardships on your company in some particular, I will entertain a plea for its modification, and at any time I will be glad to meet with representatives of your industry to discuss questions raised by this request.

Yours very truly,

Leon Henderson  
Administrator



April 26, 1941.

The Honorable

The Secretary of State.

Sir:

For the Secretary receipt is acknowledged with thanks of your letter of April 25, 1941, enclosing two photostatic copies of (1) a note dated April 7, 1941 addressed by you to the Minister of Denmark, the Honorable Henrik de Kauffmann, relating to the defense of Greenland, (2) the Minister's reply thereto dated April 9, 1941, and (3) the English and Danish texts of the Agreement Relating to the Defense of Greenland, signed by the Minister of Denmark and you on April 9, 1941.

Very truly yours,

(Signed) Herbert E. Gaston

Herbert E. Gaston,  
Assistant Secretary of the Treasury.

Copy to: Miss Gurnea  
Mr. Cairns  
Chief Clerk

Encs



DEPARTMENT OF STATE  
WASHINGTON

n reply refer to  
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April 25, 1941

My dear Mr. Secretary:

I enclose for the information of the United States Coast Guard two photostatic copies of (1) a note dated April 7, 1941 addressed by me to the Minister of Denmark, the Honorable Henrik de Kauffmann, relating to the defense of Greenland, (2) the Minister's reply thereto dated April 9, 1941, and (3) the English and Danish texts of the Agreement Relating to the Defense of Greenland signed by the Minister of Denmark and me on April 9, 1941.

Sincerely yours,

Enclosures:

As noted above.

*Frank B. Rowell*

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

ROYAL DANISH LEGATION  
WASHINGTON, D.C.

April 9, 1941.

Sir:

I have received your note of the seventh instant concerning the defense of Greenland together with a draft of a proposed agreement regarding the same subject.

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It is with appreciation that I note your renewed assurance that, although the present circumstances prevent the Government in Denmark for the time being from exercising its powers in respect of Greenland, your Government fully recognizes the Sovereignty of the Kingdom of Denmark over the island. At the same time I wish to convey to you my feelings of gratitude for the expression of friendly concern of your Government and its earnest hope for the complete and speedy liberation of Denmark.

I share your view that the proposed agreement, arrived at after an open and friendly exchange of views, is, under the singularly unusual circumstances, the best measure to assure both Greenland's present safety and the

The Honorable

Cordell Hull,

Secretary of State,

DEPARTMENT OF STATE, Washington D.C.

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future of the island under Danish Sovereignty.

Furthermore, I am of the opinion that the terms of the agreement protect, as far as possible, the interests of the native population of Greenland whose welfare traditionally has been the paramount aim of Denmark's policy in Greenland.

I, therefore, shall accept and sign the agreement as proposed, acting on behalf of His Majesty, the King of Denmark, in His capacity of Sovereign over Greenland, whose authorities in Greenland have concurred herein.

I avail myself of this opportunity to renew to you, Mr. Secretary of State, the assurances of my highest consideration.

*Henrich Kauffmann*

(2 carbon copies)

April 9, 1940

Sir:

I have the honor to refer to the informal conversations which you have had with officers of the Department of State during which the concern of the Government of the United States was expressed over the effect of recent military developments, particularly affecting Greenland, upon the maintenance of the peace and security of the United States and the rest of the American Continent.

You are also aware of the interest of the Government of the United States in maintaining unimpaired the safety of Greenland and the sovereignty of Denmark over that island. My Government has continuously had in mind the desire expressed by the United Greenland Councils at their meeting at Copenhagen on May 3, 1940

that

The Honorable

Henrik de Kauffmann,

Minister of Denmark.

859B.7962/53 C

PS/WA

April 7, 1941

Sir:

I have the honor to refer to the informal conversations which you have had with officers of the Department of State during which the concern of the Government of the United States was expressed over the effect of recent military developments, particularly affecting Greenland, upon the maintenance of the peace and security of the United States and the rest of the American Continent.

You are also aware of the interest of the Government of the United States in maintaining unimpaired the safety of Greenland and the sovereignty of Denmark over that island. My Government has continuously had in mind the desire expressed by the United Greenland Councils at their meeting at Copenhagen on May 3, 1940

that

The Honorable

Henrik de Kauffmann,

Minister of Denmark.

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PS/WA



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that the Government of the United States of America would continue to hold in mind the exposed position of the Danish flag in Greenland and of the native Greenland and Danish population of the island.

My Government has taken note of the unusual situation in which Greenland now finds itself. The Kingdom of Denmark is at present under occupation by a foreign army. The Government of the United States has condemned that invasion as a violation of Danish sovereign rights, and has repeatedly expressed its friendly concern and its most earnest hope for the complete and speedy liberation of Denmark. Although the Government of the United States fully recognizes the sovereignty of the Kingdom of Denmark over Greenland, it is unhappily clear that the Government in Denmark is not in a position to exercise sovereign power over Greenland so long as the present military occupation continues.

Greenland is within the area embraced by the

Monroe

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Hurree Doctrine and by the Act of Havana, with which you are familiar, and its defense against attack by a non-American power is plainly essential to the preservation of the peace and security of the American continent, and of the traditional policies of this Government respecting the Western Hemisphere.

My Government has consequently proposed measures for the adequate defense of Greenland consistent with the obligations of the United States under the Act of Havana signed on July 20, 1940. In doing so it is animated by sentiments of the completest friendliness for Denmark, and believes that by taking these steps it is safeguarding the eventual re-establishment of the normal relationship between Greenland and the Kingdom of Denmark.

I have the honor to enclose a draft of the proposed agreement relating to the defense of Greenland, which I believe embodies the ideas agreed upon in the course of our various conversations.

Accept 204

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Accept, Sir, the renewed assurances of my highest  
consideration.

Gordell Bull

Enclosure:

Draft of Agreement.



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AGREEMENT RELATING TO THE  
DEFENSE OF GREENLAND

OVERENSKOMST OM  
GRØNLANDS FORSVAR

WHEREAS:

ONE. After the invasion and occupation of Denmark on April 9, 1940 by foreign military forces, the United Greenland Councils at their meeting at Godhavn on May 3, 1940 adopted in the name of the people of Greenland a resolution reiterating their oath of allegiance to King Christian X of Denmark and expressing the hope that, for as long as Greenland remains cut off from the mother country, the Government of the United States of America will continue to hold in mind the exposed position of the Danish flag in Greenland, of the native Greenland and Danish population, and of established public order; and

TWO. The Governments of all of the American Republics have agreed that the status

EFTERSOM:

ET. Efter at fremmede militære Styrker var trængt ind i og havde besat Danmark den 9' April 1940, vedtog de samlede grønlandske Landsraad paa deres Møde ved Godhavn den 3' Maj 1940 paa det grønlandske Folks Vegne en Resolution, højtidelig gentagende deres Troskabsløfte til Kong Christian X af Danmark, og udtalte det Haab, at de Amerikanske Forenede Staters Regering, saalænge Grønland er afskaaret fra Moderlandet, vedvarende vil erindre den udsatte Stilling, hvori det danske Flag i Grønland, den grønlandske og den danske Befolkning i Grønland og den dér herskende Retsorden befinder sig;

TO. Alle amerikanske Republikers Regeringer har erklæret sig enige i, at de,

AGREEMENT RELATING TO THE  
DEFENSE OF GREENLAND

OVERENSKOMST OM  
GRØNLANDS FORSVAR

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of regions in the Western Hemisphere belonging to European powers is a subject of deep concern to the American Nations, and that the course of military events in Europe and the changes resulting from them may create the grave danger that European territorial possessions in America may be converted into strategic centers of aggression against nations of the American Continent; and

THREE. Defense of Greenland against attack by a non-American power is essential to the preservation of the peace and security of the American Continent and is a subject of vital concern to the United States of America and also to the Kingdom of Denmark; and

FOUR. Although the sovereignty of Denmark over Greenland is fully recognized, the present

europæiske Magter tilhørende, i den vestlige Hemisfære beliggende Omraaders Status er et Spørgsmaal af alvorlig Betydning for de amerikanske Nationer, og at Udviklingen af de militære Begivenheder i Europa og deraf følgende Forandringer vil kunne medføre den alvorlige Fare, at de europæiske territoriale Besiddelser i Amerika forvandles til strategiske Udgangspunkter for Angreb imod det amerikanske Kontinents Nationer;

TRE. Grønlands Forsvar imod Angreb fra Ikke-amerikanske Magters Side er af afgørende Vigtighed for Bevarelsen af det amerikanske Kontinents Fred og Sikkerhed og er et Anliggende af vital Betydning saavel for Amerikas Forenede Stater som for Kongeriget Danmark;

FIRE. Uanset at Danmarks Suverænitet over Grønland er fuldtud anerkendt, forhindrer de nuværende Forhold for Tiden



as a result of the present European war there is danger that Greenland may be converted into a point of aggression against nations of the American Continent, the Government of the United States of America, having in mind its obligations under the Act of Habana signed on July 30, 1940, accepts the responsibility of assisting Greenland in the maintenance of its present status.

#### ARTICLE II

It is agreed that the Government of the United States of America shall have the right to construct, maintain and operate such landing fields, seaplane facilities and radio and meteorological installations as may be necessary for the accomplishment of the purposes set forth in Article I.

#### ARTICLE III

The grants of the rights specified in Article II shall

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europæiske Krig er Fare for, at Grønland kan forvandles til et Udgangspunkt for Angreb imod det amerikanske Kontinents Nationer, og under Hensyntagen til de Forpligtelser, som paahviler de Amerikanske Forenede Staters Regering ifølge "The Act of Habana", underskrevet 30<sup>e</sup> Juli 1940, paatager de Amerikanske Forenede Staters Regering sig Ansaret for at yde Grønland Bistand til Opretholdelse af dets nuværende Status.

#### ARTIKEL II

Der er opnået Enighed om, at Amerikas Forenede Staters Regering skal have Ret til at anlægge, opretholde og operere saadanne Landingspladser, Anlæg for Hydroplaner, Radiostationer og meteorologiske Installationer, som maatte være nødvendige for Opnåelse af de i Artikel I angivne Formaal.

#### ARTIKEL III

De i Artikel II indrømmede Rettigheder skal ogsaa omfatte

circumstances for the time  
being prevent the Government  
in Denmark from exercising its  
powers in respect of Greenland.  
THEREFORE,

The undersigned, to wit:  
Cordell Hull, Secretary of  
State of the United States of  
America, acting on behalf of  
the Government of the United  
States of America, and  
Henrik de Kauffmann, Envoy  
Extraordinary and Minister  
Plenipotentiary of His Majesty  
the King of Denmark at Wash-  
ington, acting on behalf of  
His Majesty the King of  
Denmark in His capacity as  
sovereign of Greenland, whose  
authorities in Greenland have  
concurred herein, have agreed  
as follows:

#### ARTICLE I

The Government of the  
United States of America reit-  
erates its recognition of and  
respect for the sovereignty of  
the Kingdom of Denmark over  
Greenland. Recognizing that

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Regeringen i Danmark i at udgve  
sin Myndighed;

#### HVORFOR:

De undertegnede, nemlig  
Cordell Hull, de Amerikanske  
Forenede Staters Statssekretær,  
handlende paa de Amerikanske  
Forenede Staters Regerings  
Vegne, og Henrik Kauffmann, Hans  
Majestæt Kongen af Danmarks  
overordentlige Gesandt og befuld-  
mægtigede Minister i Washington,  
handlende paa Hans Majestæt  
Kongen af Danmarks Vegne i Dennes  
Egenskab af Suveræn over Grønland,  
og med Indforstaaelse af Dennes  
Myndigheder i Grønland, er blevet  
enige om følgende:

#### ARTIKEL I

De Amerikanske Forenede  
Staters Regering bekræfter paany,  
at den anerkender og respekterer  
Kongeriget Danmarks Suverænitet  
over Grønland. I Erkendelse af,  
at der som Følge af den nuværende



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the King of Denmark at Wash-  
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De undertegnede, nemlig  
Cordell Hull, de Amerikanske  
Forenede Staters Statssekretær,  
handlende paa de Amerikanske  
Forenede Staters Regerings  
Vegne, og Henrik Kauffmann, Hans  
Majestæt Kongen af Danmarks  
overordentlige Gesandt og befuld-  
mægtigede Minister i Washington,  
handlende paa Hans Majestæt  
Kongen af Danmarks Vegne i Dennes  
Egenskab af Suveræn over Grønland,  
og med Indforstaaelse af Dennes  
Myndigheder i Grønland, er blevet  
enige om følgende:

#### ARTIKEL I

De Amerikanske Forenede  
Staters Regering bekræfter paany,  
at den anerkender og respekterer  
Kongeriget Danmarks Suveranitet  
over Grønland. I Erkendelse af,  
at der som Følge af den nuværende



also include the right to improve and deepen harbors and anchorages and the approaches thereto, to install aids to navigation by air and by water, and to construct roads, communication services, fortifications, repair and storage facilities, and housing for personnel, and generally, the right to do any and all things necessary to insure the efficient operation, maintenance and protection of such defense facilities as may be established.

#### ARTICLE IV

The landing fields, sea-planes, harbor and other defense facilities that may be constructed and operated by the Government of the United States of America under Articles II and III will be made available to the airplanes and vessels of all the American Nations for purposes connected with the common defense of the Western Hemisphere.

Ret til at forbedre og uddybe Havne og Ankerpladser og anlæg dertil, til at installere Navigations-Hjælpemidler for Sejlads og Luftfart og til at bygge Veje, Kommunikationsanlæg, Befæstninger, Værksteder og Depoter, Boliger for Personnel, og i al Almindelighed Ret til at træffe en hvilkensomhelst Foranstaltning, som er nødvendig til Sikring af en effektiv Drift, Opretholdelse og Beskyttelse af saadanne Forsvarsanlæg, som maatte blive etablerede.

#### ARTIKEL IV

De Landingspladser, Anlæg for Hydroplaner, Havne og andre Forsvarsanlæg, som de Amerikanske Forenede Staters Regering maatte anlægge og operere i Henhold til Artiklerne II og III, vil, for Formaal, der staar i Forbindelse med det fælles Forsvar af den vestlige Hemisfære, blive stillet til Disposition for alle amerikanske Nationers Flyvemaskiner og Skibe.

# ARTICLE V

It is agreed that the Government of the United States of America shall have the right to lease for such period of time as this Agreement may be in force such areas of land and water as may be necessary for the construction, operation and protection of the defense facilities specified in Articles II and III. In locating the aforesaid defense areas, the fullest consideration consistent with military necessity shall be given to the welfare, health and economic needs of the native population of Greenland. It is agreed, however, that since the paramount objective sought is the early attainment of an adequate defense establishment in Greenland, the utilization of any area deemed by the Government of the United States of America to be needed for this purpose shall not be delayed pending the reaching of an agreement upon the precise

# ARTIKEL V

Der er opnået Enighed, at de Amerikanske Forenede Staters Regering, for det Tilsvarende nærværende Overenskomst maatte være i Kraft, skal have Ret til at leje saadanne Land- og Sø-Områder, som maatte være nødvendige for Anlæg, Drift og Beskyttelse af de i Artiklerne II og III opregnede Forsvarsanlæg. Ved Valget af de ovennævnte Forsvarsområders Beliggenhed skal der tages det videst mulige Hensyn, forenelig med militær Nødvendighed, til Grønlands indfødte Befolknings Velfærd, Sundhed og økonomiske Erhvervsinteresser. Man er imidlertid blevet enige om, at eftersom det tilstræbte Hovedformaal er den snarlige Tilvejebringelse af fyldestgørende Forsvarsanlæg i Grønland, skal Benyttelsen af et hvilket-somhelst Omraade, som de Amerikanske Forenede Staters Regering maatte anse for nødvendigt til dette Formaal, ikke udsættes, indtil man er blevet enige om



terms of a formal lease. A description of such areas, by metes and bounds, and a statement of the purpose for which they are needed shall in each case be communicated to the Danish authorities in Greenland as soon as practicable, and the negotiation of a formal lease shall be undertaken within a reasonable period of time thereafter.

#### ARTICLE VI

The Kingdom of Denmark retains sovereignty over the defense areas mentioned in the preceding articles. So long as this Agreement shall remain in force, the Government of the United States of America shall have exclusive jurisdiction over any such defense area in Greenland and over military and civilian personnel of the United States, and their families, as well as over all other persons within such areas except Danish citizens and native Greenlanders, it being understood, however,

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Lejemaalets nøjagtige Betingelser. En Beskrivelse af de paagældende Omraaders nøjagtige Afgrænsning og en Erklæring om det Formaal, for hvilket de er nødvendige, skal, saa snart som gørligt, i hvert enkelt Tilfælde meddeles de danske Myndigheder i Grønland, og Forhandlinger om et formelt Lejemaal skal finde Sted inden rimelig Tid derefter.

#### ARTIKEL VI

Kongeriget Danmark bevarer Suveræniteten over de i de foregaaende Artikler nævnte Forsvarsomraader. Saalænge denne Overenskomst forbliver i Kraft, skal de Amerikanske Forenede Staters Regering have udelukkende Jurisdiktion over et hvilket som helst saadant Forsvarsomraade i Grønland og over de Amerikanske Forenede Staters militære og civile Personnel og deres Familier, saavel som over alle andre Personer indenfor saadanne Omraader, undtagen danske Statsborgere og indfødte Grønlændere, idet det dog er



that the Government of the United States may turn over to the Danish authorities in Greenland for trial and punishment any person committing an offense within a defense area, if the Government of the United States shall decide not to exercise jurisdiction in such case. The Danish authorities in Greenland will take adequate measures to insure the prosecution and punishment in case of conviction of all Danish citizens, native Greenlanders, and other persons who may be turned over to them by the authorities of the United States, for offenses committed within the said defense areas.

#### ARTICLE VII

It is agreed that the Government of the United States of America shall have the right to establish and maintain postal facilities and commissary stores to be used solely by military

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underforstaaet, at de Amerikanske Forenede Staters Regering kan overlevere en hvilken som helst Person, som begaar en Forseelse indenfor et Forsvarsomraade, til de danske Myndigheder i Grønland til Paadømmelse og Afstraffelse, saafremt de Amerikanske Forenede Staters Regering beslutter sig til ikke at udøve Jurisdiktion i det paagældende Tilfælde. De danske Myndigheder i Grønland vil træffe passende Forholdsregler til at sikre Retsforfølgning, og Afstraffelse i Tilfælde af Domfældelse, af alle danske Statsborgere, indfødte Grønlændere og andre Personer, som maatte blive overleveret til dem af de Amerikanske Forenede Staters Myndigheder for Forseelser, begaaet indenfor de nævnte Forsvarsomraader.

#### ARTIKEL VII

Der er opnaaet Enighed om, at de Amerikanske Forenede Staters Regering, til udelukkende Anvendelse for de Amerikanske Forenede Staters militære og civile Personnel og deres Familier, som op-

and civilian personnel of the United States, and their families, maintained in Greenland in connection with the Greenland defense establishment. If requested by the Danish authorities in Greenland, arrangements will be made to enable persons other than those mentioned to purchase necessary supplies at such commissary stores as may be established.

#### ARTICLE VIII

All materials, supplies and equipment for the construction, use and operation of the defense establishment and for the personal needs of military and civilian personnel of the United States, and their families, shall be permitted entry into Greenland free of customs duties, excise taxes, or other charges, and the said personnel, and their families, shall also be exempt from all forms of taxation, assessments or other levies by the Danish authorities in Greenland.

holder sig i Grønland i Forbindelse med de grønlandske Forsvarsanlæg, skal have Ret til at oprette og opretholde Postbessørgelse og Intendantur-Udsalgssteder. Saa fremt de danske Myndigheder i Grønland maatte anmode derom, skal der træffes Foranstaltninger til, at ogsaa andre end de forannevnte Personer kan købe nødvendige Forsyninger i de Intendantur-Udsalgssteder, som maatte blive oprettede.

#### ARTIKEL VIII

Alt Materiel, Forraad og Udstyr til Anlæg, Benyttelse og Drift af Forsvarsanlæggene og til Amerikas Forenede Staters militære og civile Personnel og deres Familiers personlige Behov skal tillades indført i Grønland fri for Told, Akcise eller andre Afgifter, og nævnte Personnel og deres Familier skal ligeledes være fritaget for enhver Form for Beskatning, Paaligninger og andre Udskrivninger foretaget af de danske Myndigheder i Grønland.



## ARTICLE IX

The Government of the United States of America will respect all legitimate interests in Greenland as well as all the laws, regulations and customs pertaining to the native population and the internal administration of Greenland. In exercising the rights derived from this Agreement the Government of the United States will give sympathetic consideration to all representations made by the Danish authorities in Greenland with respect to the welfare of the inhabitants of Greenland.

## ARTICLE X

This Agreement shall remain in force until it is agreed that the present dangers to the peace and security of the American Continent have passed. At that time the modification or termination of the Agreement will be the subject of consultation between the Government of the United States of America and the

## ARTIKEL IX

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De Amerikanske Forenede Staters Regering vil respektere alle legitime Interesser i Grønland, saavel som alle Love, Regulatorer og Sædvaner med Hensyn til den indfødte Befolkning og til Administrationen i Grønland. Under Udgøvelsen af Rettigheder, hidrørende fra nærværende Overenskomst, vil Amerikas Forenede Staters Regering velvilligt overveje enhver Forestilling, som de danske Myndigheder i Grønland maatte gøre med Hensyn til Grønlands Beboeres Velfærd.

## ARTIKEL X

Nærværende Overenskomst skal forblive i Kraft, indtil der er Enighed om, at de nuværende Farer for det amerikanske Kontinents Fred og Sikkerhed er ophørt. Til den Tid vil Overenskomstens Endring eller Ophør blive Genstand for Konference mellem de Amerikanske Forenede Staters Regering og Danmarks



Government of Denmark. After due consultation has taken place, each party shall have the right to give the other party notice of its intention to terminate the Agreement, and it is hereby agreed, that at the expiration of twelve months after such notice shall have been received by either party from the other this Agreement shall cease to be in force.

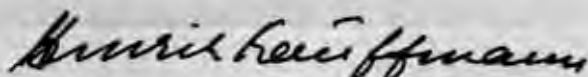
Signed at Washington in duplicate, in the English and Danish languages, both texts having equal force, this ninth day of April, nineteen hundred and forty-one.

Regering. Enhver af Parterne skal have Ret til, efter at passende Konference har fundet Sted, at tilkendegive den anden Part sin Hensigt om at bringe Overenskomsten til Ophør, og det er herved aftalt, at den skal ophøre at være i Kraft ved Udløbet af 12 Maaneder efter, at den paagældende Tilkendegivelse er blevet modtaget af en af Parterne fra den anden.

Underskrevet i Washington i to Eksemplarer i det engelske og danske Sprog, saaledes at begge Tekster har samme Gyldighed, den niende Dag af April, Nitten Hundrede og En og Fyrre.



Secretary of State of the  
United States of America



Envoy Extraordinary and Minister  
Plenipotentiary of His Majesty  
the King of Denmark at Washington

C  
O  
P  
Y

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, (Paris) Vichy.

DATE: April 26, 1941, 4 p.m.

NO. : 491.

THIS TELEGRAM IS FROM MATTHEWS FOR THE TREASURY.

The German officials have since the 24th of the month been making an investigation of the foreign securities and the French issues which contain an exchange guarantee clause held by the Guaranty Trust branch at Paris for customers' account. Incidentally, most of the foreign securities of the bank no longer remain in the occupied territory. In accordance with instructions which the Germans gave the banks in the occupied territory, lists of such holdings had already been given to the Germans. It would seem, however, that the Germans wish to "verify" the exactness of such statistics. It is the understanding of the Guaranty Trust branch here that other banks at Paris are being paid similar visits. However, no request for the delivery of such securities has been made by the German authorities.

LEAHY

RA:MSG

Copy:bj

TO THE DIRECTOR  
SECURITY DIVISION  
MAY 1 1941

BY MAIL ROOM MAY 11 1941

RECEIVED  
MAY 11 1941

THE SECRETARY OF THE NAVY  
WASHINGTON

April 26, 1941

My dear Henry:

Thank you for your note of April 23rd, enclosing the material on Estimates of Canada's Available Surplus Capacity for the Production of Munitions and Other Supplies.

I am glad to have this data and will study it carefully.

Yours sincerely,

/s/ Frank Knox

Hon. Henry Morgenthau, Jr.,  
The Secretary of the Treasury.



## TREASURY DEPARTMENT

## INTER-OFFICE COMMUNICATION

DATE April 26, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

|                                    |         |
|------------------------------------|---------|
| Sold to commercial concerns        | £14,000 |
| Purchased from commercial concerns | £ 2,000 |

Open market sterling was quoted at 4.03, and there were no reported transactions.

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

|                          |                  |
|--------------------------|------------------|
| Canadian dollar          | 11-3/4% discount |
| Swiss franc              | .2321            |
| Swedish krona            | .2384            |
| Reichsmark               | .4005            |
| Lira                     | .0505            |
| Argentine peso (free)    | .2355            |
| Brazilian milreis (free) | .0505            |
| Mexican peso             | .2066            |
| Cuban peso               | 4% discount      |

In Shanghai, the yuan was unchanged at 5-3/16¢. A cable advice received from Shanghai this morning indicated that the market in that center had learned of the signing of the United States-Chinese stabilization agreement. Sterling in Shanghai was also unchanged at 3.90-1/2.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

BRITISH EMBASSY,  
WASHINGTON, D.C.

PERSONAL  
AND SECRET

April 26th, 1941

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

*Wm. L. Campbell*

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

**TELEGRAM RECEIVED FROM LONDON  
DATED APRIL 24th. 1941**

**NAVAL. PLYMOUTH.** Devonport raided by 80 aircraft third successive night. Further damage in dockyard no naval casualties. H.M.S. Lewis out of action few weeks.

2. Two trawlers attacked by aircraft off East Coast on 22nd, one slightly damaged, Greyhound slightly damaged; two Merchant ships sunk at Morra Tebruk during frequent air attacks between 18th and 22nd.

3. Result of bombardment of Tripoli 21st; two Merchant ships sunk four set on fire extensive damage to harbour facilities and military objectives. We suffered no casualties. On the 21st one J.1007 was shot down. One Dornier 24 forced to land on the water badly damaged. On 22nd Fulmars met 3 Junkers 86, 1 shot down, 1 probably crashed, 1 damaged.

4. Between 19th and 22nd enemy raided Malta three successive nights. Some damage to dockyards trawler and lighter. By day 4 enemy aircraft were shot down and 2 probably.

5. At Piraeus enemy aircraft sank Greek destroyer Hydra and damaged Peana and hospital ship. Off Lineoloughi hospital ship Messeres was sunk and off Megara another hospital ship was damaged.

6. Three enemy air attacks on East Coast convoys on the 23rd were unsuccessful.

7. **ROYAL AIR FORCE**

Daylight 23rd. An electric power station in enemy occupied territory hit and numerous attacks on enemy shipping off the Dutch Coast carried out by



by our medium bombers.

8. Night of 23rd/24th.

65 bombers sent to attack enemy battle cruisers at Brest. All returned safely.

