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See Financing, Government: War Savings Bonds

August 7, 1942
9:30 a.m.

GROUP

Present: Mr. Bell
Mr. Buffington
Mr. Gaston
Mr. Graves
Mr. Sullivan
Mr. Paul
Mr. Blough
Mr. Thompson
Mr. Haas
Mr. Viner
Mr. Schwarz
Mr. Gamble
Mr. White
Mr. Kuhn
Mrs. Klotz

H.M.JR: One of the things I wanted to bring the people up to date on who will be here while I am away is this: I wrote a letter to Nelson on this withholding tax. Have you got the last paragraph?

MR. SULLIVAN: Yes, sir, I have.

H.M.JR: Would you mind reading it? I mean, just tell them briefly what it is.

MR. SULLIVAN: The letter contains estimates that were made as to the amount of office equipment and business machinery that would be required by the Government to administer the withholding tax and required by industry to account for it on their own books. That estimate was made, and it came out that they would need a total of fifty-four thousand additional pieces of equipment for both Government and industry. The last paragraph reads as follows;

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"The Revenue Act of 1942, which contains the provisions for a withholding tax has already passed the House and is now in hearings before the Senate Finance Committee. Will you please advise me whether in the event that Congress enacts this plan into law you can guarantee that the above equipment will be available to industry and to the Government in time so that the plan can go into operation on January 1, 1943."

H.M.JR: Now, I just want you people to know that because we haven't heard, and Sullivan is going to be away next week. And then I think that, John, this memorandum of Cann's should be circulated amongst those people here who are interested in this withholding tax.

MR. SULLIVAN: Yes, that is the other question on the employees, you mean?

H.M.JR: No, I got one, July 28, from Cann - Norman Cann.

MR. SULLIVAN: Yes, sir.

H.M.JR: That would be circulated amongst the people. Pretty nearly everybody is interested in this. It is like joint returns last year. I mean, a number of people were interested. This year they are not. But if you would circulate that.

What I am trying to do is - and then this thing, which I haven't read and won't read before I leave, from John Sullivan - there is no date on it, that is funny. It came in yesterday. "The Bureau of Internal Revenue reports 460 complete inquiries on the effect of collection of part of the regular income tax at source" - wasn't that given to me yesterday?

MR. SULLIVAN: Yes, sir.

H.M.JR: In other words, John is available today, and I think that you ought to furnish the people with everything that you have furnished me.

MR. SULLIVAN: I have already arranged for copies of that for Roy and Randolph. Harold has a copy of that.

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H.M.JR: I don't want you to feel that just putting it on my desk means that I have got time to study this before I go, because I haven't. I want to circulate it so that everybody who is interested in this - and Paul who goes up on the Hill. So anything that you furnish me or anything that I have done this last week in connection with that - I don't think there is anything but what I have mentioned here, is there, except my letter to Nelson?

MR. SULLIVAN: That is all.

H.M.JR: And this thing--

MR. SULLIVAN: I have kept Roy up to date on all of this, but I will get copies for everybody else.

H.M.JR: You know who is interested. Pretty nearly everybody in this room is interested.

MR. SULLIVAN: Yes, sir.

H.M.JR: Now, George, this memorandum from you to me on the Department of Commerce estimate of consumer savings in the first two quarters of '42--

MR. HAAS: Yes, sir.

H.M.JR: Well now, if you haven't already done that - I mean, you are on this committee with White and Blough. They ought to get a copy of that.

MR. HAAS: That is right. I will give them a copy of the complete report, with some other material.

H.M.JR: And, Harry, this preliminary report on expenditure rationing, who has got copies of that?

MR. WHITE: Copies have been distributed, I think, to everyone who I thought might be interested. There are many other copies available. I was going to ask what you would like the next step to be. I presume

that there will be comments and suggestions which can be quickly incorporated in that draft and will probably be ready for you when you come back, if we get the comments and suggestions.

H.M.JR: That will be very nice. Well, I made you chairman of the committee as far back as March 16, so will you stimulate it a little bit?

MR. WHITE: All right, I will get whatever there is available. Then we will incorporate it in the report, and that is all we do, I gather, that is, until you take the next step.

H.M.JR: That is right, until I have gotten over my indigestion - mental indigestion.

Viner, you are in on this expenditure rationing, aren't you?

MR. VINER: Yes, I have it. I haven't read the new one yet, but I will read it carefully.

H.M.JR: And make comments?

MR. VINER: Yes.

H.M.JR: Right. Are you in on this withholding tax?

MR. VINER: I don't think so.

MR. PAUL: We have discussed the general idea.

MR. VINER: Yes, but I thought--

H.M.JR: This stuff that I am talking about that is coming in--

MR. BLOUGH: I don't think he has had access to the field study.

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H.M.JR: Will you?

Now, at least that takes the responsibility off me for a week.

Mr. Gaston?

MR. GASTON: I haven't anything this morning.

MR. SULLIVAN: The Executive Order on the Processing Tax Board of Review, which has been approved--

H.M.JR: A little louder.

MR. SULLIVAN: The Executive Order abolishing the Processing Tax Board of Review, which has been approved by Larry Bernard, caused some doubts in the minds of Randolph and Huntington Cairns.

H.M.JR: Because they are going to be in Washington.
(Laughter)

MR. SULLIVAN: No, no, I don't think so. I went through it and then I called Larry over at the Coast Guard and talked with him, and I think there is enough doubt. I know Randolph feels that this can be done in the tax bill legislatively, and I think that is the way to do it.

H.M.JR: You are not kidding me on Friday morning, are you?

MR. SULLIVAN: No, and I wasn't kidding you yesterday morning, but this has been approved by the General Counsel's office. Now, they turn thumbs down on it.

H.M.JR: Now comes what?

MR. SULLIVAN: Now they turn thumbs down on it, and say that it can't be done under the War Powers Act because that power is specifically limited to matters that promote the conduct of the war.

H.M.JR: Well, John, why did you tell me yesterday that it would be done tonight?

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MR. SULLIVAN: It had been approved.

H.M.JR: By whom?