9. LIDEL, 22nd.

15 Hurricanes intercepted 60 enemy bombers with 84 fighters over Tobruk and destroyed 1 bomber and 3 fighters.

10. GERMAN AIR FORCE.

Night of 23rd/24th.

Of about 110 enemy aircraft operating approximately 55 attacked Plymouth for 2 hours before midnight.

11. Dockyard Malta was again bombed by 40 enemy aircraft night of 22nd/23rd. Damage to naval property slight.

# RESTRICTED

44

Paraphrase of Code Radiograms  
Received at the War Department  
April 26, 1941

Changting, filed April 25 and 26.

Price of rice shot up past 48 hours and little for sale at from 40 to 60 local dollars higher for unit of 36 pounds than prices last week. Sales in Changting confined to black markets and rice higher than here. Poor crop partially responsible. Good rain might to some extent remedy situation. Informed foreign circles believe condition due largely to holding of stocks by landlords and farmers, and government should act decisively at once to force release of rice in storage and lower prices to prevent lowering national power of resistance and prevent encouragement to defeatist elements, particularly in view of the situation in Europe.

Situation still well in hand though some minor rioting has taken place. Practically no rice on market up to include 26th.

BARRETT

## Distribution

Secretary of War  
State Department  
Secretary of Treasury  
Under Secretary of War  
Assistant Chief of Staff, G-2  
War Plans Division  
Office of Naval Intelligence

# RESTRICTED

RESTRICTED

45

Paragraphs of Code Intelligence  
Received at the War Department  
at 7:11, April 26, 1941.

Manila, filed April 26.

German Ambassador to Japan, according to reliable information, has asked Japanese shipping lines to help in evacuating German Nationals from the Philippine Islands, and this request has been passed on to Manila office of Koinenai Kisen Kaisha.

COMMENT

**Distribution**

Secretary of War  
State Department  
Secretary of Treasury  
Under Secretary of War  
Assistant Chief of Staff, G-2  
War Plans Division  
Office of Naval Intelligence

RESTRICTED



**SECRET**

By authority A. C. of S. G-2

Date 28 Apr 41. *MLK*  
InitialsParaphrase of Code Cablegram  
Received at the War Department  
at 07:39, April 26, 1941

Cairo, Filed April 24, 1941.

1. Axis ships continue to unload at Benghazi and Tripoli.
2. German planes are making use of bases in Sicily, Bulgaria and Northern Greece and bringing heavy concentrations to bear on British troops and lines of sea communication. It is the opinion of this office that the evacuation of troops will be impossible.
3. German air forces in Libya similarly concentrate their attacks on Tobruk and communications by sea. Tobruk is isolated.
4. GlanMartin planes are operating efficiently 16 hours a day in the desert area on both scouting and bombing missions with a normal altitude of 10,000 to 18,000 feet.
5. One fighter and one bombardment squadron, much under strength, have arrived in Cairo from Greece.
6. Twenty-eight ships in convoy have arrived bearing 25,000 troops, 50 infantry tanks with tank landing lighters and other material and supplies. The facilities for debarkation are inadequate. Seventy-five ships are now lined up awaiting their turn. Frequently 5 days are necessary for unloading troops from transports.

FILLERS.

Distribution:  
 Secretary of War  
 State Department  
 Secretary of Treasury  
 Under Secretary of War

**SECRET**

Assistant Chief of Staff, G-2  
 War Plans Division  
 Office of Naval Intelligence  
 Air Corps

# CONFIDENTIAL

47

Paraphrase of Code Cablegram  
Received at the War Department  
at 08:44, April 27, 1941

London, filed April 27, 1941.

1. British Air Activity over the Continent.

a. Daylight, April 26.

Only near misses were reported in continued attacks on Axis shipping off the Norwegian coast and the Netherlands. Fighter patrols completed four missions over Occupied France.

b. Night of April 25-26.

Heavy forces of British bombers attacked Kiel. Smaller attacks took place over Berlin, Rotterdam, Emden and Bremerhaven. No reports of damage have been received. The Coastal Command attacked IJmuiden and Brest. Three missions were performed by fighter patrols over Occupied France.

2. German Air Activity over Britain.

a. Night of April 26-27.

Operations on a moderate scale took place over Liverpool Bay, Portsmouth-Selsey area and Lincolnshire-East Anglia area.

b. Daylight, April 26.

There were small raids over Kent.

3. German Losses over Britain.

Daylight, April 26.

One German plane was shot down in the process of British fighter controls over Occupied France.

4. British Air Activity, Middle East Theater.

Daylight, April 26.

Motor transport near Bardia, an airfield at Derna and the town of Benghazi were attacked by British air forces based in Egypt.

# CONFIDENTIAL

# CONFIDENTIAL

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## 5. German Air Activity, Middle East Theater.

### a. Libya. Daylight, April 26.

Sallum and Marsa Matruh were targets of German bombing.

### b. Malta. Daylight, April 26.

Vallletta and Luqa harbors on the Island of Malta were very severely bombed by numbers of parachute mines. The raids were concentrated on harbors and airfields.

6. A large number of Axis motor vehicles as well as a field battery was destroyed by the British in the Tobruk and Sallum areas. Axis air operations, however, are on the increase and six British armored vehicles have been damaged.

7. Up to 11:00, April 27, the War Office had received few reports as to the situation in Greece due to the breakdown of communications. It has now been reported, however, that German motorcycles and light tank units entered Athens early this morning. Large forces of parachute troops landed in the vicinity of the Corinth Canal the morning of April 26. British troops continue to withdraw toward evacuation ports under intense aerial bombardment concentrated on roads, troops and shipping.

The exact situation as regards British forces this morning is not known.

LXX

#### Distribution:

Secretary of War  
State Department  
Secretary of Treasury  
Under Secretary of War  
Assistant Chief of Staff, G-2  
War Plans Division  
Office of Naval Intelligence  
Air Corps  
Assistant Chief of Staff, G-3

# CONFIDENTIAL



# CONFIDENTIAL

Paraphrase of Code Cablegram  
Received at the War Department  
at 11:30, April 27, 1941

London, filed April 27, 1941.

In reference to your inquiry of April 26 in regards to  
B-17 bombers, you are advised that no combat missions have been  
given these planes up to the present.

END

## Distributions:

Secretary of War  
State Department  
Secretary of Treasury  
Under Secretary of War  
Assistant Chief of Staff, G-2  
War Plans Division  
Office of Naval Intelligence  
Air Corps  
Assistant Chief of Staff, G-3

CONFIDENTIAL

April 28, 1941  
9:30 a.m.

# GROUP MEETING

Present: Mr. Schwarz  
Mr. Sullivan  
Mr. Thompson  
Mr. Graves  
Mr. Foley  
Mr. Cochran  
Mr. Bell  
Mr. Gaston  
Mr. Haas  
Mrs. Klotz

H.M.Jr:

I hope everybody had a nice week-end. I did. I didn't call up anybody. I hope this week is easier on all of us, particularly me.

Before getting down to the routine, I came to a decision over the week-end; first as a result of my own statement on the saving of the money, and second, on Mrs. Morgenthau visiting the NYA with Betty Lindley of Manassas; and she and I visited the CCC up in the park.

Now, I asked the Bureau of the Budget a month or six weeks ago to make a field investigation, and I got nothing, didn't I, Dan? Well, I am going to make my own now, and what I want is that - there are two things that I want. I want to find out in view of the situation,

- 2 -

NYA, CCC, WPA, Studebaker's Bureau of Education and the United States Employment Service - I mean, what are they doing in the light of the present situation which is wasteful from a standpoint of money; and incidentally, could I have for my records when I asked the Director of the Budget to have this done?

Bell:

Maybe I can get it.

H.M.Jr:

Yes. And then what should be done in the light of - well, Stacy May says we need six million additional men for this calendar year, and if we are going to be the arsenal of Democracy, we have got to quit sitting around and knitting and gossiping about it and complaining about it and not doing anything about it. I mean, it is just - the people over at OPM just have no more conception of what the problem is than - my boys have far more idea.

With this in mind, I am going to ask Harry White to detach himself for a week or two and go out in the field with a car and take as many people along with him as he can, and give me the kind of a report that I want. I am doing it for a number of reasons, particularly - one of them is that I think it will be wonderful for Harry. Two, I have got confidence in him. I think he ought to get out in the fresh air. And three, nobody can criticize the so-called - what goes by the misnomer of left wingers in the report.

I would like anybody to give him any ideas or cooperation, but the main thing I want - now, for instance, we went out to this camp. There are two camps within a few miles. There are two camps within a few miles. The one where we went had a hundred and fifty-six boys.



- 3 -

It will house two hundred.

One thing Mrs. Morgenthau said, Harry, the thing that NYA fools you, they say they have ten supervisors, but they don't tell you how many are from WPA, how many from Education. There was one supervisor for every ten boys. They had twenty-five or thirty-five supervisors out there at the NYA.

In other words, they will say, "Oh yes, NYA furnishes us so many supervisors," but they won't tell you how many teachers they have got there for groups, you see. When you add that to the cost per boy, it runs the thing up very, very high. I mean, they make --

Bell: CCC or NYA?

H.M.Jr: I am talking of NYA. CCC for a hundred and fifty-six boys had about ten; but NYA averaged one supervisor to each ten boys, which seems terribly high.

Bell: That has been the policy right from the beginning. At first they had one overseer to each eight boys. In other words, they put them in sort of military groups, squads of eight.

H.M.Jr: But look what they pay these people.

Bell: That is right. It costs about eleven hundred per man to run the CCC. That is the reason for it.

H.M.Jr: What about NYA?

Bell: I don't know what it costs.

H.M.Jr: Well, there is something wrong.

- 4 -

The CCC was a well run place. The boys were nice boys. They are liable to stay two years, which I think is one year too long; and when they are through, they are heavy, they may have put on twelve or fifteen pounds. But certainly, the camps I have visited, they have got nothing to help them - to help this country be the arsenal for Democracy; and if we are six million men short, where are we going to get them from? They are not going to get them out of the CCC or NYA. A few out of the NYA, but darned few.

Gaston: Was this a camp, NYA?

H.M.Jr: This was a CCC camp.

Gaston: Does the NYA have camps?

H.M.Jr: Yes, resident camps. They are supposed to take care of four hundred out at Manassas.

I am going to do this thing openly. I am going to write a letter to these people, including the Director of the Budget. I am not going to do it - I am going to do it openly, Dan. Then when the reports come in, you and I will study them. But I have got to make good on this million dollar business, and I am going to try to help the President make good on making this an arsenal for Democracy instead of just sitting here twiddling my thumbs.

I talked to Oscar Cox last night, and he said that Hopkins has just been getting into the shipping thing, and he says, "If you think the plane thing is bad, wait until I come over and tell you about the shipping thing. The plane thing is wonderful compared to the shipping situation." He says it is the most God awful mess you ever saw.

- 5 -

We have just got to quit fooling around, you know. This fellow Hitler, he just brings in these men from these conquered countries all over, and he has taken thirty thousand trained airplane mechanics out of Italy, thirty thousand, and put them in the airplane factories of Germany and the airplane factories of Italy are just repair factories.

Read the editorial in today's Washington Herald. It is clever and it is devastating, but there is a certain amount of truth in it, and it compares it - Lindbergh to Rhett Butler, who said to the South, "You can't win. You just haven't the strength to win." And he said it ended up with the burning of Atlanta after three hours. And he says the way the situation is today, we are no better than the South was then, by comparison with Germany.

He says, now if we are going to do something about it, let's quit shouting and get busy.

Schwarz:

You will note Lindbergh has resigned from the Air Corps. It is just on the ticker now.

H.M.Jr:

He did? That is my contribution, and I have sat around for five or six weeks waiting for the Bureau of the Budget to do something, and I wanted to get this National Economy League - I couldn't do that because I found that Professor Lutz - George Haas called him a dirty name. I can't repeat what he called him, but I can't have Professor Lutz down here; so I am going to have Professor White instead.

But Lutz is the man who is doing the work for the National Economy League, and I said last week I wouldn't be bothered. So anybody that has any ideas, give them to me and give them to Harry, and we are going to put him in a



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car, and I think I am going to send him to the State of Michigan and we will see what they are doing out there. But I am going to do it openly. By that, I don't mean in the papers, but openly.

Mr. Thompson?

Thompson: I have nothing.

H.M.Jr: Mr. Bell?

Bell: I have the savings bond regulations for you.

H.M.Jr: Right.

Bell: Twenty-six pages.

H.M.Jr: Did you get through my thing?

Bell: Testimony?

H.M.Jr: Yes.

Bell: I did, but it is still around. I didn't get it out Saturday.

This is that depository bond. I don't know if you are going to have lunch with the President or not.

H.M.Jr: I don't either. I hope so.

Bell: Shall I bring it in?

H.M.Jr: Yes, stay behind at this meeting. Are you ready?

Bell: I thought if you were going over it I would stay. If you are not, there is no use in me taking your time.

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H.M.Jr: Righto. What else?

Bell: Nothing.

H.M.Jr: Harold?

Graves: You asked me to bring out this morning the matter of the Treasury issuing tax certificates, security to be bought at a discount in convenient denominations, cumulative by the respective taxpayer, to the installment dates March 15, June 15, September 15, and December 15.

I, myself, feel that there is need for that kind of security from two points of view.

First, a great many people who might otherwise have invested in savings bonds, I think, are going to withhold investments because of the belief that they have - that they will need their money for taxes.

The second reason is that I am afraid a lot of people whose taxes - income taxes are going to be high next year, are not going to anticipate that, and we may have a practical difficulty in tax collections.

I believe we can go some distance toward meeting that second point if we have a convenient and well publicized security that people can buy for the particular purpose of paying their taxes with it.

The Defense Savings Bonds are a bad security for that purpose. They are ten or twelve year bonds, and redemption is a matter of considerable formality and considerable difficulty. I believe we ought to give serious consideration to the issuance of that form

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of security.

I would say further that that has been discussed a lot around here. Mr. Sullivan mentioned it to me and Mr. Bell's people have studied it, and I think we would be prepared pretty quickly to --

H.M.Jr: Well, Mr. Bell is in charge of that; and if you will take it up and study it with him and let me know, I would appreciate it.

Bell: We have done some thinking about it. We can issue a certificate of indebtedness, either with a coupon attached or on a discount basis.

H.M.Jr: If and when you are ready to bring it up, I will be glad to talk to you about it.

Foley: Would that mature at the time the taxes are payable?

Bell: We have had it on our list of things to discuss.

Foley: Or would you offer it in payment of taxes?

Graves: It is my idea that it would mature on the tax dates, March 15.

Foley: Yes. I think that is all right. I think if you pay your taxes with it, there might be some question as to its advisability.

I mean, if it becomes due on the dates when you pay your taxes and you converted it into



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cash and then you draw your check against the cash to pay your taxes, I think it will be all right; but if you pay your taxes with the certificate, I think there might be some question.

Bell: They have done that many times. We have a provision in the law whereby the Secretary can designate --

Foley: I am questioning it as a matter of policy.

Bell: We have done that many times, where we have designated that Treasury notes may be turned in for taxes.

H.M.Jr: If you will study that, I will talk it over with you later.

Foley: Some of the states and municipalities got in trouble on that, whether obligations could be bought under par to be used for paying taxes.

Bell: That was the very purpose of it.

H.M.Jr: I am not going off half-cocked. I think if you would study it.

Bell: I think it is a good thing. I really think that people are not going to save their money and they are going to be surprised when they look at this tax bill in March.

H.M.Jr: Incidentally, one of the reasons I sort of got around to having Harry White do this, Mrs. Morgenthau reminded me what I did in Conservation.

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Through Herbert Gaston, we got a friend of his and his wife, who just went around as Mr. and Mrs. Jones and stayed a night at every camp in the Adirondacks. Do you remember?

White: My wife can't go.

H.M.Jr: Well, I am just bringing that up.

Gaston: Well, we will get somebody to go with you, Harry. (Laughter)

White: Thanks, Herbert.

Foley: He said Mr. and Mrs. Jones.

H.M.Jr: You are very naughty. Harry, you and I understand each other.

Bell: I think there is an inside agreement here.

H.M.Jr: Seriously, it is interesting just how these things keep coming back to you. We did do this. Whatever happened to that man?

Gaston: He is still up there in the Conservation Department, doing the same thing, inspector of camps.

Foley: No future in it, is there? (Laughter)

Gaston: I should say Harry is good, though.

H.M.Jr: Well, anyway --

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White: Thanks for the compliment.

H.M.Jr: What? Now to get back to foreign funds, gold and so on. Harry?

White: The Interamerican Bank is going to be resuscitated and the committee hearings are going to be held either this week or next week.

H.M.Jr: And so what?

White: Merely keeping you informed as to - I don't know whether they will want anybody from the Treasury to help them. They said they would, but I think Bernstein knows more about it than anybody in Washington. He did most of the work in drafting the legislation on it.

H.M.Jr: Have you heard anything about it?

Bell: I haven't been in on it at all.

H.M.Jr: Don't you want to get in on it?

Bell: I can.

H.M.Jr: I wish you would.

Bell: If I can find time.

H.M.Jr: Well --

Bell: But I don't know a thing about it. I will if you want me to.

H.M.Jr: I would like you to.



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White: I think on Agriculture if you haven't got somebody doing something, I think it would be helpful to see what kind of a case can be built up to support your position on Agriculture, merely for your own information.

H.M.Jr: Well, George. That is up to George.

Haas: I looked over your testimony, and I think it goes through all right.

H.M.Jr: Yes, but keep working on it.

White: Because I think the Senate is going to --

H.M.Jr: Well, George, if you want some friendly help, why not get on the telephone to Bill Myers and ask him to come down and spend a day or two. See?

Haas: Yes, sir.

H.M.Jr: Ask for Bill Myers to come down.

Bell: I was a little worried about your statement that the agricultural income hasn't gone up any more than the benefit payments, and it looked to me as though that line represented about three and a half to four billion dollars, and we have paid out a billion and a half in that year. That statement worried me a little. I don't know whether George corrected it or not or looked it over to see whether it should be corrected.

Haas: You started out this way. The Secretary had this chart and had the payment to Agriculture and agricultural income. You start out with the Secretary's statement that there is no correlation between these payments and agricultural income. If that statement is true, or substantially true, then what followed was all right, and I put the table in the testimony, and there is no corre-

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lation. You can't figure out any correlation at all. But the point is, the Department of Agriculture probably won't argue that there was either. They would say it is short over there, and it is money, and it transfers that income to the agricultural class. At the same time, the statements you made were - can be substantiated, and I put figures in to substantiate it.

H.M.Jr:

I would like to see them again, because the chart was in such a reduced form that it was very hard to follow it, but the fact remains, I was impressed with my own statement that if the agricultural income is six billion dollars or eight billion dollars today and you come to the Treasury and add a billion dollars and as a result the farmers only get nine, with all of the county agents and all of the overhead, it would be much better just to give a straight check out of the Treasury. Now, the thing that I have always said, and I have told this to Wallace, we started back in '33 with one plan. It didn't work. He left that plan, which may have cost two or three hundred millions, and added another one that cost two or three hundred millions. He has got five plans superimposed. Every time his plan failed, he added another one until he has got it up to about a billion and a quarter. I told him that once. If you - you did that for me once, I think.

Haas:

That is right, and the Budget Bureau made a long study of the whole thing.

H.M.Jr:

If you will go into history, I think you will find there are about five or six plans. Every time one has been a failure. Here we are today - I don't know, eight or ten million bales of cotton on our hands. Leon Henderson talked to me about cotton mills making excessive profits. And we have this huge supply of cotton on hand. The



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one thing that I missed in my statement, which I forgot to say, "And, gentlemen, don't forget, under the Lend-Lease, Agriculture is going to get four or five hundred million dollars additional for food." I forgot about it. I don't know of anybody better, because he is critical, but he would do it on a fair basis, if you could get Bill Myers down here.

Haas: All right. As I say, they will put up an argument it is justifiable. But that doesn't say your statements are.

White: But the senators in the committee, there is no doubt in my mind they are going to ask a lot of specific and pushing questions, and I think that the best kind of a defense that can be made ahead of time will make it a lot easier.

H.M.Jr: I agree, and I think, George, you ought to concentrate on it, and go up against some of these agricultural fellows. What is the answer?

Haas: I have lived with it. I know what the answer is.

H.M.Jr: I don't want to find myself being in a position that the Administration's Agricultural program has been a failure.

Haas: That is what worries me a bit.

H.M.Jr: And I think that the thing I have got to say is, "Well, we were working under conditions where the seven seas were free, and now they are not free, and the whole thing should be re-examined. We are also working on a basis of a ninety billion dollar income instead of fifty or sixty."

White: And you will remember that one of the big arguments Wallace always used about helping Agricul-



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ture out was that the only way that Agriculture will be helped out would be by raising the level of industrial income, because that would increase the demand for industrial products. That was their justification for the support of the WPA program and a lot of others, so that that could be a very effective argument to be used now.

H.M.Jr: Look up some of Wallace's statements, and I could quote him. Anything else, George? When are you going to have something for me on tanks?

Haas: I have just got the material, and I am trying to put it up into --

H.M.Jr: When can I see it?

Haas: I think I will have a completed chart tomorrow morning for you.

H.M.Jr: Can't I show something if the President has me for lunch? You have got that one chart for me on tanks.

Haas: Oh, yes.

H.M.Jr: I can ask him if that is what he wants.

Haas: All right. The other is going to be a lot better. We have got all the detail you suggested after looking at it, but I can have that.

H.M.Jr: Can't you do one in ink?

Haas: Well, it is a type of thing that doesn't look very well unless it is completely dressed up.

H.M.Jr: Well, you have got from now until ten o'clock.

Haas: I know, but --

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H.M.Jr: Not long enough?

Haas: No. I can get this, Mr. Secretary, by one o'clock. I can have that chart that you saw, plus a table which will support the chart and with the details, show the date of appropriation, the contract date --

H.M.Jr: Yes.

Haas: Yes, sir. And the firms which are the manufacturers and the type of tanks each firm has.

H.M.Jr: Yes, have you got that?

Haas: Yes, sir.

H.M.Jr: That is all I want, isn't it?

Haas: Well, I was trying to get this table to a chart where you could see the whole thing graphically.

H.M.Jr: Let me have what you have, because I am going down to the Aberdeen proving grounds tomorrow morning with Mr. McCloy.

Haas: All right. I will get it. And I will continue to work on the other. I think you will like it, but I couldn't possibly get it finished.

H.M.Jr: Come in at a quarter of twelve, will you, George?

Haas: Yes, sir.

H.M.Jr: And don't forget now, either you or I are going to have to testify on Agriculture before the Senate. One of us does.

Cochran: Is that appointment for Sir Edward Peacock still holding for tomorrow afternoon?

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H.M.Jr: Yes, three o'clock. I will be back. He may have to wait a little bit, but I am sure he waited for the Duchess of Windsor, too.

(Laughter.)

Cochran: Phillips reminded me Friday that he wants to see you as early as he can.

H.M.Jr: Well, I have got to do a little home work on that. Shall we give him three o'clock Wednesday?

Cochran: All right, sir.

H.M.Jr: I want to sit down with you and Bell and White on that before he comes in, please.

Cochran: All right, sir.

The Yugoslav Minister here is trying to get the eleven and a quarter million dollars in New York transferred down to Rio. His colleague there isn't cooperating very fully yet. That is all.

H.M.Jr: What else?

Cochran: Nothing.

Sullivan: Do you recall we discussed the request of Chairman Vinson of the House Naval Affairs for four auditors and four stenographers on defense contracts?

H.M.Jr: Yes.

Sullivan: I sent that letter around to Mr. Foley's shop, and their opinion is we cannot legally do it.

H.M.Jr: All right.



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Sullivan: And we will so report.

H.M.Jr: Are they getting tough in Foley's shop?

Sullivan: What do you mean, "getting?"

(Laughter.)

There was a chap came around from the Canadian Legation Saturday. They were about to put in a new tax proposal up there which will change the rates toward American citizens on dividends and will require a change in the Treaty we have with them on taxes; and I asked him if he would submit the Canadian tax proposal, and he has done that very, very hush hush. He says there isn't even a member of the Cabinet up there that knows the proposals that are going in tomorrow. You might like to look at them.

H.M.Jr: Well, there is no difference between their Cabinet and ours.

Sullivan: That is right.

(Laughter.)

Bell: These are being presented, are they not, to the legislature tomorrow?

Sullivan: Yes, these go to Parliament tomorrow, and it makes our picture look an awful lot better.

H.M.Jr: Good.

Sullivan: You had a letter from Congressman Southoff of New York complaining about my failure to see him on the very thing Harold Graves was talking about. I have had several conversations with him on the phone. I was to have seen him last Monday, but I was testifying instead. I tried

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to get him Saturday, and his office didn't answer my call until this morning. I am going to talk to him today.

H.M.Jr: Will you prepare an answer for my signature?

Sullivan: Yes, I will, sir.

H.M.Jr: I would like to get it off today.

Sullivan: I will, but I thought I should see him before you wrote the letter.

H.M.Jr: Right.

Sullivan: The public hearings are starting at ten, and they wanted me there when they - I don't think I will have to be there all day.

H.M.Jr: All right, good luck.

Sullivan: May I be excused?

H.M.Jr: Yes.

Foley: Berle just called about the Greek freeze order. They want to issue it now, and we are already.

H.M.Jr: Ask him if he read Kintner and Alsop yesterday.

Foley: He also wants a meeting at three o'clock this afternoon of the juniors on the quid pro quo Executive Order before you and Hull get in it. I thought I might call Oscar and take him along to represent Hopkins' point of view on this.

H.M.Jr: Good.

Foley: I have that letter of Eccles' on the holding company legislation, and I am making a memorandum to you and a brief reply.

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H.M.Jr: Good. I sent that all around. Did you ever see a more beautiful job of crawling?

Bell: No.

H.M.Jr: He ought to have no skin on his belly.  
(Laughter.)

Foley: He didn't leave much skin on Ransom, either.

H.M.Jr: That is new. It is original.

Foley: The legislation to requisition foreign ships that you asked about is progressing all right. It looks as though they will get some House action by the end of this week.

H.M.Jr: Who is handling that?

Foley: It is being handled for the Administration by Maritime.

H.M.Jr: That is what I understood.

Foley: And it has been handled by Bland, who is Chairman of the Marine and Fisheries Committee in the House. It will go to Bailey's committee in the Senate.

H.M.Jr: Yes.

Foley: And our bill to negotiate contracts is coming up for a hearing on Thursday, and that is going to --



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H.M.Jr: This is that thing that I referred to you  
You might show it to Harry afterward.

Foley: I don't know whether you know Isadore Kresel  
or not. He was the attorney for the Bank of  
the U.S.

H.M.Jr: Yes. Didn't he go to jail?

Foley: Yes. He wants to come down and help the  
Administration. (Laughter)

H.M.Jr: Isn't he a little previous?

Foley: He says he had a lot of experience with  
German property during the last war and as  
soon as we take it over, he wants to have  
something to do with it again.

H.M.Jr: Well, you tell him - what do I say, "Thank  
you, Izzy"?

Foley: Why, thanks, and he will be given all the  
consideration he deserves.

H.M.Jr: Is that all?

Foley: That is all.

Gaston: I have a little note (April 25) here about  
Sumner Welles and Magruder. I talked to  
Welles, and Welles talked to the President  
and the outcome is that Magruder can do  
whatever he wants to do. As long as he wants  
to stay at his present job, he can stay, so

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we are not to do anything about it at all.

H.M.Jr: Wonderful. The funny thing about that, that is the only appointment that I can remember that the President asked me to appoint a Collector of Internal Revenue after I had recommended he should not be, and I will never forget, we were there at one of those birthday parties or something and Mac had a couple of drinks in him, and Mac says, "Henry, this is the worst appointment the President has ever made from the standpoint of ethics, but the damn best one he has ever made from the standpoint of politics." I have always remembered that. And now here we are, they are trying to get the poor fellow out, Magruder.

Klotz: Who is trying to get him out?

H.M.Jr: Eddie Flynn. He has made a good Collector. I want to say that.

Gaston: Yes, he is all right. You asked me to look into this matter of ship building facilities in Brazil.

H.M.Jr: Yes.

Gaston: I have got a little memorandum for you here. (April 23). The substance of it is that there is one yard in Brazil which has three ways on which they could build up to a 450-foot ship on each way, but they are working on contracts for the British. They are building six trawlers, that is two on a way. If they are to build steel ships, they have got to import the - all the machinery and the hull plates, and the Maritime Commission doesn't think it is any good.

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H.M.Jr: Anything else?

Gaston: Yes. Here is a memorandum by Maxwell (April 22). Largely as a result of the conversation I had with Dean Acheson, he is proposing to set up an actual policy board to consist of himself, Dean Acheson, Shea, Wayne Taylor, a man from OPM, one of his assistants and myself as - on export control policy. He has been holding these so-called policy meetings. He will have 20 or 30 people there. They don't decide questions of policy at all. They merely rubber stamp what Maxwell has previously decided.

H.M.Jr: Well, if you don't mind, Herbert, I don't want the Treasury to have anything to do with it.

Gaston: Sumner Welles' idea is that it ought to be set up by the President. That is, you don't want us to participate in any policy decisions on exports?

H.M.Jr: No. It is the same thing as this question about that deciding on amortization and taxes. I said, "I won't be a member of a party of four. I will take it all or nothing."

Gaston: I think the export control policy is an Administration matter. I think it is something that ought not to be decided by an Army officer. The general policies are really a matter of policy decision.

H.M.Jr: Herbert, I remember the whole fight. We wanted to do it in the Treasury. At that time we were young and ambitious. That was a month or two ago. Now we are just a bunch of old men. (Laughter) That is editorially speaking and applies to me. If the President



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wants me to do it, the Treasury to do it exclusively, we will take it. I said, "I don't want it. I wouldn't lift a little finger or cross the street to do it."

Gaston: I think it would be a mistake for any one department to attempt to handle it.

H.M.Jr: If you don't mind, I wish you would write a letter for my signature to Mr. Maxwell saying we know nothing of it. Do you agree?

Gaston: I am not sure I agree with your general idea. I don't think it is a one department matter at all.

H.M.Jr: But I don't want to work with Maxwell.

Gaston: Well, he is a difficult man to work with.

Foley: I think that is right. I think we have to be kind of careful, though, Mr. Secretary, or the whole thing is going to end up over there because he is building up this large organization and he is reaching out for segments of power, and he is being aided and abetted by Welles.

White: He is much more apt to do that if he has a committee representing the various departments.

Gaston: I see no reason why that should be so. If you have got a majority of the departments on the committee, it shouldn't.

Foley: But he doesn't pay any attention to them, does he? That is Harry's point. He consults and it looks as though they are participating.

Gaston: Under the present set-up. He has got it so

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set up that it falls that way. He may be trying to work a new scheme to make it fall the same way, but it is possible to make something else out of it.

White: What authority does this committee have?

Gaston: No authority except from Maxwell, that is right. The point is just this. I talked it over with the State Department people and what they propose is that whatever committee is to be set up should be set up, not by Maxwell under his powers, but by the President, and of course I checked with them on that.

H.M.Jr: Well, what I would like to do, I can't - do you or don't you agree with me that the proposal that the Treasury be a committee of which Maxwell will be chairman, I gather, that we say no.

Gaston: Set up under his authority? Yes.

H.M.Jr: Will you write a letter.

Gaston: Yes. I still think there ought to be an inter-departmental committee on the thing set up by the President.

H.M.Jr: Well, making the one step doesn't preclude the other. All right?

Gaston: No.

Foley: No, and the other step, we tentatively agreed to go along with a long time ago when they wanted a policy committee.

H.M.Jr: Well, I might change. I reserve that right.

Gaston: This matter of recruiting and taking on the

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reserve officers for the Coast Guard--

H.M.Jr: I saw in the paper, Herbert, that a request had gone up for the appropriation. I thought we decided it wouldn't. There was a little article in the paper.

Gaston: That is a different thing. This is a request for authority to take in men.

H.M.Jr: What did I see in the paper that something had gone up on the Hill?

Gaston: I think that is a request for an appropriation for paying the reserve officers.

H.M.Jr: Isn't that--

Gaston: This is a proposal here--

H.M.Jr: Calling up 18 hundred men, wasn't it, 16 or 18 hundred men, that you asked me about?

Gaston: That is right, and this is authorizing - this is a proposed order to authorize the commandant to order those 18 hundred men to duty, which we can't do without authority from the President.

H.M.Jr: What was the thing I saw in the paper?

Gaston: This is an estimate of money to pay the 18 hundred if and when we get authority to take them in.

H.M.Jr: Aren't you beating the gun on that?

Gaston: I don't think so. You won't be able to take them in until you get the money.

H.M.Jr: But didn't we decide we wouldn't do anything on that, that it would have an effect on the Navy?



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Gaston: I am sorry if I misunderstood you. We decided we wouldn't do anything on this Executive Order to take the men into the service now.

H.M.Jr: But if you had the money, my hand would be forced.

Gaston: Oh, no, we wouldn't have to take anybody in until we wanted it.

H.M.Jr: What are you proposing now?

Gaston: I would like the power to take the men in regardless of whether we need them or not because we will need them for harbor patrol work, the men and the boats.

H.M.Jr: O.K. Always try me on Monday morning.

Gaston: That is a good idea.

H.M.Jr: What else?

Gaston: That is all.

H.M.Jr: Could I just read you all a letter? I think I told you all about my experience just a week ago today about this thing with MacKenzie King. I thought this was a rather nice letter, a very generous letter.

"Dear Mr. Morgenthau:

This line is just to express to you anew my very warm appreciation of your many kindnesses and good offices toward myself in the course of my recent visit to the United States.

I shall never be able to express what I feel I owe to the permission you accorded me, on

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your twenty-fifth wedding anniversary, to discuss public matters as well as those of personal interest.

I was naturally disappointed at not having the pleasure to which I had been looking forward of seeing you again before returning to Canada, and the possibility also of greeting Mrs. Morgenthau and the young people. To tell the truth, however, I felt, even before I reached Virginia, that "my ain folk" would never understand what had happened to their Prime Minister, were the press to record, even for two successive days, the fact that I was enjoying the delights of Southern breezes on the seashore at a time when London was in flames, and British forces were retreating from Greece.

When I found that I might have the pleasure of seeing the President at Hyde Park on Sunday instead of returning to Washington for Monday, I gave up all further thought of a visit to Warm Springs with the President even if that should materialize later on. When I found the latter was possible, my one and only concern was that of the engagement you had been kind enough to let me make with you for Monday, at which time we were to see the President together. I felt, however, that both you and the President were so completely understanding in all matters that no difficulty or embarrassment would arise on that score. As matters have turned out, I think that, in every respect, matters could not have been better arranged than they apparently were by some invisible hand.

I did appreciate more than I can say your cordial acceptance of the wording of the statement I read to you over the 'phone. I had sought, in the drafting of it, to express only

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what I felt were the conclusions which you and I had virtually reached on Thursday."

Then he goes on and gives his best regards and so on. But I thought that was a beautiful letter. It is interesting how the man felt about the times. If I went out and said MacKenzie King and I did it in my office Wednesday, everybody would say, "That is Morgenthau's version of it." But this is MacKenzie King's version of it. I think I will take it over and show it to the President.

Now, on your request, I don't know whether the President is going away tonight or not.

Schwarz: They have abandoned the Warm Springs plan on account of John Lewis' fight.

H.M.Jr: I don't have to put up what you asked?

Schwarz: No, it is too much of an imposition.

H.M.Jr: I don't want to ask him to have a preview.

Schwarz: I just raised the point so we wouldn't be disappointed.

H.M.Jr: Will he be here Wednesday?

Schwarz: Yes, sir.

H.M.Jr: O.K.



April 28, 1941

My dear Mr. President:

At lunch today you asked me to write you a memorandum of the conversation that we had.

I asked you what you thought of the idea of having the Queen of England or Lady Reading make a broadcast to the American people for food for the undernourished women and children of England.

You made a counter-suggestion; namely, that the broadcast be made in the United States by Mrs. Franklin D. Roosevelt making an appeal for food for the women and children of England; Mr. Hull making a ten-minute talk on democracy in general and the saving of English democracy particularly, and Mr. Knudsen talking ten minutes on the need of food for the munitions workers of England.

My own thought is that it is too much to expect the English people to fight on empty stomachs, and that condition is not very far off. It is my belief that we must transfer a great number of our ships at once to the English flag for the transportation of food, and a broadcast of the kind that you and I discussed would help mold public opinion.

Yours sincerely,

15/ Henry

The President,  
The White House.

April 28, 1941  
3:55 p.m.

H.M.Jr: Hello.

Operator: Major Smith.

Major Smith: Yes, Mr. Secretary. How are you?

H.M.Jr: How are you?

S: Fine, thank you, sir.

H.M.Jr: Major, you know George Haas of my office and I have been wrestling with these statistics for the President, you know.

S: Yes, sir.

H.M.Jr: Now, I thought I had something wonderful. We finally got the M-3, so-called light tank, 15-ton tank .....

S: Yes, sir.

H.M.Jr: Well, we finally found that they made 43 tanks up to April 15th so the President said that was fine but, he says, have they got guns, have they got ammunition. He said, I don't count a tank a tank until it is ready to go into battle. Now, how in the hell are we going to get that? I don't think we can get that out of Colonel Leonard Ayres.

S: Well, we are working up statistics of that sort. When Mr. Baruch was down here last he sent for me and thought that data like that - that is, a chart which would show tank production and which also had lines on it showing the contributing items and particularly the sore spots, as for example ammunition or guns, all showing the same picture would be desirable. We're working a thing like that out now, or trying to.

H.M.Jr: Well, what the President told me was that he told Mr. Baruch he wanted the kind of chart that I give him on finances.

- 2 -

S: Yes.

H.M.Jr: I don't know whether Mr. Baruch repeated that or not.

S: I don't know, sir. He showed me - he gave me a little drawing of something .....

H.M.Jr: Well, that's what the President gave him, so we're both working on the same thing.

S: Well, as soon as we get a pilot model, let me show it to you and see if that's what you want or what you think you might want.

H.M.Jr: Well, can you do it on the M-3 light tank?

S: Yes, I'm quite sure we can.

H.M.Jr: Because there is less on that one - they've made 43 of them.

S: I have Colonel Ayres and Brooks both working on it in the hope that one or the other of them will produce something that would be satisfactory.

H.M.Jr: Who is Brooks?

S: Brooks is our own statistician - the General Staff. Ayres is down in the .....

H.M.Jr: Well, how long is it going to take?

S: Well, I don't know, Mr. Morgenthau but I'll go down and tickle them up again and see if I can get an estimate.

H.M.Jr: Well, I've got this figure - it has taken me one week to get it - that as of April 15th they took delivery of 43 tanks and that the schedule called for - the accumulated schedule - 192.

S: It oughtn't to take you more than ten minutes to get that figure.



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H.M.Jr: Well, it took us one week from Ayres.

S: It did?

H.M.Jr: Yes.

S: Well, he's an odd chap. My contacts with him are limited. Our own statistical branch of the General Staff has data similar to that. We don't duplicate it but it doesn't take us quite that long.

H.M.Jr: Well, maybe that's a little unfair, maybe it only took three days.

S: Well, that's bad enough, Mr. Secretary.

H.M.Jr: But, my God, Major, here we are fussing around and the President said he asked Mr. Baruch this six weeks ago and he was unable to get it out of O.P.M.

S: I see.

H.M.Jr: He said he asked him the same question six weeks ago. See what you can do.

S: I will indeed.

H.M.Jr: I'm out tomorrow with McCloy. See if tomorrow afternoon you can't maybe have something for me.

S: Well, I'll do the best I can, Mr. Secretary. That's a little bit out of our bailiwick but we'll .....

H.M.Jr: No, now wait a minute. You're contacting General Watson and me and we're both doing it for the President.

S: That's right, sir. Of course I have to deal through the Undersecretary but I don't mind that if I know that you want it.

H.M.Jr: I want it and you can use my name.

S: Yes, sir, I shall.

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H.M.Jr: For whatever it's worth.

S: I shall, sir.

H.M.Jr: O.K.

S: Now, then, one more thing while you're on the phone, sir. We got a cable from England. The B-17's have not yet been in actual combat flight. The data which I gave you from General Arnold was based on a flight all right but not a combat flight.

H.M.Jr: Well, it was Sir Henry Self who told me that the machine had gone over Europe and dropped a load of bombs.

S: Is that so, sir?

H.M.Jr: That's where I got it.

S: Well, if so, they have either refused to officially release it to us for we have no - we got a confirmation by cable this morning.

H.M.Jr: Well, he may not have it right.

S: I see, sir. Arnold's data was on .....

H.M.Jr: I saw that. That mentioned the what-do-you-call-it - that pumps the air into the engine.

S: The is that supercharger - how high they had been - 33,000.

H.M.Jr: That's right. Well, on this other thing, you see, I'm interested - just to repeat - for two things. One for the President and for myself on my estimate on how much money I've got to raise. Now it depends upon how fast this thing goes, you know, and I estimated only \$12 billion for national defense for the coming year and of course O.P.M. has a much higher figure and I'm going to stick to that until I'm proven wrong.

S: Yes. Well, I'll get after them and see if I can't expedite this thing a little bit, sir.

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H.M.Jr: All right.

S: I'll try to get you at least a pilot model here when you get back.

H.M.Jr: Well - (laughs) - that's my trouble - a pilot.

S: If I were a statistician I think, as a matter of fact, I could draw one up myself. I know about what is wanted, I believe.

H.M.Jr: And the other thing, so that you keep track of me, on the 7th of May Mr. Lovett is going to bring in some of the latest planes somewhere .....

S: I was in his office when you called, and we were just talking about it, sir. He hopes possibly to persuade you to go with him also to Langley, which is only about a 35 or 40 minute trip.

H.M.Jr: Well, now, when you do that remember this that General Watson has never been and for two years he said he and I would make the trip together.

S: Well, would he like to go with you?

H.M.Jr: I don't know. We can find out.

S: Well, I'll tell him, sir, and if he would of course we'd love to have him.

H.M.Jr: For two years he has said he'd go.

S: All right, sir. I'll tell him.

H.M.Jr: He's never been to Langley. I'll go; I'm saving .....

S: We want you to go and .....

H.M.Jr: Well, I'll go.

S: All right, sir. Well, I'll mention the fact that you're going and ask him - that's on May 7th, isn't it, Mr. Secretary.



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H.M.Jr: That's right.  
S: All right, sir. Thank you very much.  
H.M.Jr: Good-bye.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 28, 1941.

TO Secretary Morgenthau

FROM Mr. Foley

Re: Lease-Lend Agreement.

There was a meeting in Berle's office attended by Berle, Acheson and Pasvolsky and by Foley, Cox and Bernstein. Berle said they had been studying the draft of the agreement which we sent to them. He said that State tried to get up a draft of the agreement which would look less as though we were going to require the British to make specific repayments for what we had given them, but would require the British to sit down immediately with this Government and work out understandings in a number of fields, some to take effect immediately and some to take effect after the war. Berle said their draft also would be in the nature of the answer of democracy to the Axis by helping create a structure of liberal international economic relationships.

Berle then distributed copies of the State Department draft, which we read over and discussed in some detail. We pointed out the possibility that the agreement might be subjected to criticism in that the United States did not seem to be getting enough as a quid pro quo, and that consequently the Administration might have greater difficulties in getting further appropriations from Congress. We also discussed the possibility of the two Governments being able to consider at this time a program of international economic relationships to exist after the war. Pasvolsky felt that there were a number of economic and trade problems which could be the subject of immediate and effective negotiations between the two Governments.

We also noted that many of the provisions of the State Department draft followed the Treasury draft.

I told Berle that I would circulate in the Treasury the draft prepared by the State Department, and that after the Treasury had studied the matter I would communicate with him to arrange a further meeting.

E.M.F.H.

April 28, 1941

WHEREAS, His Majesty's Government in the United Kingdom (hereinafter called "the United Kingdom") has requested from the Government of the United States of America (hereinafter called "the United States") certain aid pursuant to the Act of Congress of the United States of March 11, 1941 (Public No. 11, 77th Congress, hereinafter called "the Act") for the defense of the United Kingdom; and

WHEREAS, the United States is giving and proposes to continue to give assistance to the United Kingdom under the Act, by transferring defense articles and by rendering services, which shall be listed and valued in schedules appropriately identified;

NOW, THEREFORE, the undersigned, duly authorized to that effect, have agreed as follows:



## ARTICLE 1

(1) The present agreement deals with the method of settlement of the accounts resulting from the transfer of defense articles and services by the United States to the United Kingdom described in the Preamble hereto.

(2) In this connection, the United States and the United Kingdom declare that they consider themselves, and any and all other countries willing to join therein, as being engaged in a cooperative undertaking to establish the bases of a just and durable world peace and to set up a structure of liberal international economic relationships essential to the maintenance of such peace, to a condition of order under law in international relations and to economic progress for all nations.

(3) Hence, such arrangements for the liquidation of obligations arising out of the granting of assistance under the Act by the United States to the United Kingdom as are provided for in this Agreement, as well as such arrangements in this respect as shall eventually be agreed upon, shall, to the extent practicable and mutually beneficial, be regarded as elements in this undertaking.

## ARTICLE 2

The United Kingdom agrees that, should circumstances arise in which the United States shall have need in its own defense for defense articles and defense information which the United Kingdom shall be in a position to supply, the United Kingdom will make available to the United States such defense articles or defense information under arrangements analogous to those expressed in this Agreement.

## ARTICLE 3

(1) Defense articles which shall have been transferred to the United Kingdom pursuant to the Act, in so far as they shall not have been destroyed or otherwise rendered incapable of effective use, shall be returned to the United States upon request of the President of the United States; and any obligation resting upon the United Kingdom by reason of the original transfer of such articles to the United Kingdom shall be deemed to be satisfied upon their return. Request for the return of such articles shall not be made until the President shall have determined that the present emergency is ended.

(2) In the event that the United Kingdom finds it desirable to retain some of the defense articles described above and to provide, in lieu of their return to the United States, other forms of compensation, the President of the United States will give sympathetic consideration to any proposals to this effect that may be put forward by the United Kingdom.



## ARTICLE 4

The manner of liquidating the obligations on the part of the United Kingdom arising out of the transfer to it of such defense articles as shall have been destroyed or otherwise rendered incapable of effective use, or arising out of the rendering of services, or arising out of any other transfers not provided for in Article 3 above, shall be determined by agreement between the two Governments in conjunction with and in the light of other agreements and arrangements concluded between the two Governments in pursuance of the objectives stated in Article 1 above, including those set forth in the Annex to this Agreement.

## ARTICLE 5

The United States and the United Kingdom shall periodically review the status of the accounts arising under this Agreement, and the President may from time to time determine any credits to be given to the United Kingdom by reason of any consideration or benefit which the President determines shall have been received by the United States from the United Kingdom.

## ARTICLE 6

The United Kingdom agrees that it will not, without the consent of the President, transfer title to or possession of any defense article or defense information, transferred to the United Kingdom hereunder or permit its use by anyone not an officer, employee, or agent of the United Kingdom.



## ARTICLE 7

If, as a result of the transfer to the United Kingdom of any defense article or defense information, it is necessary for the United Kingdom to take any action or make any payment in order fully to protect, pursuant to the Act, any of the rights of any citizen of the United States who has patent rights in and to any such defense article or information, the United Kingdom will do so, when so requested by the President.

## ARTICLE 8

The President may exercise any power or authority conferred on him hereunder through such officer or agency as he shall direct for that purpose. The terms "defense article" and "defense information" as used in this Agreement shall have the same meaning as defined in the Act.

## ARTICLE 9

The parties to this Agreement, and the officials signing this Agreement on their behalf, each for itself, himself, or themselves, represent and agree that the execution and delivery of this Agreement have in all respects been duly authorized, and that all acts, conditions, and legal formalities which should have been performed and completed prior to the making of this Agreement have been performed and completed as required by, and in conformity with, respectively, the laws of the United States and the United Kingdom.



Signed in Washington in duplicate this  
day of \_\_\_\_\_, 1941.

ON BEHALF OF THE UNITED STATES OF AMERICA

\_\_\_\_\_  
(Title)

ON BEHALF OF HIS MAJESTY'S GOVERNMENT  
IN THE UNITED KINGDOM

\_\_\_\_\_  
(Title)

## ANNEX

In order to facilitate and promote the attainment of the objectives stated in Article 1 and referred to in Article 4 of this Agreement, the two Governments agree as follows:

a. To enter immediately into negotiations for the formulation of an effective cooperative program for post-war economic reconstruction, looking especially towards the establishment of such commercial and financial policies, arrangements, and mechanisms as will permit the freest practicable, mutually beneficial interchange of goods and services among the populations of the parties to this Agreement and among all nations willing to cooperate in this respect;

b. To enter immediately into negotiations looking toward a mutually satisfactory revision of the existing trade agreement between them. In connection with these negotiations, the United States undertakes to enter into similar negotiations with Australia, New Zealand, South Africa and Canada, which negotiations the United Kingdom undertakes to facilitate in every appropriate way.

c. To cooperate with each other in improving trade relations between each of them and third countries in so far

far as difficulties exist for one of them in such third countries by reason of clearing, compensation, payment or similar agreements or arrangements entered into by the other.

d. To cooperate with each other and with other nations in the negotiation of fair and equitable international commodity agreements or arrangements with respect to products of which either or both the United States and the British Commonwealth of Nations have surplus or other economic problems.

e. To cooperate with each other and with other nations toward the creation of conditions under which access to raw materials on terms of equality shall be open to all nations for the general welfare.

f. To cooperate with each other in the relief of distress or want arising out of the present war as soon as, and in such areas as, it becomes practicable to initiate active measures for such relief.

g. To examine forthwith, with the view to making mutually acceptable adjustments, whatever questions of a territorial nature may exist between them, especially from the viewpoint of strengthening and improving the national defense position of each of them.



**MEMORANDUM**

April 28, 1941.

To: Oscar Cox  
From: Secretary Mergenthaler

Thank you for your memorandum of April 26th, sending a copy of one you prepared and submitted to Harry Hopkins.

I particularly like the letter to the machine tool people. I read this very attentively and think it is splendid.

(Initialed) H.M.Jr.

CM/als

By Messenger 4/29 - 9<sup>am</sup>

**MEMORANDUM**

April 28, 1941.

To: Oscar Cox  
From: Secretary Houghton

Thank you for your memorandum of April 26th, sending a copy of one you prepared and submitted to Harry Hopkins.

I particularly like the letter to the machine tool people. I read this very attentively and think it is splendid.

(Initialed) H.M.Jr.

H.M.Jr.

By Houghton

~~MEMORANDUM~~

April 28, 1942.

To: Oscar Cox

From: Secretary Hargrath

Thank you for your memorandum of April 28th, sending a copy of one you prepared and submitted to Harry Hopkins.

I particularly like the letter to the machine tool people. I read this very attentively and think it is splendid.

(Initialed) H.M.Jr.

CW/cw

By Messenger



MEMORANDUM

April 26, 1941

To: Secretary Morgenthau

From: Oscar Cox

## For your confidential information:

- 1) The financial agreement, if it is going to be a statesman-like document, will take a good bit of time to work out. After checking with Ed Foley, I thought it wise to send the annexed memorandum to Harry Hopkins.
- 2) The first draft of the letter on machine tools is intended to be the first of a series of public steps hitting at various central phases of the production problem.

OJC

Attachment

Cal  
1-5-17 JFR / 10 Steel

MEMORANDUM

April 25, 1941

To: Mr. Harry Hopkins  
From: Oscar Cox  
Subject: Master Agreement with the United Kingdom.

On June 9, 1941, the President will be required to file his first report to Congress on the operations under the Lend-Lease Act.

In this report he may want to make some reference to the benefit or benefits received for the defense articles transferred to Britain. For this purpose, it may be desirable to have the master agreement with the British worked out.

If you think it wise you may want to suggest to the President that the Secretary of the Treasury proceed to clear the draft of the agreement with Hall, Jackson and Harold Smith and then start negotiations with Sir Frederick Phillips.

I think the Treasury should do this rather than the State Department so that the financial agreement will not take on any of the aspects of a treaty, requiring ratification by a two-thirds Senate vote.

Cox

OSC:aja

MEMORANDUM

April 25, 1941.

To: Mr. Harry Hopkins  
From: Oscar Cox  
Subject: Machine Tools.

1. Annexed is a first try at the proposed letter on machine tools for the President's signature.

2. Since labor and Army and Navy are likely to be involved in this effort, I thought that it might be wiser to address the letter to all four of the members of C.P.N. — Knudsen, Hillman, Stinson and Egan — rather than to just Knudsen alone.

3. I should think that this letter might be sent without prior consultation with the addressees, without putting anyone on a limb. If you think there is adequate time, it would unquestionably be better to have the addressees look it over within a stated short deadline before sending it out.

Cot

OSC:djb



Dear Sirs:

To make the defense program move faster and faster, we need more and more machine tools as quickly as possible. I know that you and the machine tool designers, workers and manufacturers have already done a magnificent job in expanding our machine tool capacity manyfold. But that is not enough. The genius of our people can and should do more—and do it right away.

We must immediately step-up the production of our machine tools in every conceivable way. We must at once directly expand our machine tool plants. We must at once get the necessary people to man these expanded plants. We must get manufacturers and workers alike—as they will do with spirit—to extend themselves to the limit to do the job. We must get those who use the machine tools to use them as much and as effectively as possible. We must get those who make machine tools to work more shifts, to better utilize three shifts to get a maximum of productivity, to concentrate on tools for defense and to take every

- 2 -

other step in this direction which human ingenuity can conceive.

We must also throw into high gear those other manufacturers and workers spread throughout the land who can and will make machine tools for our defense, but who are only partially or not at all engaged in doing so. This applies to both small and large manufacturers. They should be brought into the defense effort directly or by farming work out to them. All of the automobile manufacturers have already set an example by voluntarily reducing their civilian output, and one has already committed itself not to put out a 1943 model. In this way men, machines and materials will be made available for the manufacture of machine tools. We must have more of this in all fields.

All of us, particularly the manufacturers who have direct orders for machine tools, must take the responsibility for hunting out and putting to full work all of those plants of every size which have the trained personnel and the equipment to make machine tools or any part of them.

By a united and driving effort, our people can and will do an unsurpassable job in producing the machines and equipment

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of defense with the utmost speed. It is your chosen task to stimulate and channel every imaginable phase of this effort into its speediest and most fruitful course. In doing so I am sure that you will have the full and urgent support of all of us—the public, labor, industry and the Government—to make strong the defenses of this land sooner rather than later.

Very truly yours,

William S. Knudsen,  
Sidney Hillman,  
Henry L. Stimson,  
Frank Knox,

Members, of the Office of  
Production Management.

OSC:aja  
4/25/41



MEMORANDUM

April 28, 1941.

To: Secretary Morgenthau  
From: Oscar Cox  
Subject: Merchant Shipping.

For your confidential information:

- 1) A copy of Salter's memorandum on the merchant shipping problem; and
- 2) A first draft of a directive to Admiral Land.

mc

THE SHIPPING PROBLEM

1. Two things are necessary: (a) to out-build losses as early as possible in 1942; (b) to bridge the interval.
2. Since the collapse of Western Europe last summer, losses have been at the average rate of 5 million gross tons. Every possible effort to improve protection is, of course, needed but the enemy's attack is also increasing in strength. It would be imprudent to count on a lower average rate of losses. British building, in the United Kingdom and elsewhere in the British Empire (Canada and Hong Kong), is at the rate of 1-1/4—1-1/2 million gross tons. In view of naval building and repairs, this figure will probably not be exceeded and may be seriously reduced if there is heavy bombing in the shipyards.

U.S.A. building is the only other source. To meet the deficiency at the present rate of loss, 3-1/2 to 3-3/4 million gross tons a year would be required even to match current losses at present rate but before the full American production can reach its peak, tonnage will have been further depleted. A margin is, therefore, needed to make up arrears apart from some insurance against a possible increase in the rate of loss. It is important, therefore, that American production should be increased so as to reach the rate of 4 million gross tons (or 6 million tons deadweight) as early as possible in 1942. This was the rate programmed in 1917 and attained in 1918-19. The speed with which production can be expanded is no less important

- 2 -

than the scale ultimately aimed at. The most energetic action is, therefore, needed at once. It must be remembered, of course, that new production has to cover all purposes, e.g., replacement of vessels that have to be scrapped through old age.

On the present plans American output will amount to 800,000 g.t. in 1941 and about 3-1/4 million in 1942.

3. If we assume provisionally that from the latter part of 1942 combined building can be brought up to equal the current losses, there remains the question of how the interval is to be bridged.

The shipping required for this purpose may be best judged from a brief summary of the present shipping and import position of Great Britain.

In what follows, (A) ordinary ships and cargo and (B) tankers carrying oil will be considered separately.

4. A. (EXCLUDING TANKERS AND OIL).

British ocean-going tonnage, including what has been added to the British flag by capture, requisition and purchase, now amounts to 13 million g.t. In addition, we have on charter 3 million g.t. of allied and neutral ships in war service.

Of this total of 16 million tons, 4 million tons are used by the Navy and Army (for armed merchant cruisers, troop



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carriers, etc.), about 1-3/4 million tons are under repair and about 2-1/4 million tons are employed in maintaining Empire supplies. This leaves about 8 million tons available for importing into Great Britain.

5. The imports which we can secure with this tonnage are reduced (a) by the need to bring from more distant sources what we imported in peace-time from Europe; (b) by the delays necessarily involved in the convoy system, and (c) by losses of cargoes afloat and ashore. After allowing for every economy we can make in ships under our own control (such as diverting from Australasia to the Atlantic), we estimate that, on the assumption that the present rate of loss continues, U.K. imports (excluding oil) will this year not exceed 30 million tons. How serious this position is may be judged from the following facts:

Our imports (excluding oil) averaged for the three years immediately before the war 56 million tons.

The corresponding imports in the worst year of the last war (1917) were 34 million tons (and our population was then less than it is now by 10%). In the first year of this war we imported 43-1/2 million tons and our plans were made on the basis of 40 millions being a minimum below which real food difficulty and some impairment of our war effort through shortage of raw materials would be involved.

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We were a few months ago compelled to cut down our programmes on the basis of a prospective total import of 35 million tons, of which food was to take 15, and raw materials and munitions 20. This would have involved a severe hardship and shortage of some materials needed for manufacture of munitions, but on that figure we might perhaps have just pulled through. In any further reduction below a total of 35, food cannot bear an equal proportion of any cut and the main result must be to deplete stocks and stint supplies of the raw materials wanted for munitions manufacture.

6. B. TANKERS AND OIL.

We have (not counting fleet auxiliaries in attendance on the fleet and thus not available for replenishing stocks) 3 million g.t. of British ocean tankers and 1-1/4 million g.t. of allied and neutral tankers. In spite of severe rationing of petrol, we need to import all forms of oil into Great Britain and to transport about 17 million tons for bunkers and fleet supplies abroad and for the civilian needs of the Dominions.

We estimated a few weeks ago that we should be short by about 350,000 g.t. even if future losses were from now on balanced by replacement.

Since then the situation has worsened. Stocks of petrol in the U.K. have fallen to a dangerous level and are still falling. In the first 10 days of this month 9 tankers (representing some 75,000 g.t. or 100,000 tons deadweight) have been lost and others damaged.

- 5 -

7. We thus reach the question, "How much additional tonnage is needed during the next 12 to 15 months to prevent the danger of a serious impairment of the war effort (through shortage of either food or raw materials or an enforced reduction of military action in the Middle East, etc.)?" We need an additional importation of 7 to 10 million tons beyond what we can ensure by our own tonnage. We must assume that the Middle East will absorb in total rather more tonnage than it does now and we cannot prudently allow for any net reduction in the rate of loss. We must also bear in mind that any tonnage brought into our service will come in gradually and will not be actually importing for the whole of the forthcoming year. Taking these factors into account, it seems clear that we really need an increase of the tonnage engaged in importing or in carrying military stores of between 3 and 4 million gross tons coming into service rapidly enough to make them at least equivalent in carrying power to 2 million tons gross or 3 million tons dead-weight immediately added and continuously employed.
8. It will naturally be asked whether some contribution cannot be made to the above tonnage requirements by some re-roasting of British or Allied tonnage.

As far as British tonnage is concerned, however, every possible effort has been, and is being, made, under the compelling pressure of our imports shortage, to secure the maximum



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importing use of our shipping by withdrawal from foreign trade and diversion from distant sources (e.g., Australasia) to the Atlantic.

The above estimate of our prospective imports (and, therefore, of the extent of the deficit) allows for the effect of these diversions.

A detailed analysis has been made of the employment of all the British ships and was recently given to Mr. Hopkins in London. This shows that there is only about 600,000 tons deadweight or 400,000 gross tons physically suitable for ocean work. These ships are, however, engaged in essential work. They could be drawn into importing work if replaced, but not otherwise. Any further diversion would not, therefore, reduce the amount of extra tonnage required. But it would enable some part of this tonnage to be taken in the form of the allocation of shipping to work in safe areas.

As regards Allied ships, a certain amount of Norwegian, Greek and Dutch tonnage has been left outside of direct war service in order to earn dollars required to meet existing obligations and essential current necessities. Most, but not all, of this tonnage, is however, engaged in important work for which provision must be made in some way.

Allowing for this, it is possible that something like 400,000 g.t. of further Allied tonnage could be gradually brought into war service, if the Allied Governments could be

- 7 -

furnished with the dollar exchange now earned by their work. This might take the form of Lease-Lend purchase or chartering by the U. S. Government with allocation to war service.

9. Taking the requirement, as explained in paragraph 7, as say 3-1/2 million g.t. spread over the next year until June, 1942, it remains to consider from what source this might be met.

They consist of (A) tonnage not under the U.S.A. flag, which might be obtained with the aid of the U.S.A. Government and (B) U.S.A. flag tonnage.

The former category (A) includes Danish ships, German and Italian ships in U.S.A. ports; a few Yugoslav ships; the Allied tonnage referred to in paragraph 8. As more remote possibilities are the French ships, perhaps some of the enemy ships in Latin American ports which the Governments concerned might seize if the U.S.G. gave a lead (a few of which might perhaps come into our service); possibly also a few of the "Panamanian" ships might be secured by the U.S.A.

Taking into account political considerations and the serious damage to most of the enemy shipping, it would be improvident to hope for more than a total of 3/4 million g.t. from all the above sources, and much of this will come into service very late.

The second category, (B) - American "flag tonnage" includes both existing ships and new ships which will be produced between now and June 1942.

The existing American mercantile marine (excluding Great Lakes tonnage) consists of about 6-1/2 million gross tons. Much of this, of course, is unsuitable and the great part of the remainder cannot be spared from the work in which it is now engaged and to which it is being diverted for U.S.A. defense needs.

A great deal of "inter-coastal" work (i.e., from Pacific to Atlantic via Panama) could be transferred to rail, and some of the "domestic" work could be similarly transferred or restricted. Conceivably 1 million g.t. could be obtained from these two sources.

In addition, passenger vessels (which would release some of our good cargo carriers from troop carrying), tankers, and other tonnage might yield another 1/4 million g.t.

New production between now and the end of June, 1942, is planned to reach about 2-1/4 million tons. Some of this will be required to replace ships scrapped through old age. But most old ships could be kept going a year or two longer. Conceivably, 1-1/2 million g.t. could be allocated from new production.

10. The above withdrawals, if they were all possible, would - on the assumption of the present rate of loss - about meet our deficit on essential needs (with allowance for time lag in entry on service) until the middle of June, 1942, or a little later.



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By that time, American production might be so expanded that, when added to British production, future current losses might be compounded.

The problem, therefore, though urgent and difficult, is not insoluble. Several conclusions, however, emerge clearly:

- i. Immediate shipping assistance on a large scale is indispensable and the date at which ships are forthcoming is as important as their number. For the vital year ahead, a ship supplied tomorrow is worth two ships in six months.
- ii. The adequacy of the action described above, as regards both production and interim assistance from existing ships, depends upon the future rate of losses. The enemy's strength on attack, by both U-boat and air, is increasing. It is uncertain whether our protective forces can keep the rate of loss down to even the present high figure in spite of their own increase in strength.

It is obviously better to save a ship than to build one in replacement. Anything that is possible to assist in protection is, therefore, doubly valuable.

- iii. Increase of production (e.g., by using the resources of the Great Lakes) is highly desirable if possible, in order to ensure some margin against the uncertainty of further production, and to hasten the date at which equilibrium between losses and replacement will be reached.

Acceleration in the work is in any case required, and to secure results even in 1942 the action is required now.

- 10 -

Every week's avoidable delay involves serious loss in essential supplies.

17. For every form of assistance the most urgent and drastic action will be required by the American administration responsible (the Maritime Commission), and intricate co-ordination with the British supply organization. This will throw a heavy strain on the personnel of the Commission, and it is highly desirable that officers and appropriate subordinates shall have sufficient authority and sufficient time to carry through the work involved, in daily collaboration with the members of the British Shipping Mission, by the decisions of policy taken from time to time by the President. Here, as in the office of production, any delays through inadequacy of the administrative arrangements, might be fatal.

THE WHITE HOUSE  
WASHINGTON

My dear Admiral Land:

Speed is an urgent necessity in the carrying out of our merchant shipping program. Ships and more ships are immediately required to bring from the American republics and other parts of the world strategic and critical materials for the manufacture and operation of airplanes, guns, and tanks, and for the building up of our stock piles. Ships are needed to carry the materials to build our newly acquired military, naval, and air bases. Ships are required to transport the material aid which we are giving to China. Ships, in an ever-increasing number and at a rapidly accelerated rate, are necessary, if we are effectively to aid Britain, under the Lend-Lease Act, to replenish her losses.

I, therefore, direct you to take every necessary and appropriate step immediately to:

(1) Obtain maximum productivity in the existing shipyards by getting as close as possible to continuous operation—twenty-four hours a day, seven days a week—by getting increased the number of employees who work overtime and the amount of overtime they work and by



- 2 -

any other practicable means that will speed up the building of our cargo ships and oil tankers.

(2) Speed up the building of the additional shipbuilding ways for which I allotted funds to the Maritime Commission, on April 14, 1941, out of the Defense Aid Appropriation Act.

(3) Proceed as fast as possible with the construction of the other new shipbuilding facilities which are now in progress.

(4) Start at once to construct the additional ways which are necessary to give us by May 1, 1942 or sooner a yearly productive capacity for merchant ships of at least 4,200,000 gross tons.

(5) Commence immediately to train or otherwise to obtain the skilled and other workers necessary to carry out this program.

(6) Hasten to repair the immobilized foreign flagships in our ports which were damaged by the sabotage of their crews.

(7) Work out, and report to me as soon as possible, pending the passage of the legislation which is now before Congress, the ways in which the immobilized ships in our ports can best be used in the defense of the United States.

- 3 -

(8) In collaboration with the Secretary of State and the appropriate representatives of the other American republics in the Western Hemisphere, consult on the ways in which the immobilized foreign ships in this Hemisphere can best be utilized in the defense of the Western Hemisphere.

(9) Make at once a survey of our inter-coastal and domestic shipping and report to me on what changes or the release of what ships for other shipping are necessary to further our defense.

(10) Work out with the Secretary of the Navy and the Secretary of the Interior, as expeditiously as possible, the ways by which American tankers can best be utilized in the interests of our defense.

(11) Re-survey the cargoes carried by our Merchant Fleet, and in the light of the Maritime Commission's priority powers advise me, after consultation with the appropriate departments and agencies of the Government, what steps should be taken in the interests of our national defense.

(12) Otherwise move ahead as fast as humanly possible the program for the most effective expansion and utilization of our

- 4 -

Merchant Fleet in the interests of our defense and the defense  
of those nations whose defense is vital to ours.

Very truly yours,

Hon. Emory S. Land,  
Chairman, United States  
Maritime Commission.



A23

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## MEMORANDUM

FROM British Supply Council

TO Mrs. Helen S. Klotz

Compliments of Mr. E.N. Gray

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## STATEMENT NO. 12

## AIRCRAFT SHIPPED TO U. K. &amp; OVERSEAS COMMANDS

|              | DESTINATION | ASSEMBLY<br>POINT      | By Sea<br>during week<br>ending<br>April 5<br>1941 | By Air<br>during week<br>ending<br>April 26<br>1941 |
|--------------|-------------|------------------------|----------------------------------------------------|-----------------------------------------------------|
| <u>TIN</u>   |             |                        |                                                    |                                                     |
| d I          | S. Africa   | Cape Town              | 10                                                 | -                                                   |
|              | U. K.       | U. K.                  | -                                                  | 2                                                   |
|              | U. K.       | via Gander             | 8                                                  | -                                                   |
|              | New Zealand | New Zealand            | 3                                                  | -                                                   |
| <u>RICAN</u> |             |                        |                                                    |                                                     |
| II           | New Zealand | New Zealand            | 28                                                 | -                                                   |
|              | U. K.       | U. K.<br>via Gander    | -                                                  | 1                                                   |
|              | U. K.       | U. K.<br>via Gander    | -                                                  | 1                                                   |
|              | U. K.       | U. K.<br>via Bermuda   | -                                                  | 2                                                   |
|              | F. E.       | F. E.<br>via San Diego | -                                                  | 1                                                   |
|              |             |                        | 49                                                 | 7                                                   |

Commission  
1941

April 22, 1941.

Dear Mr. Connely:

Thank you for your letter of April 24th, which enclosed information received from one of the Canadian members of the Bankers Association in regard to the floating of their third war loan. I note that you have sent copies of this information to others in this office and I appreciate the courtesy.

I am also glad to have the Canadian postal stamp advertising the current bonds.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Emmett F. Connely,  
President, Investment Bankers  
Association of America,  
400 Madison Avenue,  
New York, New York.



# INVESTMENT BANKERS ASSOCIATION OF AMERICA

| GOVERNORS         |          |                                 |            | GOVERNORS            |              |                          |               |
|-------------------|----------|---------------------------------|------------|----------------------|--------------|--------------------------|---------------|
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| WILLIAM A. BARNES | BOSTON   | JOHN S. FLECK                   | CLEVELAND  | JAMES F. O'NEILL     | ST. LOUIS    | JULIUS W. REINHOLDT, JR. | ST. LOUIS     |
| WILLIAM A. BARNES | BOSTON   | EDWARD H. HILLIARD              | LOUISVILLE | JOHN O. STUBBS       | BOSTON       | HARVEY ROMEY             | LOS ANGELES   |
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| WILLIAM A. BARNES | BOSTON   | ALDEN H. LITTLE                 | CHICAGO    | EDUCATIONAL DIRECTOR |              |                          |               |
| WILLIAM A. BARNES | BOSTON   | FIELD SECRETARY                 |            | DAVID BILLMAN        | CHICAGO      | GEORGE F. SPALLING       | CHICAGO       |
| WILLIAM A. BARNES | BOSTON   | ARTHUR G. DAVIS                 | CHICAGO    | SECRETARY            |              |                          |               |
| WILLIAM A. BARNES | BOSTON   | MUNICIPAL SECRETARY             |            | ROBERT STEVENSON JR. | CHICAGO      | LOWRY SWENEY             | COLUMBUS      |
| WILLIAM A. BARNES | BOSTON   | DUDLEY C. SMITH                 | CHICAGO    | ALBERT H. THAYER     | PHILADELPHIA | JOHN W. WATLINS          | DETROIT       |
| WILLIAM A. BARNES | BOSTON   | ASSISTANT SECRETARIES           |            |                      |              | JAY N. WHIPPLE           | CHICAGO       |
| WILLIAM A. BARNES | BOSTON   | MARY R. LINCOLN                 | CHICAGO    | DOROTHY A. DUVAL     | CHICAGO      | JEAN C. WITTER           | SAN FRANCISCO |
| WILLIAM A. BARNES | BOSTON   | OFFICE OF THE PRESIDENT         |            |                      |              | PEARSON WINSLOW          | NEW YORK      |
| WILLIAM A. BARNES | BOSTON   | BUHL BUILDING                   |            |                      |              | ALEXANDER C. YARNALL     | PHILADELPHIA  |
| WILLIAM A. BARNES | BOSTON   | DETROIT                         |            |                      |              | JOHN H. YOUNG            | NEW YORK      |
| WILLIAM A. BARNES | BOSTON   | April 24, 1941                  |            |                      |              | FROM                     |               |
| WILLIAM A. BARNES | BOSTON   |                                 |            |                      |              | NEW YORK OFFICE          |               |
| WILLIAM A. BARNES | BOSTON   |                                 |            |                      |              | 490 MADISON AVENUE       |               |
| WILLIAM A. BARNES | BOSTON   |                                 |            |                      |              | NEW YORK CITY            |               |

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

My dear Mr. Secretary:

I am enclosing some information that I have just received from one of our Canadian members regarding the third war loan which is now in the process of being "set up." I understand the amount is to be \$600,000,000 and that the Minister of Finance of the Bank of Canada is working closely with the Canadian investment bankers in making all preliminary arrangements for a campaign of a very broad nature.

I am sending copies of this information to Mr. Bell, Mr. Graves, and Mr. Kuhn.

Respectfully,

  
Bennett F. Connely  
President

EFC:O  
Enclosures

P.S. I am enclosing an interesting Canadian stamp which carries a patriotic message along with it.

# INVESTMENT BANKERS ASSOCIATION OF AMERICA

| GOVERNORS        |               |                    |         | GOVERNORS                |               |                      |              |
|------------------|---------------|--------------------|---------|--------------------------|---------------|----------------------|--------------|
| WILLIAM A. ADAMS | PORTLAND      | EMMETT F. CONNELLY | DETROIT | R. VERNIE MITCHELL       | CLEVELAND     | J. LUDWIG MOBLE      | SALVESTON    |
| WILLIAM A. ADAMS | BOSTON        |                    |         | FREDERIC P. HULLINS      | PITTSBURGH    | T. EDWARD O'CONNELL  | SPokane      |
| WILLIAM A. ADAMS | BOSTON        |                    |         | DONALD O'HELVY           | LOS ANGELES   | JAMES F. QUINN       | ST. LOUIS    |
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| WILLIAM A. ADAMS | SAN FRANCISCO |                    |         | J. FLEHING SETTLE        | ATLANTA       | BURDICK SIMONS       | CHICAGO      |
| WILLIAM A. ADAMS | NEW YORK      |                    |         | GEORGE F. SPAULDING      | NEW YORK      | WINTHROP E. SULLIVAN | CHICAGO      |
| WILLIAM A. ADAMS | SAN FRANCISCO |                    |         | LOWRY SWENEY             | COLUMBUS      | ALBERT H. THAYER     | PHILADELPHIA |
| WILLIAM A. ADAMS | CHICAGO       |                    |         | JOHN W. WATLINS          | DETROIT       | JAY N. WHIPPLE       | CHICAGO      |
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| WILLIAM A. ADAMS | NEW YORK      |                    |         |                          |               |                      |              |
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| WILLIAM A. ADAMS | BOSTON        |                    |         |                          |               |                      |              |
| WILLIAM A. ADAMS | NEW YORK      |                    |         |                          |               |                      |              |
| WILLIAM A. ADAMS | BALTIMORE     |                    |         |                          |               |                      |              |
| WILLIAM A. ADAMS | OKLAHOMA CITY |                    |         |                          |               |                      |              |
| WILLIAM A. ADAMS | MINNEAPOLIS   |                    |         |                          |               |                      |              |
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| WILLIAM A. ADAMS | TORONTO       |                    |         |                          |               |                      |              |

OFFICE OF THE PRESIDENT  
BUHL BUILDING  
DETROIT

April 24, 1941

FROM  
NEW YORK OFFICE  
400 MADISON AVENUE  
NEW YORK CITY

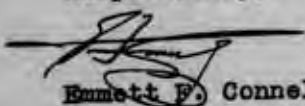
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Secretary of the Treasury  
Washington, D. C.

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I am sending copies of this information to Mr. Bell, Mr. Graves, and Mr. Kuhn.

Respectfully,

  
Emmett F. Connely  
President

EFC:O  
Enclosures

P.S. I am enclosing an interesting Canadian stamp which carries a patriotic message along with it.

WOOD, GUNDY & COMPANY  
Limited  
36 King Street West  
Toronto

April 21, 1941

E. P. Connely, Esq.,  
400 Madison Avenue,  
New York, N. Y.

Dear Mr. Connely,

I am in receipt of your letter of April 17th and hoped to write you before this date, but have been awaiting more detailed information in relation to your question. However, this has not yet come to hand and we are not certain just when it will be dealt with.

The position along broad lines is that the Canadian dealers are being used by the Government to set up the organization for the canvassing of the country for the War Loan in June. I am enclosing a preliminary report that was prepared in connection with setting up the general plan, a preliminary personnel bulletin and also preliminary statistical figures to give you an idea of the approach to the problem.

Broadly, the question of raising the loan is divided into two categories - first, the general canvass and, second, the special names committee canvass. The latter covers all prospective subscribers in two classifications - (a) \$25,000 and over, and (b) \$5,000 to \$25,000, and it is generally thought the special names will account for about half of the total loan.

Broadly speaking, as you will see from the personnel chart, the dealers and the members of their organizations are used throughout to organize the intensive canvass of the country. The actually canvassing in the smaller amounts is to be handled by a group of canvassers that will be selected by this organization and will receive 1/2 of 1% commission. This 1/2 of 1% commission will be paid on all subscriptions of \$1,000 to \$5,000, and on the amounts from \$5,000 to \$24,000 a pool will be formed which is allocated to the various divisions from which the subscriptions originate and acts as an extra incentive to the canvasser who may have been given a very poor district. The amounts from \$25,000 up are under the Dominion Special Names Committee, of which, you will notice, Mr. Gundy is the Chairman, and



E. P. Connely, Esq., - 2

April 21, 1941

this canvass is conducted almost entirely by the partners and senior members of the various dealer organizations.

In practice, the Government virtually takes over the entire personnel of the dealer organizations, and members of these organizations work as individual members of the various committees, or as organizers, and not in their capacity as firms. The firms, in turn, take care of the remuneration of their own employees, but the basis of remunerating the firms, as such, is being worked out by the Government. This basis has not yet been finally set, but it will probably be based on the historical record of the performance of the firms in placing Dominion Government bonds over the past several years. As you know, dealers in Canada have always received a commission from the Government in placing new Government issues, and therefore the Government has a complete record of the placing power of each house.

I am sorry that I cannot give you any further detail on the method of payment, for the reason that it has not yet been decided upon. However, it is generally thought that by the middle of May, when the preliminary work will be reaching a peak, practically the entire personnel of all dealer organizations will be absorbed and, in any case, by June 1st, when the actual canvass begins, everyone will be working in some capacity.

The campaign will run for three weeks from June 1st and, of course, our market will be practically closed from May 1st. In fact, for the past two weeks, there has been very little business, as all senior people have been engaged in setting up the huge organization necessary to make an intensive canvass.

I realize that this information does not cover your requirements in the detailed manner which you desire, but perhaps after you have had an opportunity of going over it in a preliminary way, other questions will arise, and if you will let me know, I will be glad to try and answer them. I should add that the Ontario organization set-up, which is attached, will, of course, be duplicated in every Province of Canada by the local dealers in the Provinces.

Yours sincerely,

(signed)

Hubert W. Lofft

H.W.L.D  
Enc

March 18th, 1941.

REPORT ON PROPOSED WAR FINANCING

The Working Committee was requested by the Dominion Executive (1) to consider the suitability of the 1919 plan for the new Loan, and (2) if that plan was considered suitable, to outline a typical Provincial organization which might be used in each Province with such modification in each case as local conditions seemed to require.

Your Committee has reviewed the 1919 plan and is of the opinion that with slight modification the plan is practicable and suitable to be used for the new Loan.

The Committee proceeded to set up a typical Provincial organization, but after the initial investigation of the problem the Committee came to the conclusion that it would be necessary first to outline the Dominion organization. Accordingly memoranda are attached hereto outlining the functions of the Committees listed, to comprise the organization under the supervision and control of the Dominion Executive. These memoranda outline first the duties of the Committee for the Dominion, and then those of a typical Provincial Committee. They cover the following departments:

1. Organization and Distribution--with chart of the 1919 plan.
2. Administration and Finance.
3. Special Names.
4. Publicity.

It will be noted that no Banking Committee is shown, but this was regarded as a sub-committee of Administration and Finance. A memorandum is attached covering the duties of the banking sub-committee.

The committee has given some thought to the general market on all securities during the campaign for the new Loan and suggests that the Dominion Executive should give consideration to the problem, and recommends that a special committee be appointed to deal with the subject and report to the Executive.

- 2 -

The Committee considered it desirable that a system of objectives for each Province should be adopted as a stimulus to the sales effort. A memorandum is attached outlining the data that would be useful as a guide in fixing the objectives for the various Provinces of the Dominion.

The Working Committee also considered that it would be of assistance to the Dominion Executive to have a time schedule drawn up for the Dominion organization and a rough draft is submitted herewith. At this stage of the effort this is necessarily sketchy and incomplete, but it does emphasize the necessity of establishing the form of the organization, the choosing of chairmen and vice-chairmen, so that the work may be proceeded with as promptly as possible. The Committee cannot emphasize too strongly the magnitude of the task confronting the whole organization, and therefore urges that the initial steps to set it in motion be undertaken at the earliest possible moment.



March 18th, 1941.

MEMORANDUM  
ORGANIZATION AND DISTRIBUTION

This brief is predicated on the fact that the plan to be used for the forthcoming Loan follows the plan used in the 1919 Victory Loan.

This Committee has been instructed to prepare the outline of the functions and duties of the organization and Distribution Committee.

In order to clarify what follows, we think it advisable to give a brief outline of the whole set-up, starting with the National Chairman and National Vice-Chairman, who in turn is the Chairman of the National Executive Committee. There would then be formed a National Committee composed of various prominent Canadians, and then a National Executive Committee which really constitutes the senior Working Committee. This National Executive Committee would be sub-divided into the following Committees:

- (1) Organization and Distribution
- (2) Special Names
- (3) Publicity
- (4) Administration and Finance
- (5) Banking

The functions of the Committees on Publicity, Administration and Finance, and Special Names are being dealt with by separate groups and, therefore, we are confining our discussion solely to Organization and Distribution.

The Dominion Organization and Distribution Committee would be composed of a Chairman, Vice-Chairman, Secretary, the nine Provincial Chairmen of the Sales Organization Committees and four other members. This Committee would be responsible for preparing details of retail sales, which would include general instructions re type of canvasser personnel; sales literature, that is to say, literature which would be sent to organizers and canvassers; close co-operation with Publicity Committee; remuneration

- 2 -

ation to canvassors; to act as intermediary between the Provincial Chairmen-regarding sales ideas; time table; sales instructions to divisional organizers; sales instructions to canvassors; instructions regarding industrial employees' canvass.

The active administration of the Organization and Distribution Committee, in our opinion, is more of a direct Provincial responsibility than a Dominion responsibility. Therefore, we are endeavouring to outline the actual set-up of a Provincial organization which would apply to all Provinces in Canada subject, of course, to necessary changes to meet local conditions. This would be headed by a Provincial Executive Committee consisting of a Chairman, Vice-Chairman, Secretary, Chairmen of the various Provincial Committees, and a group representing one from each of the following categories: finance, industry, labour, clergy, and the Provincial War Savings Committee. The Ontario Executive Committee would appoint the following Committees:

- (1) Organization and Distribution
- (2) Special Names
- (3) Employees
- (4) Publicity
- (5) Administration and Finance

The Provincial Organization and Distribution Committee would be headed by a Chairman, a Vice-Chairman, a Secretary and five other members, the function of the remaining members of the Committee being to act as a direct contact between the Chairman and the divisional organizers.

The Province would be divided into sections, known as "divisions", under the supervision of divisional organizers. Each division would in turn be divided geographically by counties in accordance to population, the exception to be in the case of large urban centres such as, in Ontario, Toronto, Ottawa, Hamilton

- 3 -

and London, which would be organized along the same lines as a division. Each county, referred to as a "unit", to be organized by either one or two bond men, depending on the size and population.

The first duty of the unit organizer will be to nominate a Chairman. They together will appoint a Vice-Chairman and a paid Secretary and will select suitable premises for the Loan headquarters. An Honorary Chairman will be selected to head a Committee consisting of leading citizens in the community. The organizer, Chairman and Vice-Chairman will then decide and set up local unit committees such as Publicity, Employees if required, a Women's Committee, etc.

The organizer, Chairman and Vice-Chairman, together with such members as they feel are required from the Honorary Committee, will next appoint the necessary number of full time paid canvassers to adequately cover the territory.

The likely procedure will be that the "unit" will be subdivided in the rural centres by townships and in the urban centres by political sub-divisions, commonly referred to as "wards".

The duty of the canvassers will be to solicit subscriptions to the Loan from investors. This will result in a house to house canvass. In other words, the responsibility of actually getting the subscription rests with the canvasser, exclusive, of course, of exempted names.

This follows in general the plan used in 1919, although this Committee has made several changes both in regards to the elimination of certain committees which were felt are superfluous and the addition of certain committees which it was felt were necessary.



March 18th, 1941.

OBJECTIVES

1. Dominion Executive will come to agreement with Dominion Government as to amount of money to be asked for,
  2. Dominion Executive will then divide this total between Special Names and General Canvass.
  3. Special Names Committee will then sub-divide their subscription objective between Provinces.
  4. Organization and Distribution Committee will sub-divide the general Canvass objective between provinces.
  5. Provincial Committees will then allocate the Provincial objectives to the various units.
  6. As a guide to a fair allocation of Provincial objectives we suggest obtaining the following information:
    - A. Objectives by Provinces of 1917, 1918 and 1919 Victory Loans and results obtained.
    - B. Results by Provinces of First and Second War Loans.
    - C. Population figures, urban and rural.
    - D. Income tax payments by Provinces.
    - E. National income figures by Provinces.
    - F.. Bank deposit figures by Provinces if obtainable from Bankers' Association.
-

March 18th, 1941.

DOMINION ADMINISTRATION AND FINANCE COMMITTEE

MEMORANDUM FOR DOMINION EXECUTIVE COMMITTEE

Attached you will find a memorandum which we suggest be used as a guide in the creation and operation of an organization serving the same role as the so-called Administration and Finance Committee of the 1919 Loan. Minute details have been avoided in order to conform to the desire for brevity in outline requested at this time.

No special memorandum has been prepared for Provincial Committees on Administration and Finance as their duties will follow very closely those of the Dominion Committee. It is suggested, however, that the personnel of each Provincial Committee be as follows:

Chairman  
Vice-Chairman  
Treasurer  
Secretary  
Committee Members  
(one of whom will be a liaison  
link with the Banking Sub-  
Committee)

It is recommended that the selection of members of the Dominion and Provincial Committees on Administration and Finance be confined to "professionals", i.e., those experienced in organization, banking, deliveries, records, etc.

March 18th, 1941.

MEMORANDUMDOMINION ADMINISTRATION AND FINANCE COMMITTEEPERSONNEL

Chairman - Mr. Arthur F. White  
 Vice-Chairman -  
 Treasurer -  
 Secretary -  
 Committee Members:

(It is suggested that Chairmen of Administration and Finance Provincial Committees be members of the Dominion Committee plus such other members as the Chairman may designate.)

FUNCTIONS1. Forms:

- (a) Preparation of all standard forms exclusive of those of purely banking nature.
- (b) Issue instructions to Provinces re purchase and distribution of stationery, materials and supplies.
- (c) Purchase and distribute supplies which may advantageously be purchased in bulk.
- (d) Order such printed matter as may be requisitioned by all committees exclusive of the Publicity Committee. (It is suggested that in many cases printing should be done locally as per specimens submitted.)
- (e) Issue a booklet of instructions covering the use of all forms.

2. Administration:

- (a) Write to Provincial Chairmen asking them to proceed immediately with the acquisition and equipment of Provincial headquarters. When possible, cover general requirements in this regard by personal conversations. Ask Provincial Chairman for an estimate of his financial requirements to cover initial organization, pending preparation and approval of Provincial budgets.
- (b) Establish uniform methods of keeping all records throughout the whole of Canada. Advise all committees as to what records are required



- 2 -

(c) Receive and tabulate all returns from Provincial Committees,

(1) Progress reports - based on time schedule

(2) Daily sales reports

Establish a system of vigorously checking when reports are delinquent

(d) Prepare reports summarizing all Provincial returns for the use of the Dominion Executive Committee.

3. Finance:

(a) Establish a comprehensive system of book-keeping and auditing. Issue general instructions as to the methods to be followed, particularly so that receipts and expenditures shall be made to conform with the system adopted by the Forms Division of this Committee.

(b) Receive, examine and amend, when necessary, provincial budgets. When provincial budgets conform with this Committee's ideas then a budget for the Dominion as a whole will be prepared based on these provincial budgets plus Dominion headquarters' requirements.

(c) Issue instructions as to the authorization and supervision of expenses in detail.

(d) Provide a system for the remuneration of canvassers.

(e) At the close of the Loan submit a final audited statement to the Executive Committee summarizing all receipts and expenditures in adequate detail.

MEMORANDUM  
BANKING COMMITTEE

March 18th, 1941.

The Banking Committee, in accordance with the view of the general committee to adopt the 1919 plan for the new issue, has given consideration to its position in the general organization. Briefly, its members feel that the banking procedure set up in 1919 is applicable with slight modification where changed conditions require it, and regard the duties of the Banking Committee in the general organization to be the following:

- (1) To arrange the procedure to be followed by the branches in dealing with the Bank of Canada.
- (2) To arrange the procedure to be followed by the branches in handling applications from subscribers, receiving payment therefor and making deliveries; to devise a standard system of records for branch banks and to set up the procedure to be followed in advising the local Committee of the total of subscriptions received by the branches direct from subscribers.

The Committee intends to draft two general letters of instructions to branch managers--one setting out a standard system of bookkeeping and records for branches, and the other a general letter of instructions to branch managers dealing with various matters in connection with the new Loan on which they should be informed.

Before this can be done, however, certain points must be determined by the Bank of Canada and the Dominion Executive. These are listed below:

Bank of Canada:

1. Will definitive bonds be available at the branch banks at the commencement of the campaign for delivery to subscribers who pay in full? If no, at what date during the campaign will bonds be supplied to branches?

This has been discussed with the Secretary of the Bank, who promises an answer within the next day or two.

2. Will the branch banks be expected to register bonds as to principal?

This also has been discussed with the Secretary, who promises an answer within a week. If this work is done by the banks full instructions as to forms of registration will be required from the Bank of Canada.

5. How will applications for fully registered bonds be handled?

This was also discussed and it was considered that the 1919 procedure would apply subject to such variation as may be necessary due to the present position of the Bank of Canada as fiscal agents for the Government as compared with the Department of Finance in 1919.

4. If the official terms of payment for the Loan permit payment by instalments as in 1919, how will these be handled?

A simple system of records was discussed with the Secretary, on which his decision is to be given later.

Dominion Executive Committee:

1. Will the franking privilege be granted on letters dealing with the new Loan between the banks, the Bank of Canada and the official committees? This was granted in 1919.
2. Will bonds be issued at a flat price free of accrued interest during the campaign? In the opinion of your Committee this was most desirable for the satisfaction of subscribers and for smooth working of the deliveries.
3. Will the subscriber be given the option of paying in full at the outset for his subscription or of making an initial payment on account and spreading the balance by instalments over a period and at intervals fixed by the prospectus. In 1919 the instalments were at monthly intervals extending over four months. Seven days of



- 3 -

grace without interest were permitted subscribers on instalments. In 1919 there were two instalment plans as follows:

- (a) at the official terms, which subscriptions the banks handled for account of the Government.
- (b) More generous instalment terms (nine months) were granted to subscribers for amounts up to \$500. These were handled by the subscriber making an agreement with the Bank (the so-called card form) in which he paid 10% in cash and agreed to pay the balance in nine monthly payments of 10% each. The bonds for such subscriptions were paid for and taken up by the banks, who delivered the relative bonds to the subscriber when he completed his payments. The possible effects of this plan on the War Savings scheme is a factor to which the Executive Committee should give most careful consideration.

The Committee should be informed as to the Executive's decision on these points.

As well, the Committee believes that for the smooth working of the Loan they should have an opportunity of scrutinizing the application form before it is finalized, and of passing on any instructions issued by the general organization to local committees, canvassers or others which affect the banks. They should be asked also to co-operate with the Bank of Canada and the Business Committee in the drafting and preparation of the forms which the banks will have to use in the handling of the Loan, advising total subscriptions, particulars of registration, instalment payments, etc.

MEMORANDUMDOMINION SPECIAL NAMES COMMITTEE

The Dominion Special Names Committee should at least have as members ex-officio the chairmen and/or vice-chairmen of the various Provincial Special Names Committees.

Its duties will be:

1. To set the national special names objective.
2. To allocate the pro-rate amount of the Dominion objective to the various Provincial committees.
3. To determine what method will be followed in allocating the subscriptions of national corporations.
4. To determine whether similar action will have to be taken in connection with the allocation of subscriptions of any individuals.  
(It is suggested that subscriptions be credited to the district in which they are received).
5. To prepare a formula for the Provincial Committees outlining the bases on which they believe names should be selected for the special list by the Provincial committees.  
(It is suggested that any corporation or individual which in the opinion of the provincial committee can buy 25,000 or more should be placed on the special names list).
6. To organize, supervise and assist with the work of the provincial committees.
7. To set up an organization to cover the American market when, as and if, the Dominion Executive Loan Committee can arrange for the issue to be offered in the United States, or, failing this, should make arrangements for the coverage of United States investors by offering them blocks of issues outstanding prior to the outbreak of

- 2 -

war, where such purchases by Americans would free funds in Canada for the purchase of additional blocks of the new issue by Canadians. Close liaison should be maintained between this committee and the various provincial special names committees where American branch plants or subsidiary Canadian companies are concerned.



PROVINCIAL SPECIAL NAMES COMMITTEES

1. Provincial Special Names Committees should consist of:

Chairman  
Vice-Chairman  
Secretary

all of whom may be professionals. The Chairmen should ex-officio be a member of the Dominion Special Names Committee.

The Provincial Committee should consist of at least one professional member if possible from each provincial division, and such other members as may be deemed advisable.

2. There should also be an executive committee.

3. Each divisional special names representative on the provincial committee shall in turn create a divisional special names committee for his division, including prominent citizens in his area.

4. The provincial committee shall prepare a list of names to be covered by the various district committees. The names on this list would be compiled in accordance with the formula prescribed by the national committee. The provincial committee would also have power to add names to such list, or delete names from the list.

5. The provincial committee should allot the objectives for the various divisions.

6. The provincial committee will co-operate with the divisional chairmen in each section in selecting the necessary personnel for the canvassing of the names in his district.

7. The provincial committee shall as early as possible submit to the district organizers a tentative list of special names in the district. The divisional organizer will be responsible, in co-operation with his county organizers and committees, for the careful revision and expansion of this list. As soon as possible this revised list should be returned to the provincial chairman for final approval, after which it shall become the

- 2 -

final special subscription list for the district.

It is suggested that in the preparation of the list of names and their follow up a suitable card system shall be used.

8. The divisional special names committees should report daily to the provincial special names committee all orders received. The provincial committee would in turn report daily to the national committee.

9. We cannot emphasize too much the necessity for the immediate compilation of the special names list and quotas. This work will require an immense amount of work and should be proceeded with forthwith by the Provincial Special Names Chairman aided by representatives of each district working on the list in his district.

MEMORANDUMPUBLICITY COMMITTEE1. COMPOSITION:EXECUTIVEADVISORY

- (a) Chairman
- (b) Two Vice-Chairmen. One in charge of French Section.
- (c) Press liaison member
- (d) Advertising liaison member
- (e) Radio liaison member
- (f) Motion Picture liaison member
- (g) Public speakers liaison member
- (h) Service Forces liaison member
- (i) Representatives of the Department of Propaganda and Information
- (j) Competent Secretariat
- (j) Add A. L. Cawthorn-Page to Committee.

The Chairmen of Provincial committees on Publicity.

The Dominion Chairman will have power to add to his Committee.

DUTIES

The duties of the Dominion Publicity Committee are sketched in broad lines hereunder.

- (a) Selection of an appropriate title and slogan for the loan.
- (b) Investigation of publicity media, their relative importance and suitability.
- (c) Preparation of the publicity budget (special care required here).
- (d) Time-table co-ordination of publicity, and budgetary control of expenditure.
- (e) Co-operation with the various Government publicity agencies. (This is considered of vital importance and will require a scrupulous attention)
- (f) The making of arrangements for the distribution of publicity through the Provincial Publicity Committees.
- (g) The approval and distribution of circulars.
- (h) And such other duties as the Executive Committee may delegate.

Responsibility for publicity in their territories should rest with the respective Provincial Publicity Committees, which should be organized on roughly similar lines to those of the Dominion Publicity Committee. The following essential points should, however, be carefully noted:



- 2 -

- (a) The chairman of each Provincial Publicity Committee should be a member of the Provincial Committee and, if possible, sit on the Executive.
- (b) A special member of the committee should be given the responsibility of making all arrangements for public speakers.
- (c) Another member of the Committee should have the responsibility of press liaison work. In large cities this would require a full-time employee.

DUTIES OF THE PROV-  
INCIAL PUBLICITY  
COMMITTEES:

These duties are outlined below:

- (a) Carrying out the publicity campaigns decided upon by the Dominion Committee.
- (b) Making reports on local requirements to the Dominion Committee.
- (c) Submitting suggestions to the Dominion Committee.
- (d) Arranging for the distribution of all publicity material through the divisional district and county organizations. In the more important counties there should be a full-time secretary in charge of the supply and distribution of publicity material.

There should be created county publicity committees.

(Preliminary Personnel Bulletin)DOMINION WAR LOAN ORGANIZATION 1941.

Dominion War Loan Headquarters  
Day Telephone 2-5494

240 Wellington Street, Ottawa.  
Night Telephone 5-5560

EXECUTIVE COMMITTEE:

Chairman - G. W. Spinney Montreal  
Secretary - G. E. Phipps Toronto.

|                 |          |                  |               |
|-----------------|----------|------------------|---------------|
| H. E. Cochran   | Toronto  | John Knox        | Timmins       |
| A. J. Nesbitt   | Montreal | I. W. Killam     | Montreal      |
| A. F. White     | Toronto  | John A. Rowland  | Toronto       |
| J. H. Gundy     | Toronto  | Ralph D. Baker   | Winnipeg      |
| C. H. Branchaud | Montreal | W. I. Macdougall | Halifax       |
| C. E. Gravel    | Montreal | E. H. Tanner     | Calgary       |
| H. R. Tudhope   | Toronto  | W. M. Houston    | Regina        |
| E. A. Macnutt   | Montreal | F. J. Brennan    | Saint John    |
| A. W. Mitchell  | Toronto  | H. M. E. Evans   | Edmonton      |
| D. I. McLeod    | Toronto  | G. Lyall Fraser  | Vancouver     |
| H. T. Jaffray   | Toronto  | W. H. V. Dunbar  | Charlottetown |
| Arthur Cross    | Montreal |                  |               |

ORGANIZATION AND DISTRIBUTION

Chairman - H. E. Cochran  
Vice-Chairman - L. G. Mills  
Secretary - B. H. Mason  
John Knox A. S. Torrey  
W. T. K. Collier C. P. Fell  
Chairmen of Provincial Organization and Distribution Committees.

ADMINISTRATION AND FINANCE:

Chairman - A. F. White  
Vice-Chairman - S. B. Hammond  
Secretary - C. E. Jolly  
J. S. Bolton - Vice-Chairman of Provincial Administration and Finance Committees.

BANKING COMMITTEE:

Chairman - H. T. Jaffray  
J. S. Bolton T. H. Atkinson  
T. F. B. Walker H. J. Coon  
and the General Managers of the chartered banks

SPECIAL NAMES:

Chairman - J. H. Gundy  
Secretary - R. A. Daly

PUBLICITY:

Chairman - D. J. McLeod  
Secretary - D. B. Ding<sup>1</sup>  
H. N. Bawden J. C. Howard  
Courtland Elliott Paul Laroque  
Harold Fry

Ex-Officio

A. D. Cobban (Chairman, Ontario Publicity Committee)  
F. D. Chapman (Chairman,  
A. S. McNichols (Quebec Publicity Committee).  
Carl C. Hall (Western Liaison Representative)  
C. Leslie Peters (Maritime Liaison Representative).

April 4th, 1941

PRELIMINARY  
PERSONNEL BULLETIN

ONTARIO ORGANIZATION  
- DOMINION WAR LOAN ORGANIZATION - 1941

ONTARIO HEADQUARTERS - 48 King Street West, Toronto.  
Telephone - Waverly 7021

ONTARIO EXECUTIVE COMMITTEE:

|                  |               |                                                           |          |
|------------------|---------------|-----------------------------------------------------------|----------|
| A. E. Arscoth    | Chairman      | Canadian Bank of Commerce<br>25 King Street West, Toronto | Wa. 6751 |
| H. A. Fudhope    | Vice-Chairman | A. E. Ames & Co. Ltd<br>320 Bay Street, Toronto           | Wa. 5611 |
| W. T. G. Hackett | Secretary     | Mills, Spence & Co. Ltd.,<br>25 King Street West, Toronto | El. 1341 |

ADMINISTRATION & FINANCE COMMITTEE

|                 |               |                                                         |          |
|-----------------|---------------|---------------------------------------------------------|----------|
| G. E. Abbs      | Chairman      | A. E. Ames & Co., Ltd.,<br>320 Bay Street, Toronto      | Wa. 5611 |
| W. T. Vance     | Vice-Chairman | A. E. Ames & Co. Ltd.<br>320 Bay Street, Toronto        | Wa. 5611 |
| E. Gordon Mills | Treasurer     | Mills, Rickie & Co.,<br>25 King Street West, Toronto    | Wa. 4561 |
| W. L. McKinnon  | Secretary     | W. L. McKinnon & Co.,<br>205 McKinnon Building, Toronto | El. 4429 |

NEWSPAPERS COMMITTEE

|                  |                |                                                                 |          |
|------------------|----------------|-----------------------------------------------------------------|----------|
| I. A. Fraser     | Joint Chairman | Dominion Securities Corp. Ltd.<br>15 King Street West, Toronto  | Wa. 3681 |
| J. F. M. Stewart | Joint Chairman | Dominion Securities Corp. Ltd.<br>15 King Street West, Toronto  | Wa. 3681 |
| A. G. Roberts    | Vice-Chairman  | J. F. M. Stewart & Co. Ltd.,<br>Royal Bank Building, Toronto    | El. 8555 |
| J. D. Wood       | Secretary      | Dominion Securities Corp. Ltd.,<br>15 King Street West, Toronto | Wa. 3681 |
| B. J. Holmes     |                | A. E. Ames & Co. Ltd.,<br>320 Bay Street, Toronto               | Wa. 5611 |
| D. D. MacLeod    |                | Thomson & McKinnon<br>25 King Street West, Toronto              | Ad. 8561 |
| A. Macrae        |                | Aird, MacLeod & Co.,<br>405 Royal Bank Building, Toronto        | Ad. 9481 |
| J. S. Dickson    |                | Macrae & Co.,<br>80 King Street, West, Toronto                  | El. 5574 |
|                  |                | Dickson, Jelliffe & Co.<br>80 King Street West, Toronto         | Ad. 7451 |

ORGANIZATION & DISTRIBUTION COMMITTEE

|                 |                                                                                                   |                                                                   |          |
|-----------------|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|----------|
| W. P. Scott     | Chairman                                                                                          | Wood, Gundy & Co. Ltd.,<br>36 King Street West, Toronto           | El. 4521 |
| J. H. Ratcliffe | Vice-Chairman                                                                                     | McLeod, Young, Weir & Co. Ltd.,<br>Metropolitan Building, Toronto | El. 0161 |
| J. G. Singer    | Vice-Chairman                                                                                     | Royal Securities Corp. Ltd.,<br>320 Bay Street, Toronto           | Ad. 1704 |
| A. M. Ramsay    | Secretary                                                                                         | Harris, Ramsay & Co. Ltd.,<br>255 Bay Street, Toronto             | El. 4106 |
| W. L. McKinnon  | Chairman<br>of the Sub-Committee on<br>Time Schedules, Objectives,<br>Standard Forms & Bulletins. | W. L. McKinnon & Co.,<br>205 McKinnon Building, Toronto           | El. 4429 |

PUBLICITY COMMITTEE

|                     |               |                                                                 |          |
|---------------------|---------------|-----------------------------------------------------------------|----------|
| A. D. Cobban        | Chairman      | Wood, Gundy & Co. Ltd.,<br>36 King Street West, Toronto         | El. 4521 |
| J. A. Walker        | Vice-Chairman | Dominion Securities Corp. Ltd.,<br>15 King Street West, Toronto | Wa. 5681 |
| J. P. Walwyn        | Secretary     | R. A. Daly & Co. Ltd.,<br>80 King Street West, Toronto          | El. 4441 |
| A. Harrison Gilmour |               | Nesbitt, Thomson & Co. Ltd.,<br>36 King Street West, Toronto    | El. 8146 |

SPECIAL NAMES COMMITTEE

|                 |               |                                                                   |          |
|-----------------|---------------|-------------------------------------------------------------------|----------|
| B. E. Young     | Chairman      | McLeod, Young, Weir & Co. Ltd.,<br>Metropolitan Building, Toronto | El. 0161 |
| B. F. Gounilock | Vice-Chairman | Well, Gounilock & Co. Ltd.,<br>25 King Street West, Toronto       | El. 2236 |
| J. F. Crysdale  | Secretary     | Gairdner & Co. Ltd.,<br>320 Bay Street, Toronto                   | El. 2501 |



PROVINCIAL  
PERSONNEL BULLETIN

TORONTO ORGANIZATION  
DOMINION WAR LOAN ORGANIZATION - 1941

April 3-4, 1941

TORONTO EXECUTIVE COMMITTEE

TORONTO HEADQUARTERS - 244-246 BAY STREET, TORONTO.

|                |                                                       | <u>Address</u>              | <u>Telephone</u> |
|----------------|-------------------------------------------------------|-----------------------------|------------------|
| E. G. Baker    | Joint Chairmen<br>Joint<br>Vice-Chairmen<br>Secretary | - Moore Corp. Ltd.          | AD. 2581         |
| J. W. Mitchell |                                                       | - Dominion Securities Corp. | WA. 3681         |
| E. M. Pringle  |                                                       | - Dominion Securities Corp. | WA. 3681         |
| E. D. Leeming  |                                                       | - A. E. Ames & Co. Ltd.     | WA. 3611         |
| A. H. McIlwain |                                                       | - C. H. Burgess & Co.       | EL. 6471         |

ADMINISTRATION & FINANCE

|                |               |                          |          |
|----------------|---------------|--------------------------|----------|
| H. B. McKee    | Chairman      | - Duncanson, White & Co. | WA. 3401 |
| F. I. Anderson | Vice-Chairman | - A. E. Ames & Co. Ltd.  | WA. 3611 |

ORGANIZATION & DISTRIBUTION

|                 |               |                                  |          |
|-----------------|---------------|----------------------------------|----------|
| H. B. Housser   | Chairman      | - H. B. Housser & Co.            | EL. 7195 |
| Trevor F. Moore | Vice-Chairman | - McLeod, Young, Weir & Co. Ltd. | EL. 0161 |
| S. B. Heath     | Secretary     | - R. A. Daly & Co. Ltd.          | EL. 4441 |

DIVISION #1

|                |               |                          |          |
|----------------|---------------|--------------------------|----------|
| A. L. Anderson | Chairman      | - Dymont, Anderson & Co. | AD. 8105 |
| L. F. Webster  | Vice-Chairman | - Beatty, Webster & Co.  | WA. 4577 |
| G. L. Jemison  | Vice-Chairman | - Playfair & Co.         | AD. 6001 |

DIVISION #2

|               |               |                               |          |
|---------------|---------------|-------------------------------|----------|
| A. Fairclough | Chairman      | - Fairclough & Co.            | AD. 8191 |
| E. Hunter     | Vice-Chairman | - Collier, Morris & Henderson | WA. 2984 |
| R. N. Bryson  | Vice-Chairman | - R. N. Bryson & Co.          | WA. 1688 |

DIVISION #3

|               |               |                                  |          |
|---------------|---------------|----------------------------------|----------|
| W. G. Malcolm | Chairman      | - A. E. Ames & Co. Ltd.          | WA. 3611 |
| W. P. Spragge | Vice-Chairman | - A. E. Ames & Co. Ltd.          | WA. 3611 |
| F. C. Evans   | Vice-Chairman | - McLeod, Young, Weir & Co. Ltd. | EL. 0161 |

DIVISION #4

|               |               |                          |          |
|---------------|---------------|--------------------------|----------|
| A. Beaird     | Chairman      | - R. A. Daly Co. Ltd.    | EL. 4441 |
| Seymour Trent | Vice-Chairman | - Hambly, Peaker & Trent | EL. 5295 |
| Doug. Huycke  | Vice-Chairman | - J. S. Beche & Co.      | WA. 4871 |

DIVISION #5

|                |               |                        |          |
|----------------|---------------|------------------------|----------|
| J. R. Meggeson | Chairman      | - J. R. Meggeson & Co. | EL. 6448 |
| Geo. Rose      | Vice-Chairman | - Goulding, Rose & Co. | WA. 3687 |
| Geo. Meech     | Vice-Chairman | - Aird, Macleod & Co.  | AD. 9481 |

DIVISION #6

|              |               |                            |          |
|--------------|---------------|----------------------------|----------|
| S. B. Denton | Chairman      | - Cochran, Murray & Co.    | AD. 9161 |
| J. Travis    | Vice-Chairman | - Travis, Scholfield & Co. | WA. 8096 |
| F. J. Phalen | Vice-Chairman | - H. B. Housser & Co.      | EL. 7195 |

DIVISION #7

|              |               |                          |          |
|--------------|---------------|--------------------------|----------|
| F. A. Eisner | Chairman      | Midland Securities Corp. | AD. 1585 |
| G. C. Deaks  | Vice-Chairman | - Fraser, Dingman & Co.  | EL. 5125 |

TORONTO SPECIAL NAMES COMMITTEE

|                  |               |                          |          |
|------------------|---------------|--------------------------|----------|
| Norman Urquhart  | Chairman      | - H. C. Urquhart & Co.   | AD. 6026 |
| F. A. McCausland | Secretary     | - Wood, Gundy & Co. Ltd. | EL. 4521 |
| Hugh Murray      | Vice-Chairman | - Cochran, Murray & Co.  | AD. 9161 |

TORONTO SPECIAL NAMES EXECUTIVE COMMITTEE

|              |  |                                  |          |
|--------------|--|----------------------------------|----------|
| H. Gandy     |  | - Wood, Gundy & Co. Ltd.         | EL. 4521 |
| E. Young     |  | - McLeod, Young, Weir & Co. Ltd. | EL. 0161 |
| W. Gouinlock |  | - Bell Gouinlock & Co. Ltd.      | EL. 2256 |
| Gairdner     |  | - Gairdner & Co.                 | EL. 2301 |
| J. Milner    |  | - Mills, Spence & Co. Ltd.       | EL. 1541 |
| C. Harris    |  | - Harris, Ramsay & Co. Ltd.      | EL. 4106 |

WAR LOAN ORGANIZATION

(6)

PROVINCE OF ONTARIO  
ORGANIZATION AND DISTRIBUTION COMMITTEE

|                 |                                                                                     |                                                                  |          |
|-----------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------|----------|
| E. F. Scott     | Chairman                                                                            | Wood, Gundy & Co. Ltd.,<br>58 King Street West, Toronto.         | El. 4521 |
| J. E. Ratcliffe | Vice-Chairman                                                                       | McLeod, Young, Weir & Co. Ltd.<br>Metropolitan Building, Toronto | El. 0161 |
| J. G. Singer    | Vice-Chairman                                                                       | Royal Securities Corp. Ltd.<br>550 Bay Street, Toronto           | Ad. 7105 |
| A. M. Ramsay    | Secretary                                                                           | Harris, Ramsay & Co. Ltd.<br>255 Bay Street, Toronto             | El. 4105 |
| E. L. McKinnon  | Chairman, Committee on<br>Time Schedules, Objectives,<br>Standard Forms & Bulletins | W. L. McKinnon & Co.<br>205 McKinnon Building, Toronto           | El. 4429 |

| <u>Division<br/>Number</u> | <u>Name of<br/>Divisional Organizer</u> | <u>Address of<br/>Divisional Organizer</u>                              | <u>Telephone<br/>Number</u> |
|----------------------------|-----------------------------------------|-------------------------------------------------------------------------|-----------------------------|
| 1                          | J. B. Ridley                            | A.E. Ames & Co. Ltd.,<br>320 Bay Street, Toronto                        | Ma. 3611                    |
| 2                          | R. W. Leslie                            | Royal Securities Corp. Ltd.,<br>1 Main Street East, Hamilton, Ont.      | 2-2429                      |
| 3                          | A. G. A. Spence                         | Mills, Spence & Co. Ltd.<br>25 King Street West, Toronto                | El. 1541                    |
| 4                          | W. J. McLelland                         | Wood, Gundy & Co. Ltd.,<br>58 King Street West, Toronto                 | El. 4521                    |
| 4                          | L. P. Chalmers                          | W. C. Pitfield & Co. Ltd.,<br>80 King Street, West, Toronto             | Ad. 6144                    |
| 5                          | D. B. Weldon                            | Midland Securities Ltd.<br>Huron and Erie Bldg. London, Ont.            | Metcalfe<br>4500            |
| 5                          | H. S. Backus                            | McLeod, Young, Weir & Co. Ltd.,<br>Metropolitan Building, Toronto       | El. 0161                    |
| 6                          | T. R. Harrison                          | Harrison & Co. Ltd.,<br>66 King Street West, Toronto                    | Ma. 1891                    |
| 7                          | S. A. Hughes                            | Dominion Securities Corp. Ltd.,<br>15 King Street, West, Toronto        | Ma. 3661                    |
| 8                          | O. A. Doherty                           | Gairdner & Co. Ltd.,<br>520 Bay Street, Toronto                         | El. 2501                    |
| 9                          | J. L. Graham                            | J. L. Graham & Co. Ltd.,<br>25 King Street West, Toronto                | Ad. 4411                    |
| 10                         | A. E. Booths                            | Bell, Gouinlock & Co. Ltd.,<br>25 King Street West, Toronto             | El. 2256                    |
| 11                         | C. H. Burgess                           | C. H. Burgess & Co. Ltd.,<br>255 Bay Street, Toronto                    | El. 8471                    |
| 11                         | S. L. McGinnis                          | C. H. Burgess & Co. Ltd.,<br>255 Bay Street, Toronto                    | El. 8471                    |
| 11                         | C. G. Beatty                            | Beatty, Webster & Co. Ltd.,<br>217 Bay Street, Toronto                  | Ma. 4577                    |
| 12                         | J. S. Brown                             | Milner, Ross & Co.,<br>550 Bay Street, Toronto                          | Ma. 1701                    |
| 13                         | N. D. Young                             | Dominion Securities Corp. Ltd.<br>Walper House, Kitchener, Ont.         | 7-7804                      |
| 14                         | W. T. Bartlett                          | Bartlett, Cayley & Co. Ltd.,<br>520 Bay Street, Toronto                 | Ma. 6051                    |
| 15                         | J. O. Hughes                            | A. E. Ames & Co. Ltd.,<br>52 New Bank of Toronto Bldg.,<br>London, Ont. | Metcalfe<br>7019            |
| 16                         | H. M. Wallar                            | Bankers Bond Co. Ltd.,<br>67 Yonge Street, Toronto                      | Ad. 6267                    |
| 17                         | C. L. McOutcheon                        | Wood, Gundy & Co. Ltd.,<br>58 King Street West, Toronto                 | El. 4521                    |
| 18                         | D. M. Roberts                           | McLeod, Young, Weir & Co. Ltd.,<br>Metropolitan Building, Toronto       | El. 0161                    |

The Toronto Organisation is distinct and separate from the  
Ontario Organisation.

|   |               |                                                                |          |
|---|---------------|----------------------------------------------------------------|----------|
| 1 | E. M. Fringle | Dominion Securities Corp. Ltd.<br>15 King Street West, Toronto | Ma. 3661 |
| 1 | H. D. Lanning | A. E. Ames & Co. Ltd.,<br>520 Bay Street, Toronto              | Ma. 3611 |

War Loan 1941.

April 9th, 1941.

Ontario Organization & Distribution Committee.PLAN OF DUTIES AND FUNCTIONS OF DIVISIONAL ORGANIZERS

For the purpose of organization, Ontario, outside the City of Toronto, has been divided into 17 divisions of which four cities comprise four units, the balance covering counties and other subdivisions. This is outlined in the plan of organization.

A chart showing the Divisional Organizers position in Ontario plan is attached and indicates, in a general way, his position insofar as the Provincial set-up is concerned and his responsibility insofar as his units go.

GENERAL DUTIES:

Speaking generally, the duties of a Divisional Organizer are to act -

- (1) As General Supervisor working through the Unit Organizers, of all activities within his division.
- (2) To advise, and assist if necessary, in the setting up of Unit Organizations.
- (3) As the liaison between the Ontario Standing Committees and the Units comprising his division.

It should be borne in mind that it is not in the interest of best results to restrict the authority of the Unit Organizers and their local executive. Only when faults appear in the organization which require correction should the divisional organizer take direct action.

HEADQUARTERS:

The Divisional Organizers, outside the cities, will have no specific headquarters as such, but may use the headquarters of any unit in his division and for the purpose of mailing etc., have his forwarding address attached to the headquarters of one unit. The question of headquarters etc., for City Organizations will be more specifically dealt with under "City Divisions."

ORGANIZATION:

Each Divisional Organizer will have associated with him an Organizer and Assistant Organizer in each unit comprising his division. In some cases it is necessary to have Joint Organizers and/or two Assistant Organizers.

The Divisional Organizer is a member, ex officio, of the Ontario Organization Committee and is also a member, ex officio, of every Committee in his territory.

The duties of the Divisional Organizers, up to the date of the Organizers Conference, are to be largely concerned with being fully conversant with the geographical and other aspects of his units, straightening out any question of boundaries, etc., having full discussions with each organizer in his division, in order that each organizer and his assistant may fully acquaint themselves, in a general way, with their duties, when they go out in the territory. This will be more specifically dealt with at the Organizers Conference and by means of memoranda given to the organizers at that time.



Plan of Duties and Functions of Divisional Organizers.ORGANIZATION - Cont'd.

In addition, and perhaps the most important duty to be performed by the Divisional Organizer in the early stages, is that of going over with the organizers in each unit, the list of Special Names handed them by the Special Names Committee for the purpose of eliminating, as far as it can be done short of actual checking in the territory, all those parties who should not be on this list, also making any possible additions.

SUPERVISION:

The Divisional Organizers will be responsible for obtaining maps for each individual unit in his division, together with statistical information with regard to breakdown of assessments and population in each Unit. He should also hand each Unit Organizer a list of the banks in his territory, their location and the name of the manager.

After the general Organizers Conference has been held and prior to the organizers leaving for their territory, it is essential that the Divisional Organizer hold a meeting with his organizers to discuss with them a schedule as to the initiation of their work in their territory and his presence with them in the early stages. This is particularly important in the light of the Unit Organizer's first duty when he reaches the territory, namely the work incidental to the selection of a chairman, and to a lesser extent, the chairman of his committees. It is essential, when a Unit Organizer makes his first investigation, that he communicate with the Divisional Organizer and check with him, either in person, or otherwise, as to his choice of chairman, before having this recommendation passed on to the Provincial Organization Committee.

As the appointment of the Unit Chairman is a vital factor in the campaign, too much stress cannot be placed on the care with which these chairmen are chosen.

He will also act in an advisory way with the Unit Organizers in the breakdown of their unit team objective into canvassing district objectives. It is anticipated that the canvassers conference will take place around the fourth week in May, prior to the start of the campaign, and here again the Divisional Organizer should be in constant consultation with his organizers as to the methods of procedure and the necessary steps to be taken to arrange for a full canvassers conference. This canvassers conference should take place in each unit and in such a way that the Divisional Organizer may be present and intimately supervise each of these conferences.

Once the Unit Committees have been appointed, it is desirable that the Divisional Organizer sit in, as often as convenient, on the meetings of his Unit Executive Committees.

The Divisional Organizer should familiarize himself with the time schedule, and should see that Unit Organizers complete their Organization on time.

CAMPAIGN:

During the campaign the Divisional Organizer will make it a point to be in frequent touch with his units to iron out any difficulties that may develop, to see that the various committees are functioning and particularly to see that the Special Names are getting every possible attention.

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Plan of Duties and Functions of Divisional Organizers.CITY DIVISIONS:

When supervising one unit such as a large city, the Divisional Organizer will combine the function of Divisional and Unit Organizer. The set-up of these city organizations is the same as in the unit, except on a much larger scale.

REPORTS, etc.

The Divisional Organizer will receive copies of all correspondence including reports which are sent out to Unit Headquarters in his division from Ontario Headquarters and the various committees.

He will also receive copies of all correspondence including daily reports, etc., between the Unit Headquarters and Provincial and Committee Headquarters.

The Divisional Organizer should weekly advise the Secretary of the Ontario Organization and Distribution Committee at 48 King Street West, Toronto, and also each Unit in his Territory his proposed itinerary, giving his mailing address so that his mail may be forwarded to reach him where he will be from time to time.

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ONTARIO ORGANIZATION AND DISTRIBUTION COMMITTEE

UNIT ORGANIZERS

THE PLAN OF ORGANIZATION

The plan of organization for the 1941 Victory Loan had its origin in the Victory Loan campaigns of 1917, 1918 and 1919. It has been modified and streamlined to meet present-day conditions. It is felt that a similar method of appeal to that which brought forth an overwhelming response twenty years ago can be counted on to produce a similar result now, provided the whole sales organization is carefully trained in its duties in advance of the campaign and is enthusiastic as to the outcome. It must be recognised at the outset that this campaign is to be an "all out effort". Every corporation and individual financially capable of buying bonds has to be interviewed and sold to the full extent of buying capacity.

The campaign in each province will be in charge of an Executive Committee which will be responsible for the policy to be followed. This Committee will appoint such other Provincial committees as are necessary, details of which are designated elsewhere.

Each province will be divided into a number of divisions for organization purposes. Each division will be comprised of either one large city or of several units, the latter coinciding with counties or parts of counties or districts. Each division will be under the direction of a Divisional Organizer who will have associated with him one or more organizers for each unit in his division.

ORGANIZATION:

Unit organizers shall be members ex officio of every committee in their respective territories. The first duty of a Unit Organizer upon reaching his territory will be to select a Unit Chairman. The selection of the proper Unit Chairman is the most important task confronting the Unit Organizer. The selection of the proper man who will give his time and energy to this campaign and will obtain the co-operation of the leading citizens in that unit is vital to the success of the campaign. The selection of the Unit Chairman shall be discussed by the Unit Organizer with his Divisional Organizer and when they have agreed the Organizer will promptly pass on the name of the prospective chairman, by telephone or telegraph, to the Organization and Distribution Committee at Provincial headquarters in order that the necessary invitation to act as Chairman may be sent by the Minister of Finance. As soon as this invitation has been despatched the Organizer will be advised and after sufficient time has elapsed for the invitation to reach the proposed Chairman the Organizer will be at liberty to interview him. In order that the Organizer may make the wisest selection possible, it is suggested that he first consult privately with two or three prominent local men who, by virtue of their positions, would not be eligible for Chairman themselves. Bank managers who have been located in the community for some time should be of valuable assistance.

After the Chairman has accepted the invitation from the Minister of Finance, the Organizer, in collaboration with him, should decide on one or more Vice-Chairmen and the invitation to act as Vice-Chairmen should be issued by the Chairman and Organizer. The presence of other important towns or cities in the unit, in addition to the headquarters town or city, will have a great bearing on the number of vice-chairmen considered necessary.

The Chairman, Vice-Chairman and Organizer should then proceed to appoint a Secretary. The Secretary will be expected, under the immediate direction and control of the Organizer and Chairman, to devote his full time to the proper discharge of his duties. The Secretary may be a salaried employee. It is most essential that the Secretary thoroughly understands the necessity of keeping proper records and is careful and accurate in their preparation. In a number of unit centres Unit Organizers will find that there will be no necessity for the employment of a paid secretary. In some cases there are local dealers, whose names are on the Bank of Canada list, whose services may be utilised for this or other purposes. In other cases



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where branch offices of stock brokers are located, such personnel, where it is satisfactory, should be used in preference to the employment of paid untrained assistants. Where such local dealers and branch offices are located the Unit Organizer will be furnished with their names and addresses.

Unit Organizers will be furnished with the names and addresses of the War Savings personnel in their units. War Savings chairmen are being advised by their Dominion Executive that they may expect a call from War Loan Organizers on or about May 1st, and they will be prepared to extend full co-operation. It is believed that much valuable assistance, particularly with reference to Employee canvases may be obtained from the local War Savings Committees and in many cases War Savings Chairmen and Committee members will undoubtedly be utilized for Chairmen and Executive Committee members by the War Loan Organization.

Unit Organizers have received a bulletin summarizing a letter sent by the Head Offices of the Chartered Banks to their branch managers. It will be noted from a careful perusal of this bulletin that the Branch Managers have been requested to assist district organizers in every possible way, and they will be able to give valuable assistance to the organizer on all matters pertaining to local information concerning his territory. The Branch Bank Managers should be contacted at the earliest possible moment.

HEADQUARTERS:

In the case of a County organization, the logical place for the County headquarters is usually the County town. Immediately following the appointment of the Chairman, steps should be taken to secure headquarters and in this connection the Chairman should be able to give valuable assistance. Too much emphasis cannot be placed on the importance of securing suitable quarters. It is essential that adequate space, centrally located and on the ground floor, if possible, be secured. It should be understood definitely that the organization will have the use of the premises until June 30th. It may very well be possible to secure desirable premises free of charge, but it should be remembered that the requisites outlined above are the first consideration. In some cases it will be necessary to alter premises obtained free and restore them to their original condition before leaving.

STAFF AND FIXTURES:

No time should be lost in securing the necessary headquarters staff. At least one competent, paid stenographer should be engaged immediately. A day or two prior to the opening of the campaign, one, two, or possibly three, additional stenographers may be needed. Prompt steps should be taken to secure adequate telephone service. During the actual campaign it will, in all probability, be possible to secure voluntary assistance from bankers and others, especially in the evenings, for such purposes as checking applications, etc. If it is impossible to obtain adequate assistance locally, Provincial headquarters will be glad to assist.

NOTE: No Contracts should be entered into or expenses incurred without the Organizer first studying carefully regulations issued by the Provincial Administration and Finance Committee, under whose jurisdiction fall such matters as rentals, staff, expenses, etc.

COMMITTEES

Executive Committee

The Unit Executive Committee should consist of the Chairman, Vice-Chairman, Divisional Organizer, Unit Organizer and Secretary. In addition, the Chairman of each of the standing committees called for in the general plan should be a member of this Committee. The Unit will be divided into canvassing districts as explained later in the memorandum and a local chairman should be appointed for each canvassing district. Such local chairmen should also be members of the Unit Executive Committee, although in actual practice they would probably attend only one or two of the early organization meetings. Such chairmen, however, will be invaluable in maintaining local contacts throughout the territory and a membership on the Executive Committee will give them the necessary contact with headquarters. When the Unit embraces a reasonably large city it will undoubtedly be desirable also to include some of the most prominent citizens, or city and county officials.

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Honorary Committee

An Honorary Committee may be formed, if ~~found~~ advisable, by the local executive. In actual practice it is unlikely to be required except in large cities. It should be borne in mind that there are many opportunities for service on the various active Committees and an active working group of citizens is infinitely more desirable than names on an Honorary Committee. In large centres where it is decided to have such a Committee, this Committee should consist of representatives of the clergy, municipal corporation, insurance companies, manufacturers, labour organizations, the professions, fraternal societies, service clubs, etc.

Publicity Committee

A Publicity Committee shall be set up in each Unit headquarters, which Committee shall act under the direction of the Unit Executive and the Provincial Publicity Committee. The Organizer and Chairman will receive from Provincial headquarters suggestions as to the setting up of this Committee. In addition to the Publicity Committee located at headquarters, consisting of people resident in the headquarters city or town, there should be Publicity Committees men in each canvassing district who may be the same men representing their districts on the Executive. It should be the duty of one of the members of the Headquarters Publicity Committee to keep constantly in touch with the members of the Publicity Committee in each of the canvassing districts and to relay to them for distribution publicity matter supplied by Provincial headquarters. Where there are two Unit Organizers allotted to a Unit, it is suggested that the Assistant Organizer make Publicity his special charge.

Administration and Finance Committee.

In most Units it would seem that the Organizer and Secretary will be able to perform the functions usually performed by the Administration and Finance Committee necessary in the larger centres. If it is deemed advisable to set up such a Committee, the Committee should be a very small one and should consist of a Chairman (preferably the Unit Organizer) a Secretary, and not more than two other members one of whom should probably be a local banker. The Secretary of this Committee should be the General Secretary of the Unit Committee. The duties of this Committee, if set up, will be to clear with the Provincial Administration and Finance Committee on all matters pertaining to budgets, the expenditures of moneys and the keeping of records and reports. Under the supervision of this Committee would be the handling and filing of the applications received during the campaign itself and the compilation of daily reports to headquarters.

Special Names Committee

Instructions covering special names will come from the Provincial Special Names Committee. Generally speaking, special names will consist of those corporations or individuals capable of purchasing \$25,000. per value or more. A bulletin from the Special Names Committee, showing the type of organization which they desire and the method of coverage of the names with which the organizers have been furnished by the Special Names Committee is enclosed. One of the most important duties of the Unit Organizer is to check carefully the list of Special Names which will be furnished by the Provincial Special Names Committee with a view to the removal from such list of any names which, in the opinion of the local chairman, Executive Committee and organizers, should not be on such list and also to arrange with the Provincial Special Names Committee for the addition of such names as may have been omitted from the Provincial Special Names list and which properly belong there. No commissions will be paid on subscriptions obtained from names on the Special Names list.

Employees Committee (Employees Converse Relation to War Savings)

A bulletin from the Provincial Employees Committee is being prepared covering the organization and plan of procedure to be adopted by the Employees Committee. This will be handed to Unit Organizers at the Conference April 24th. In your work on the Employees Committee the question of the relationship between the Victory Loan and War Savings is bound to come up. War Loan has agreed that the payroll deduction is the vehicle of War Savings. Generally, payroll deductions will be left to War Savings and War Loan will only institute payroll deductions when the management so requests. The War Savings Committee has agreed not to stimulate or expand its War Savings plan during the period May 10th to June 24th. War Savings Committees will continue their contacts with employers and employees to the extent of conserving participations and amounts of subscriptions as of May 10th, 1941.



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Sales Committee

The Unit Sales Committee should consist of the Unit Executive, (including the canvassing District Chairman) plus additional men with the widest possible acquaintance throughout the unit area. It will have to be divided into local sub-committees, headed by the local chairman in each canvassing district. The size of each sub-committee will depend on the population of the individual canvassing district which each sub-committee will serve. The duties of this committee in conjunction with the executive, will be to assist the organiser in the selection of canvassers. This Committee will allocate territory to the individual canvassers and will provide them with a complete list of the prospects in their territory. The local sub-committees of the Sales Committee should also prepare a list of the better prospects in their local canvassing districts, to be comprised of individuals or corporations who should be able to purchase from \$5,000. to \$24,000. They should arrange that such list receive special canvassing attention if necessary so that the best possible results may be achieved. The commissions from sales to names on this list would, of course, be credited to the canvassers. Members of this committee should also be at Headquarters of the various canvassing districts for sufficient time each day or evening to scrutinise carefully each application sent in by the canvassers with a view to determining whether or not each application is for a satisfactory amount. They should also review reports sent in by the canvassers on those who have not subscribed to decide what further action may be taken. This Committee should also co-operate with the organiser in seeing that all canvassers work to capacity during the campaign and some of their number should be available to render assistance in the event of any individual canvasser or team not producing satisfactory results.

Women's Committee

If deemed desirable a Women's Committee may be formed to co-operate in stimulating interest in the campaign.

Transportation Committee

The Organiser may find it advantageous to anticipate the needs of himself, the executive and speakers in respect to transportation, particularly automobile transportation, within the bounds of his territory. If deemed advisable he may desire to have a small committee specially charged with the responsibility of providing such transportation if necessary.

CANVASSING DISTRICT AND CANVASSERS:

Canvassing districts should be as nearly as possible identical with township, village, or town boundaries. The solicity of the regular subscriptions will be done by teams to be appointed by the Local Executive. The best member of each team will be put in charge and called "Captain" and these men will be responsible to Headquarters for the record of their team. As the campaign will cover three weeks, there will be only eighteen working days. Each canvasser must devote his entire time to the canvass and, therefore, he should be able to see nine or more possible subscribers per day. It should be particularly noted that in towns and cities a great deal of the canvass may have to be done in the evening. There should be at least one subscriber to every five of the population so that, at a rough estimate, there should be one canvasser for about each eight hundred of population. In the judgment of the Executive it may, however, be necessary to enlarge or decrease this number according to local conditions.

It is of vital importance that great care should be taken in selecting canvassers as the approach to the public is through the canvassers. Sub-agents who acted during the First and Second War Loans, provided their records were good, should prove excellent. Experienced insurance agents will make very desirable canvassers and the Insurance companies have assured the Provincial War Loan Committee of their full co-operation in this respect. The Insurance companies are forming a Committee in the more important centres to deal with this matter of the release of agents for the purpose of the War Loan. The names of the members of this Committee will be furnished to the various organisers and it is suggested that these men should be made members of the local general sales committee. No approach should be made to insurance agents to act as canvassers until further advice is received from the above Insurance Committee. Care must be taken to secure not only men who are workers but men who have confidence of the residents of their district.



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CANVASSING DISTRICTS AND CANVASSERS (Continued)

A special bulletin dealing with commissions to canvassers and its distribution will be issued by the Dominion Organization and Distribution Committee.

Without exception, canvassers must confine their solicitation to the territory officially allotted to them. Subscriptions originating in other territories cannot be accepted, but must be forwarded immediately to the territory of origin.

Canvassers are forbidden to solicit subscriptions, either by mail or word of mouth, in the United States of America. Such solicitation, aside from other considerations, is illegal.

It will be noted from the time schedule that the fourth week in May has been reserved for canvassers' conferences at which the canvassers may become thoroughly instructed in their duties, prior to the opening of the campaign. The Divisional Organizer will be in consultation with the Unit Organizers in his territory and in consultation with them will plan the unit canvassers' conferences so that he may be present and supervise such conferences.

Each canvasser will be required to sign a contract stating the conditions under which he will work during the campaign. (See official "contract letter"). When this contract is signed each canvasser will be supplied with a credential card which will be his authority for soliciting subscriptions. This card is to be accepted by the canvasser on the distinct understanding that it is to be used only for the purpose of and during this campaign. During the campaign the canvasser will be expected to devote his entire time to a complete canvass of the territory allotted to him. He will complete and hand in to headquarters application forms covering all applications received. He will also report briefly all cases of refusal to subscribe, or cases where he does not consider the amount subscribed sufficient.

BRANCH BANK SUBSCRIPTIONS:

Some subscriptions will be made directly through branch banks and not through canvassers. A plan of allocating such subscriptions to the proper canvassing districts is now being formulated by the chartered banks and the Dominion War Loan Executive Committee. Each branch bank manager will receive full details of this plan from Head Office. A special bulletin will also be sent to each unit organizer from the Provincial Executive Committee explaining fully such plan when it has been finalised. In general, it is expected that the plan will be along the following lines - The unit organizer will provide each branch bank in his territory with a list of the canvassing districts and their boundaries and the branch banks will then advise the unit headquarters daily of the subscriptions which they have received that day and the canvassing districts to which such subscriptions should be allotted. Where branch banks have received permission from their subscriber, they will reveal his name. In other cases they will advise only the amount of the subscription received and state the canvassing district to which it is to be allotted. Branch banks will report only to the unit headquarters in which they are located, but they will also receive certain subscriptions which must be credited to other units, and it will be the duty of the unit organizer to advise the proper unit headquarters of such subscriptions.

OBJECTIVES:

Team objectives will be set for each unit by the Provincial Executive Committee. The Unit Organizer, assisted by his Executive Committee and the Divisional Organizer, will, in turn, sub-divide such unit team objectives into canvassing district objectives. A Special Names Objective will also be set for each unit by the Ontario Special Names Committee. Where a unit has two or more important towns or cities it may be desirable to divide such Special Names objective, but in the cases of units which contain only one large centre of population, it would seem that there should only be one unit Special Names objective and that it will not be desirable to sub-divide.

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**REPORTS:**

As the Divisional Organizer will be constantly travelling from one unit headquarters to another in his territory, all reports and correspondence for Unit Organizers will be sent out from Provincial headquarters direct to unit headquarters. Additional copies of all correspondence and reports will be sent by the Ontario headquarters to the Divisional Organizer as well so he will, at all times have full information.

In turn the Unit Organizers will correspond direct with Provincial and Committee headquarters, sending a copy of all correspondence to the Divisional Organizer. The same procedure is to be followed in the case of all reports sent by Unit Headquarters to Provincial headquarters during the campaign. This system will result in quick communication between the Unit and Provincial headquarters and the additional copy sent to the Divisional Organizer will also keep him fully informed at all times of matters transpiring in his division.

In closing we would like to draw the attention of the Unit organizer to the fact that the local Chairman, the Executive Committee, and the various subsidiary Committees will consist of prominent local people who are doing a voluntary job for patriotic motives. To be successful the Organizer must enlist and retain the help of everybody in his district capable of aiding in the success of the loan. This will require the utmost tact and diplomacy and without it no unit organization can be successful.

**NOTE:** These instructions deal primarily with the organization of your Unit for sales distribution purposes. Instructions as to records and returns are being issued separately under the authority of the Dominion Administration and Finance Committee.



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CONTENTS OF FOLDER FOR UNIT ORGANIZERS

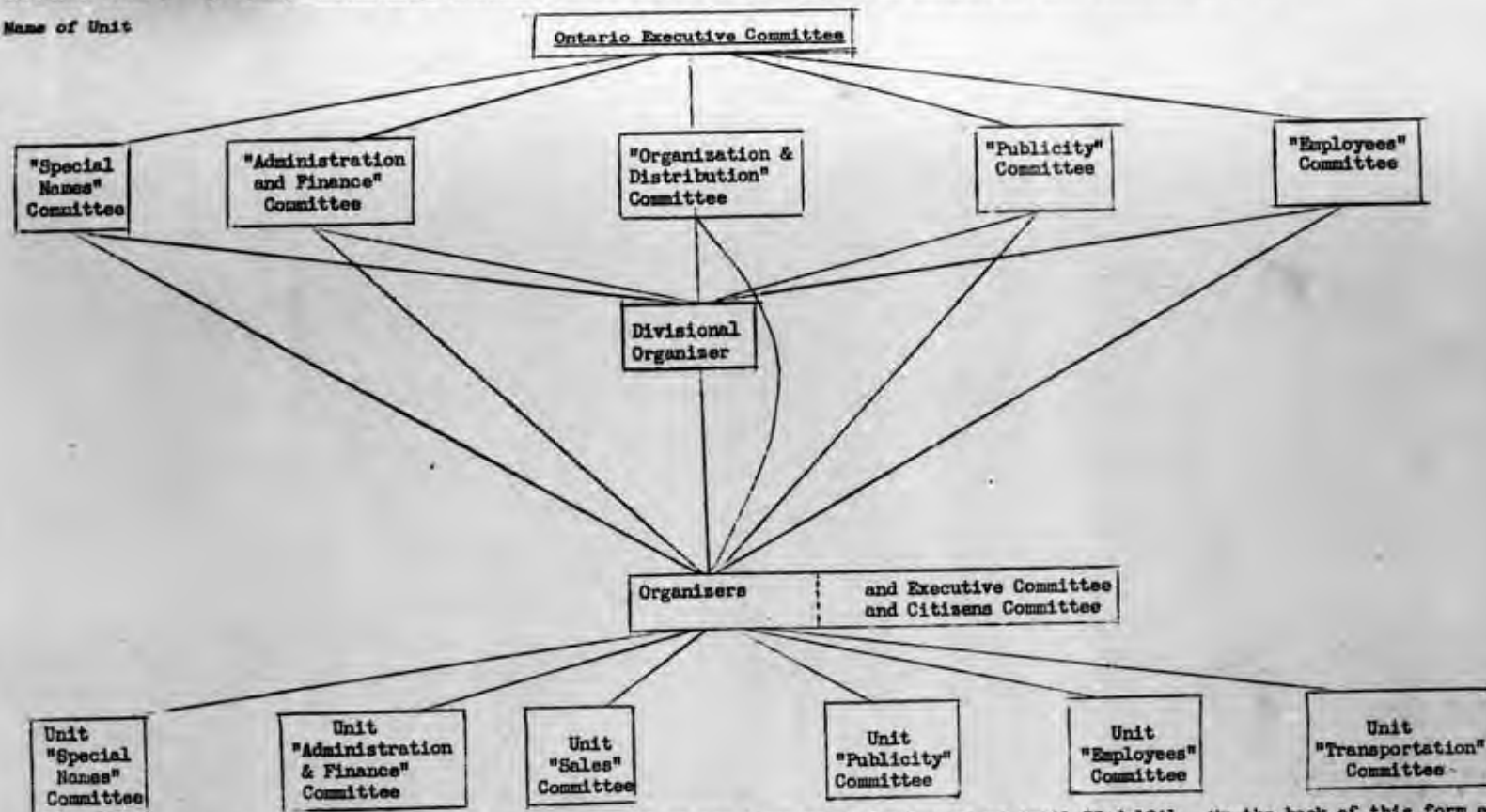
1. Copy of instructions prepared by Organization and Distribution Committee.
2. Copy of instructions prepared by Special Names Committee.
5. Copy of instructions prepared by Publicity Committee.
4. Copy of instructions prepared by Employees Committee.
5. Copy of instructions prepared by Administration & Finance Committee.
6. Copy of instructions to Secretaries.
7. All standard forms including unit chart.
8. Unit objective - (a) teams,  
(b) Special Names.
9. Personnel of the local War Savings Committee.
10. List of any Bank of Canada approved dealers in the unit, plus list of branch offices, if any, in the unit and their personnel.

NOTE: We have asked the Divisional Organizers to obtain for their Unit Organizers and for themselves, the following information:

1. Map of each unit.
2. Population and assessment figures, by townships, villages, towns and cities for each unit.
3. List of Municipal officials and Federal and Provincial members for each unit.
4. Bank branches and managers thereof in each unit.



Name of Unit



Organizers will receive six copies of the above model chart at the Organizers' Conference on April 25rd, 1941. On the back of this form each Organizer should draw in triplicate a chart of the organization he proposed to have in his unit. On May 12, 1941, he should send one copy to his Divisional Organizer, one to the Secretary of the Ontario War Loan Organization 1941, 48 King Street West, Toronto. He should keep one copy at Local Headquarters.

## TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

CONFIDENTIAL

DATE April 26, 1941

TO Secretary Morgenthau  
FROM Mr. Haas  
Subject: The Business Situation,  
Week ending April 26, 1941

Summary

(1) Business activity has shown some further decline from last month's record levels as a result of the coal strike. Threats of serious interruption to industrial operations due to lack of coal are becoming widespread. No less than 35 plants working on defense orders are reported to have only 2 to 4 days' supply of coal.

(2) Despite the increase in freight car orders since last summer, freight cars owned by the railroads on April 1 were actually a trifle under the number a year earlier. Serviceable cars had increased by 54,000 units, due to the reduction of bad order cars. However, further substantial new car orders appear necessary to avert a shortage at the seasonal peak in the fall.

(3) Steel operations have continued to decline as a result of the coal strike. Production of pig iron by Carnegie-Illinois, the country's largest steel producer, is reported to be down 20 percent. At the same time, new steel orders have continued to be received by mills in heavy volume, with the U. S. Steel Corporation's orders spurring sharply to a new high in the week ended April 17.

(4) National income payments in March increased only slightly more than seasonally, reaching an annual rate of \$80.3 billions as compared with \$79.6 billions in February. Farm income increased in March by about the usual seasonal amount. Factory payrolls, however, were 3.2 percent higher than in February, and no less than 31.3 percent higher than March 1940.

(5) Commodity price indexes showed virtually no change last week, while individual commodity prices, for the most part, held very steady.

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### Business activity slowed by coal strike

Largely as a result of the coal strike, business activity has shown some further decline from the record levels attained last month. Thus by the week ended April 19, the New York Times index of business activity had declined to 115.6 from the record high of 124.3 at the end of March and an average of 122.6 for the month. (See Chart 1, top section.)

Due to the strike in the Appalachian soft coal area, production of bituminous coal during the week mentioned was estimated at less than 12 percent of capacity and was 81 percent below the corresponding week in 1940. (Refer to Chart 1, middle section.) Although at first the effects of the strike were largely confined to the actual producers and transporters of coal, the steel industry soon began to curtail operations due to lack of coke. By the end of last week no less than 35 plants working on defense orders, as well as at least one important railroad, the Southern Railroad, were confronted with an imminent curtailment of operations due to a lack of coal. Near the end of the week, it was reported that the country's soft coal stocks had been cut down to two weeks' supply.

Freight carloadings continue to run substantially below March levels due to the heavy drop in loadings of coal, which by the middle of April were running only about one-fifth as large as at the end of March. During the week ended April 19, a moderate upturn occurred in total carloadings but this was almost entirely due to a sharp rise in ore shipments, which were nearly 5 times as large as in the corresponding week of 1940. (Refer to Chart 1, lower section.)

### Coal strike will add later burden to railroads

The distortion in the normal pattern of carloadings caused by the coal strike is unfortunate in that it will add to the burden of the railroads in ensuing months, when other demands on equipment normally increase. Moreover, despite the substantial ordering of new equipment during the past year, freight cars of all kinds owned by the railroads on April 1 of this year were actually 1,000 less than the 1,645,000 owned on the same date in 1940. However, serviceable cars have increased by 54,000 units due to the reduction in bad order cars as a result of the stepping up in repair programs. On the other hand, further additions to equipment by merely repairing bad order cars are likely to be limited since the remaining number of bad order cars amounts to only 6.3 percent of the total, as compared with 14 percent at the end of July 1939, before the more active repair program began. On the other hand, 42,000 new freight cars were on order on April 1 as compared with



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21,000 a year earlier. However, unless still further substantial new car orders are placed and the cars are built before the coming fall seasonal peak in traffic is reached, car shortages appear likely to develop.

#### Ford resumption boosts automobile output

After falling below year-earlier levels for two weeks, automobile production last week gained over 8,000 units and again rose moderately above comparable 1940 output. (Refer to Chart 1, middle section.) The recovery in production was due to resumption of work at the Ford plants after the recent strike, although full scale operations still have not been achieved. Trade sources anticipate a further gain in production this week and steady large scale production for the remainder of the spring, although these expectations may be upset by threatened labor troubles at the General Motors plants.

The formula for effecting the 20 percent cut in production of 1942 model cars has not yet been decided upon but briefs containing suggestions were to be submitted by the automobile companies by the beginning of this week. Some sources believe that the curtailment on 1942 model output will go beyond 20 percent, due to defense demands for alloy steels and steel itself. In this connection, it is pointed out that when Director Knudsen announced the cut he referred to it as an "initial 20 percent reduction."

Meanwhile automobile sales continue at an unusually fast pace. After attaining record levels in March, Ward's Reports indicate that a new high for any 10-day period was probably established in the first 10 days in April. The total for the month, however, may be held down somewhat because of the tie-up in Ford operations in the early part of the month.

#### Steel production cut by coal strike

The seriousness of the effects of the coal strike on the steel industry was emphasized by OPM officials near the end of last week, when it was stated that continuation of the strike would cut steel operation to 85 percent of capacity this week. Even if the miners go back to work at once, some further decline from recent levels is expected due to the loss in pig iron production and the time required to get blast furnaces and coke ovens into full activity. The effect on the defense program is particularly serious in view of the shortage of coke, pig iron, and steel capacity even at maximum output.

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By the end of last week it was reported that the Carnegie-Illinois Steel Corporation, the country's largest producer, had reduced pig iron production by 20 percent, and that the remaining 80 percent would be closed down by May 15 unless coal shipments were resumed. At the same time, bee-hive coke production in the week ended April 12 was down to only 7,000 tons from 137,000 tons in the week ended March 29. As a result of the coal strike, steel operations last week were scheduled at 96.0 percent of capacity as compared with 96.3 percent in the previous week. During the current week, a further decline will carry the scheduled rate of operations down to 94.3 percent of capacity. (Refer to Chart 1, lower section.)

#### New orders for steel show increase

In the face of declining production, new orders for steel continue to pour into mills in heavy volume. Latest weekly order figures of the U. S. Steel Corporation show a sharp increase to a new high at no less than 195 percent of capacity. One trade source reports that orders in the important Pittsburgh district so far this month have been running 5 to 15 percent ahead of last month.

Although some steel company executives have vigorously criticized the recent order freezing steel prices at first quarter levels, and some small companies have filed complaints with the Office of Price Administration asking for relief, the Chairman of the Board of the National Steel Corporation indicated last week that he favored the freezing of steel prices until all the facts relative to increased costs could be established. These facts, it was stated, should be available by the middle of July when operating results for the second quarter become available.

According to the Iron Age, the recent price-freezing order has brought export business in steel to an almost complete standstill. It is asserted that since most recent sales to countries other than those coming under the Lease-Lend Act have been made at prices above the domestic level, the effect of the order is to reduce export prices. The stand of the Office of Price Administration on this matter has not as yet been entirely clarified.

The movement of iron ore down the Great Lakes has got off to an unusually good start, following the opening of the Soo Canal at the earliest date in history. It is reported



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that the first shipment of Lake Superior ore to reach Warren, Ohio, was converted to strip steel for British defense orders within 10 days of leaving the mine in northern Michigan. The Coast Guard cutter Tahoma, according to the Iron Age, contributed by breaking ice for the ship carrying the ore.

#### Factory payrolls steeply higher

An increase of 3.2 percent in the index of factory payrolls is reported for March as compared with February. The following table shows how considerable has been the increase in the pay of factory workers in the year ending March as compared with other related series:

|                                                                              | <u>March 1940</u> | <u>March 1941</u> | <u>Percent<br/>increase</u> |
|------------------------------------------------------------------------------|-------------------|-------------------|-----------------------------|
| Factory payrolls<br>(BLS, 1923-25 = 100,<br>unadjusted)                      | 99.8              | 131.0             | 31.3                        |
| National income payments<br>(Commerce, annual basis,<br>millions of dollars) | 72,545            | 80,259            | 10.6                        |
| Factory employment<br>(BLS, 1923-25 = 100,<br>unadjusted)                    | 104.4             | 119.9             | 14.8                        |
| Non-agricultural employment<br>(BLS, thousands)                              | 34,852            | 37,218            | 6.8                         |

The greater relative increase in factory payrolls than in national income shows that factory workers have been securing an increasing share of the national income. Factory employment has also increased relatively more than non-agricultural employment as a whole. The fact that factory payrolls have increased more than twice as much as factory employment indicates that a part of the gain in factory payrolls has been due to increased rates of pay and increased hours worked.

#### Retail sales rising more rapidly than incomes

Data on retail sales appear to indicate that consumers have been increasing their purchases more rapidly than their incomes have increased, perhaps in anticipation of higher



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prices. Retail sales of General Motors cars and trucks during the first quarter of this year, for example, were 45 per cent higher than in the first quarter of 1940, although total salaries and wages were only 14 per cent higher and factory payrolls were 27 per cent higher.

The same tendency is shown by department store sales. (See Chart 2.) The adjusted index of department store sales in March was 9.6 percent higher than the average for 1940, as compared with a rise of 8.0 percent in national income (dotted line on chart) with which normally they are rather closely correlated.

National income payments in March advanced to an annual rate of \$80.3 billions, as compared with \$79.8 billions for February. This represents a continuation of the upward movement which began in May 1940.

#### Rural retail sales rise with farm income

Farm income in March (including Government payments) rose by about the usual seasonal amount, which contrasts with a contra-seasonal decline in that month last year. (See Chart 3.) While farm income in January and February had been at the same level as last year, rural retail sales (lower section of chart) have been running consistently higher than last year. This may indicate a tendency toward anticipatory buying, as in the case of other retail sales indexes mentioned above.

#### New orders index somewhat lower

According to press reports, leading textile mills are sold up and have for some weeks withdrawn from the market. The reduced volume of business is partly the result of inability to accept orders but partly, according to some commentators, of a lull in buying. Hence it is not surprising that the textile component of our new orders index declined to a relatively low level in the week ended April 19. (See Chart 4.) The steel component, on the contrary, registered a striking advance on the basis of U. S. Steel orders. In view of the already high level of unfilled orders and the current decline in output, prospective delivery dates must be advancing considerably.

The total excluding steel and textiles declined noticeably while the total index fell off somewhat.

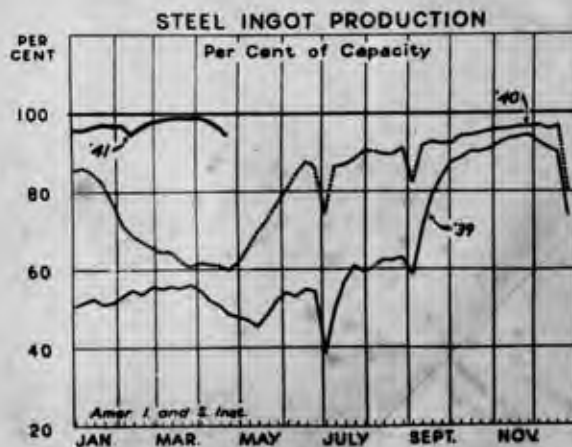
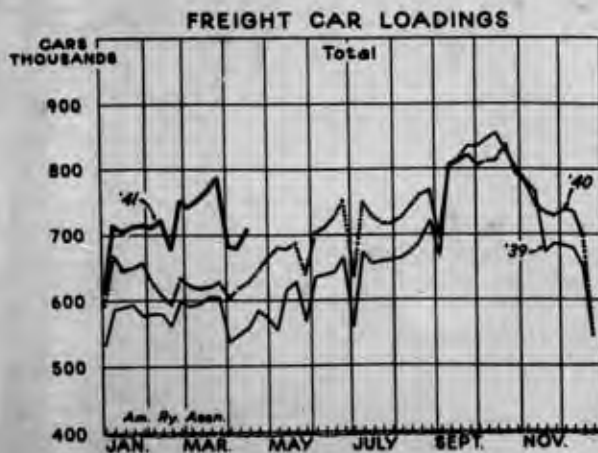
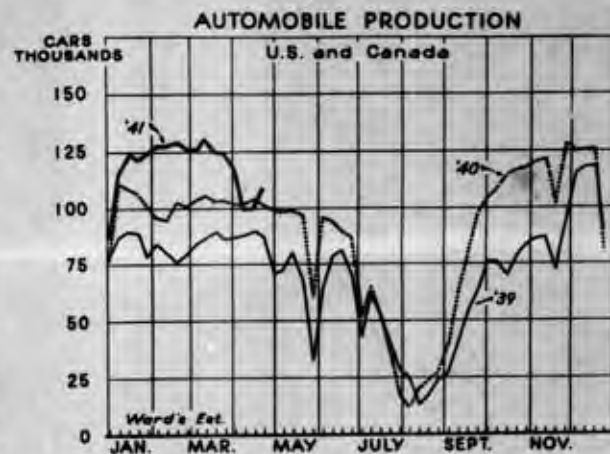
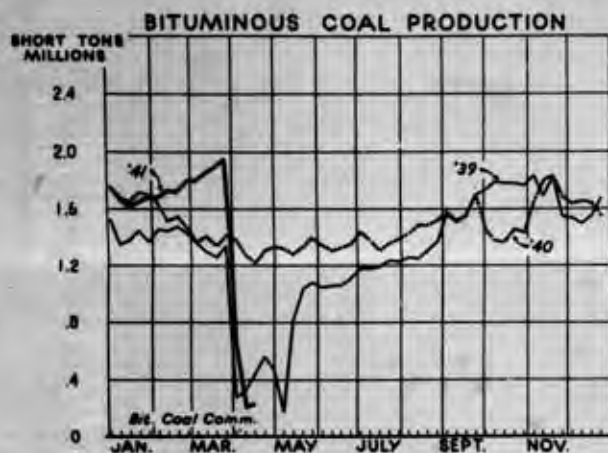
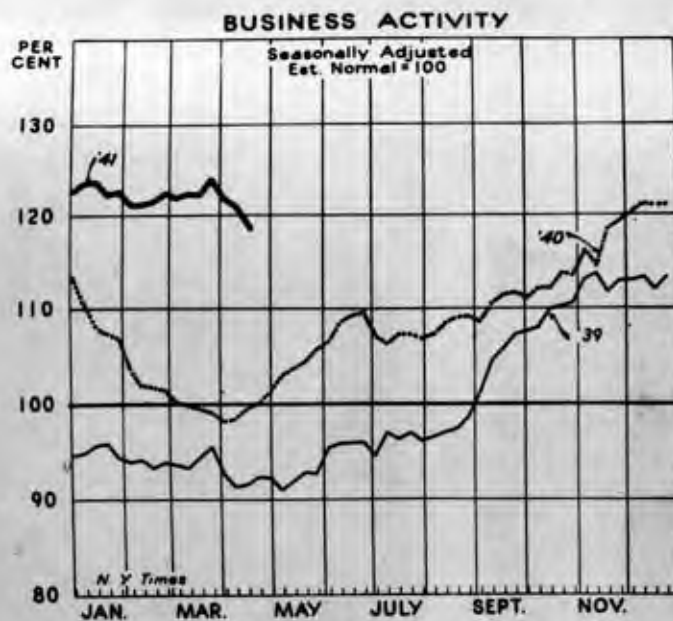
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Commodity prices hesitate

Commodity price indexes showed little change last week (see Chart 5, upper section) and fluctuations in individual commodity prices were very few. (See Chart 5, lower section.) For the week ended April 19, the BLS all-commodity index increased only 0.1 to 83.0. Security prices held remarkably steady in the face of adverse war news and publicity on new tax proposals.

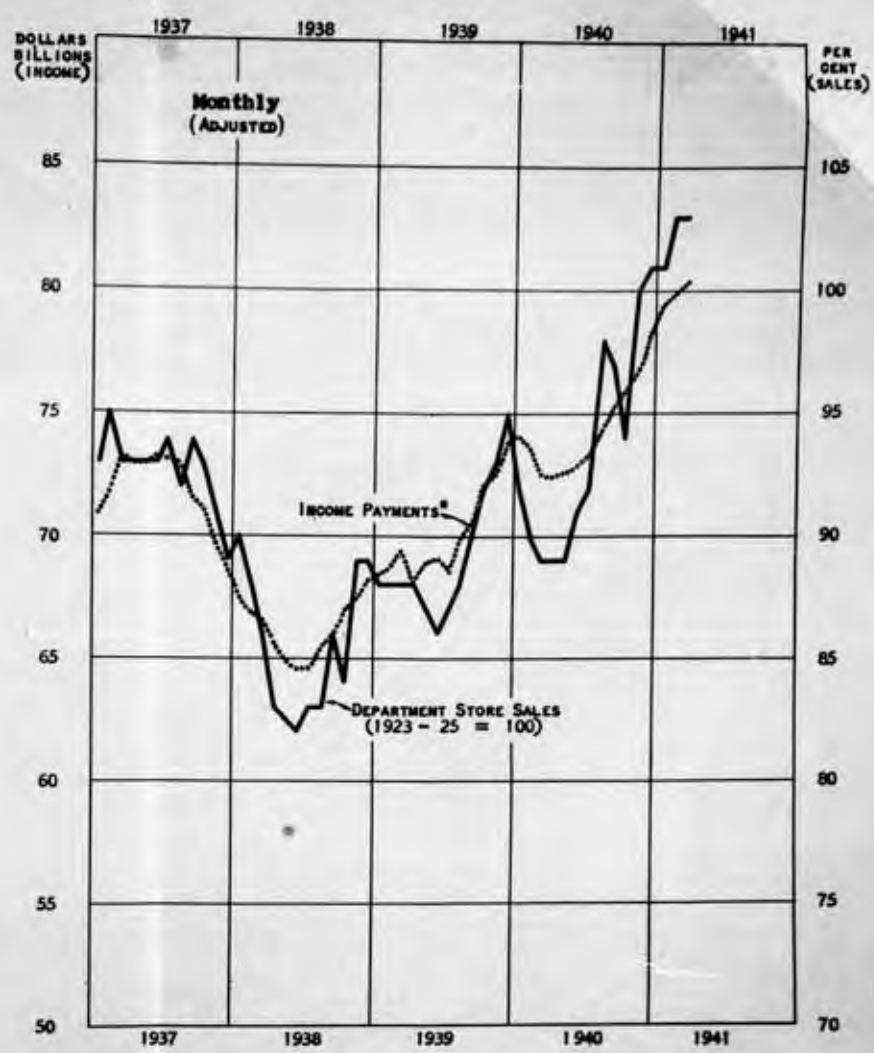
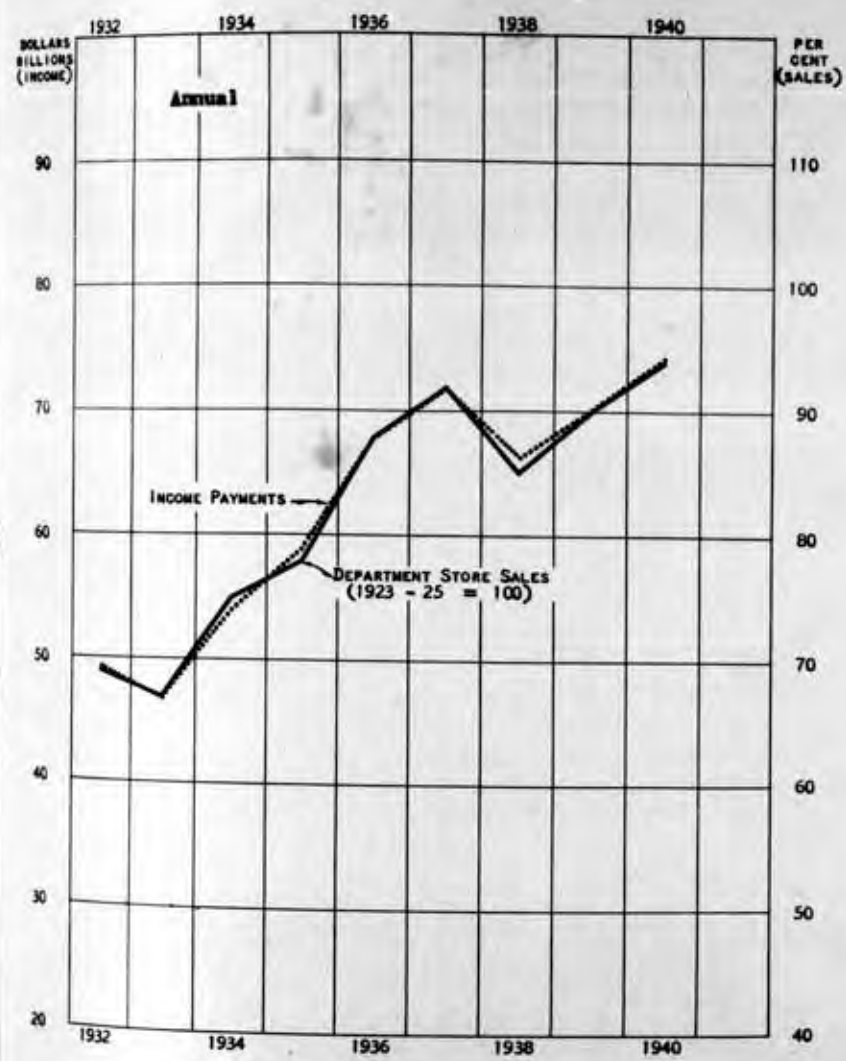


# SELECTED BUSINESS INDICES



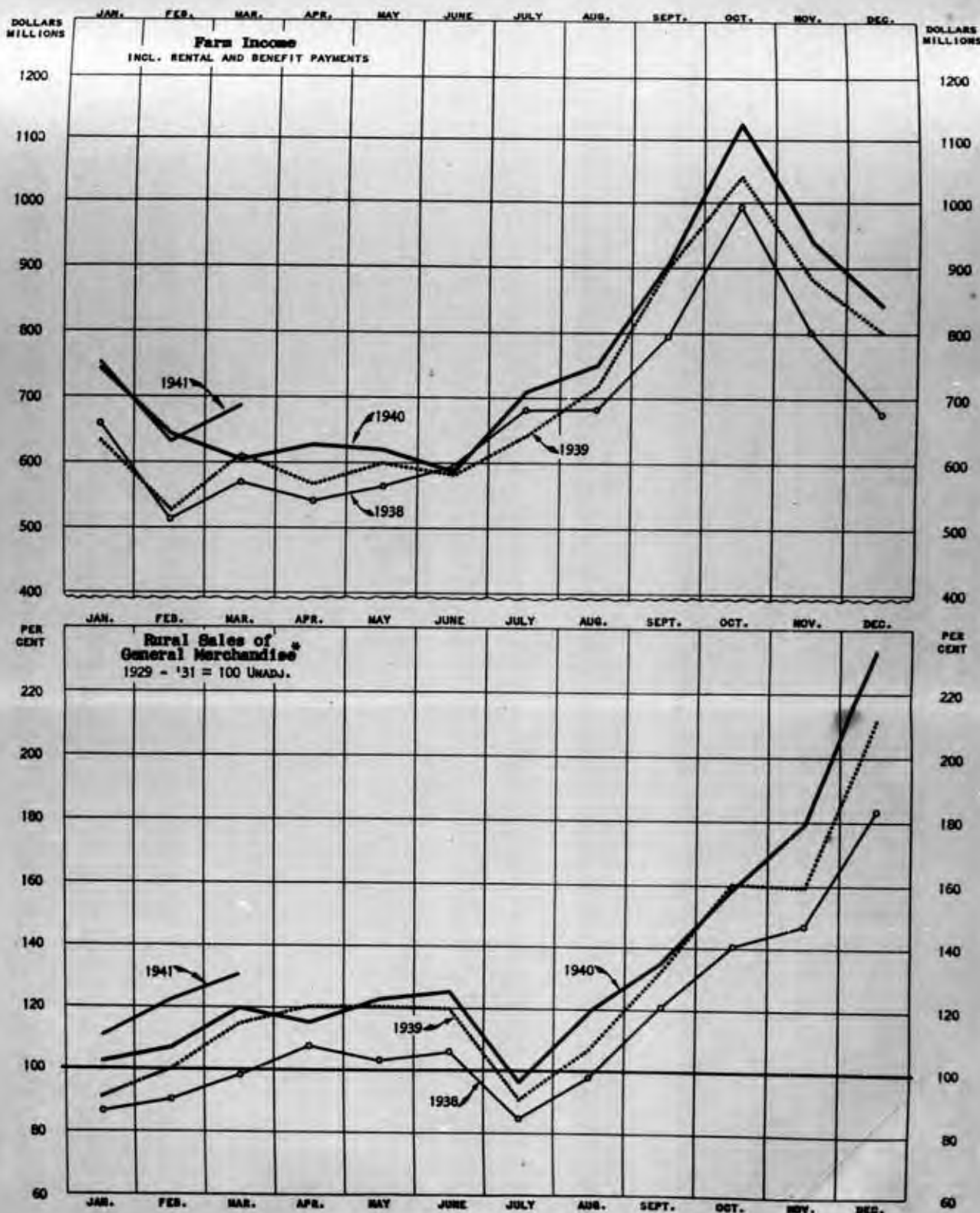


# DEPARTMENT STORE SALES AND NATIONAL INCOME PAYMENTS



\*SEASONALLY ADJUSTED MONTHLY FIGURES, MULTIPLIED BY 12

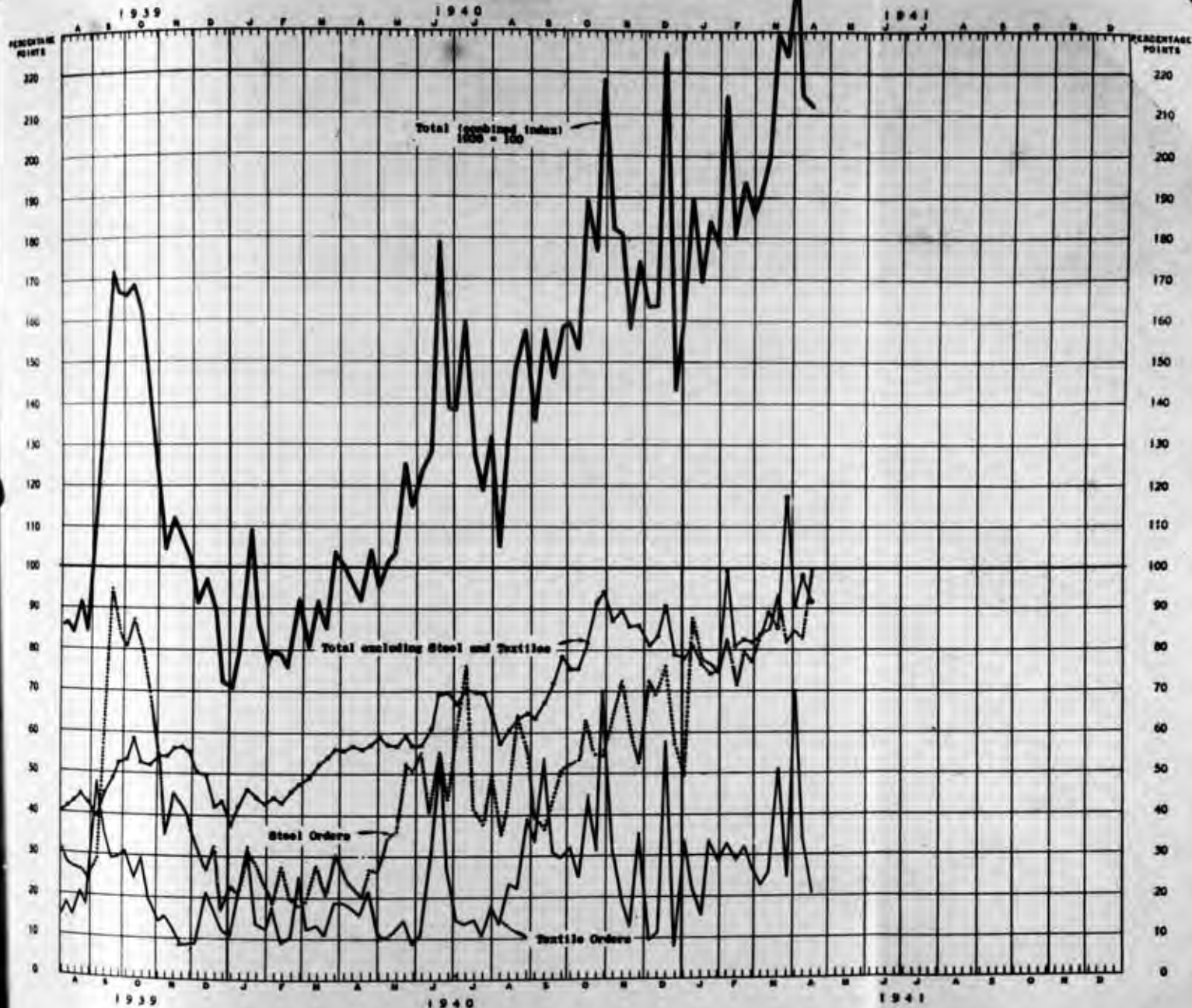
# FARM INCOME AND RURAL SALES OF GENERAL MERCHANDISE



\* DEPT. OF COMMERCE INDEX OF DOLLAR SALES OF GENERAL MERCHANDISE IN SMALL TOWNS AND RURAL AREAS



# INDEXES OF NEW ORDERS Combined Index of New Orders and Selected Components



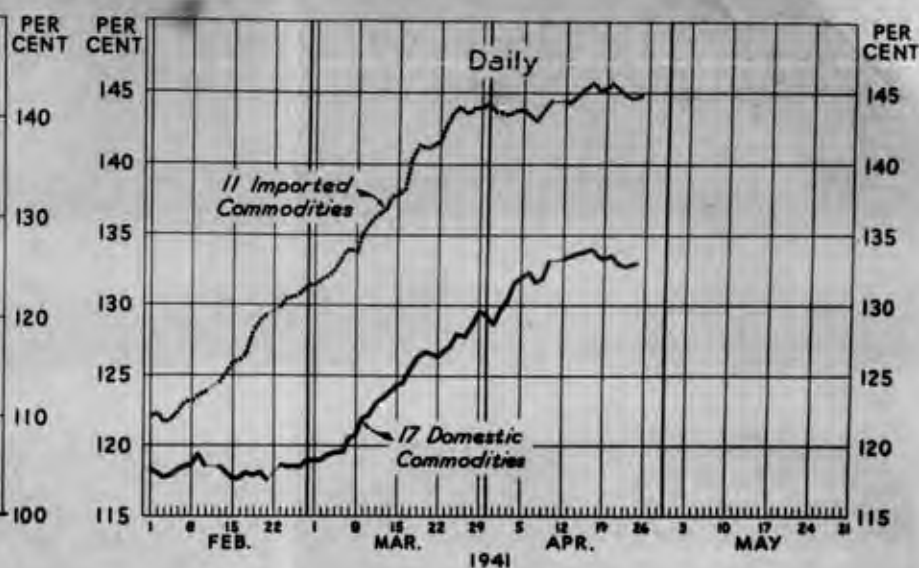
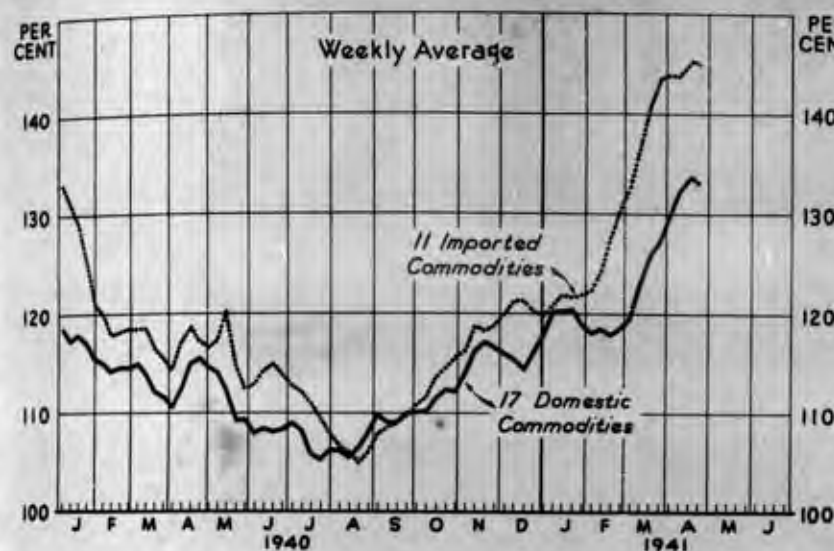
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Chart 4  
CONFIDENTIAL

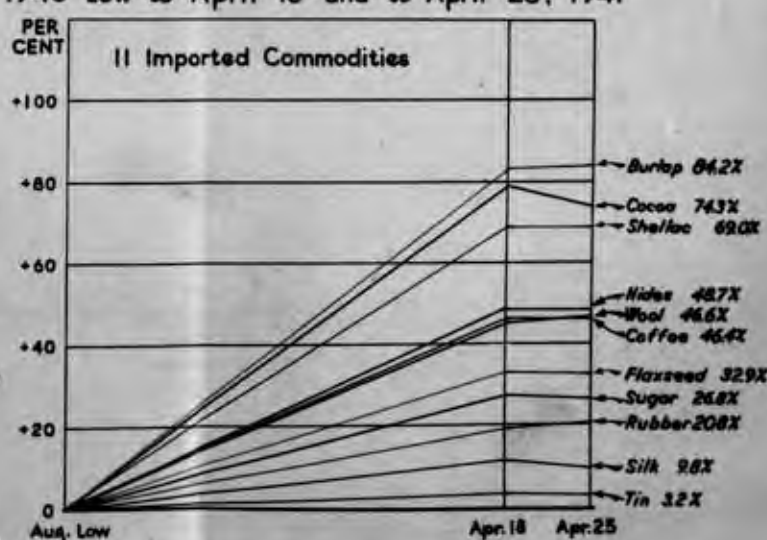
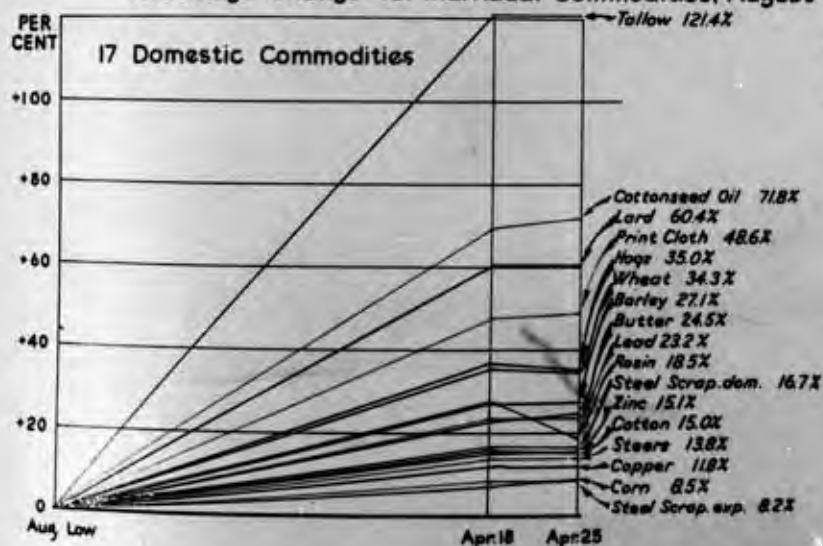


# MOVEMENT OF BASIC COMMODITY PRICES Domestic and Imported

AUGUST 1939 = 100



Percentage Change for Individual Commodities, August 1940 Low to April 18 and to April 25, 1941



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 28, 1941

TO Secretary Morgenthau

FROM Mr. Cochran

**CONFIDENTIAL**

Registered sterling transactions of the reporting banks were as follows:

|                                    |         |
|------------------------------------|---------|
| Sold to commercial concerns        | £35,000 |
| Purchased from commercial concerns | £27,000 |

Open market sterling was first quoted at 4.03. Late in the afternoon, it moved to 4.03-1/4 and closed at that level. Transactions of the reporting banks were as follows:

|                                    |         |
|------------------------------------|---------|
| Sold to commercial concerns        | £ 7,000 |
| Purchased from commercial concerns | £ 4,000 |

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

|                          |                  |
|--------------------------|------------------|
| Canadian dollar          | 11-5/8% discount |
| Swiss franc              | .2321            |
| Swedish krona            | .2384            |
| Reichsmark               | .4005            |
| Lira                     | .0505            |
| Argentine peso (free)    | .2350            |
| Brazilian milreis (free) | .0505            |
| Mexican peso             | .2066            |
| Cuban peso               | 4% discount      |

In Shanghai, the yuan was again quoted at 5-3/16, and sterling was unchanged at 3.90-1/2. According to a cable sent from Shanghai three days ago, reports were circulating in that center to the effect that the four Chungking-controlled banks which closed on April 17 would reopen today.

We sold the following amounts of gold to the banks indicated, to be added to their earmarked accounts:

|                                                            |
|------------------------------------------------------------|
| \$4,491,000 to the Central Bank of the Argentine Republic. |
| 997,000 to the Central Bank of the Uruguayan Republic.     |
| <u>\$5,488,000 Total</u>                                   |

No new gold engagements were reported.



We were informed that the Bombay gold price for April 26 was equivalent to \$34.62, or 41¢ lower than the quotation of April 19. Silver was equivalent to 44.62¢, off 5/16¢. It was reported that the decline in the metal prices was due in part to the political troubles in Bombay.

In London, the price for both spot and forward silver was again 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 34-3/4¢.

We made two purchases of silver totaling 175,000 ounces under the Silver Purchase Act, both of which consisted of new production from foreign countries, for forward delivery.

We also purchased 50,000 ounces of silver from the Bank of Canada, representing the first silver bought from that source in April under our regular monthly agreement to purchase up to 1,200,000 ounces.

*J.M.F.*

CONFIDENTIAL



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE April 28, 1941

TO Secretary Morgenthau  
FROM Mr. Haas

According to the attached tables and chart, Work Projects Administration employment declined 27,000 to 1,607,000 persons, during the week ended April 16, 1941.

Attachments

WORK PROJECTS ADMINISTRATION  
Number of Workers Employed - Weekly  
United States

| Week ending | Number of Workers<br>(In thousands) |
|-------------|-------------------------------------|
| 1940-41     |                                     |
| October 2   | 1,747                               |
| October 9   | 1,763                               |
| October 16  | 1,768                               |
| October 23  | 1,776                               |
| October 30  | 1,779                               |
| November 6  | 1,783                               |
| November 13 | 1,786                               |
| November 20 | 1,807                               |
| November 27 | 1,822                               |
| December 4  | 1,832                               |
| December 11 | 1,855                               |
| December 18 | 1,872                               |
| December 25 | 1,878                               |
| January 1   | 1,880                               |
| January 8   | 1,887                               |
| January 15  | 1,894                               |
| January 22  | 1,895                               |
| January 29  | 1,895                               |
| February 5  | 1,892                               |
| February 12 | 1,893                               |
| February 19 | 1,885                               |
| February 26 | 1,867                               |
| March 5     | 1,806                               |
| March 12    | 1,764                               |
| March 19    | 1,736                               |
| March 26    | 1,708                               |
| April 2     | 1,662                               |
| April 9     | 1,634                               |
| April 16    | 1,607                               |

Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION  
Number of Workers Employed - Monthly  
United States

|           | Number of Workers<br>(In thousands) |
|-----------|-------------------------------------|
| 1938      |                                     |
| July      | 3,053                               |
| August    | 3,171                               |
| September | 3,228                               |
| October   | 3,346                               |
| November  | 3,287                               |
| December  | 3,094                               |
| 1939      |                                     |
| January   | 2,986                               |
| February  | 3,043                               |
| March     | 2,980                               |
| April     | 2,751                               |
| May       | 2,600                               |
| June      | 2,551                               |
| July      | 2,200                               |
| August    | 1,842                               |
| September | 1,790                               |
| October   | 1,902                               |
| November  | 2,024                               |
| December  | 2,152                               |
| 1940      |                                     |
| January   | 2,266                               |
| February  | 2,324                               |
| March     | 2,288                               |
| April     | 2,092                               |
| May       | 1,926                               |
| June      | 1,665                               |
| July      | 1,701                               |
| August    | 1,691                               |
| September | 1,704                               |
| October   | 1,779                               |
| November  | 1,821                               |
| December  | 1,878                               |
| 1941      |                                     |
| January   | 1,895                               |
| February  | 1,867                               |
| March     | 1,708                               |

Source: Work Projects Administration

Monthly figures are weekly figures for the latest week of the month.

They include certified and noncertified workers.



WORK PROJECTS ADMINISTRATION  
Number of Workers Employed - Monthly  
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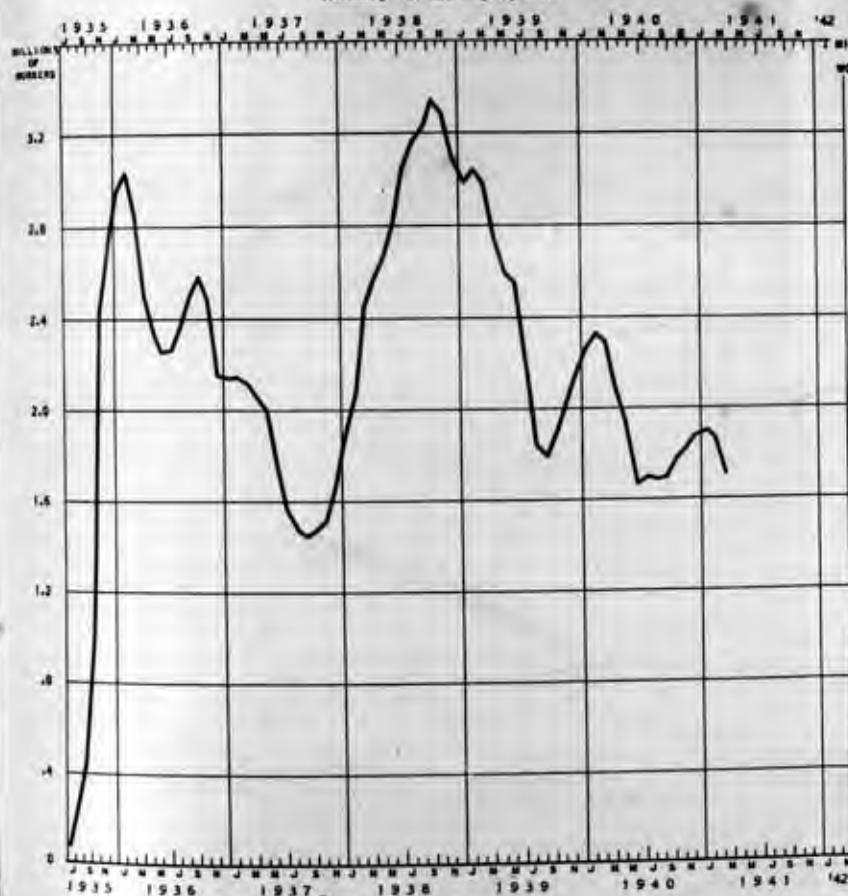
Source: Work Projects Administration

Monthly figures are weekly figures for the latest week of the month.

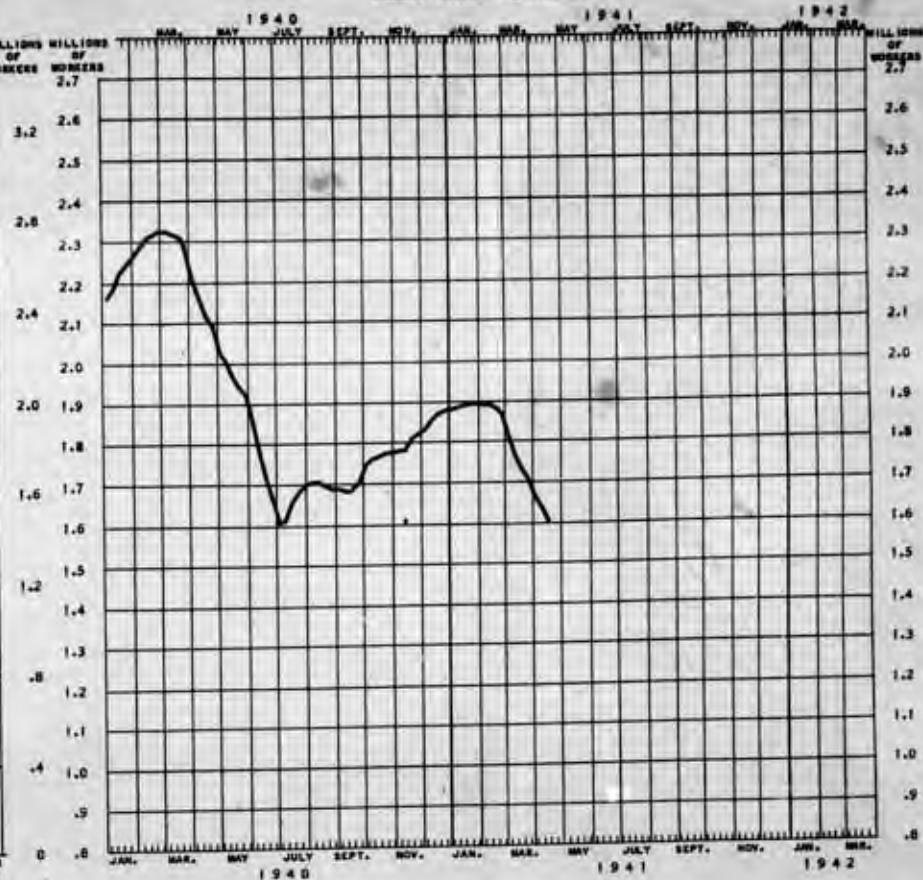
They include certified and noncertified workers.

WORK PROJECTS ADMINISTRATION  
Number of Workers Employed  
United States

Monthly W.P.A. Employment



Weekly W.P.A. Employment



SOURCE: WORK PROJECTS ADMINISTRATION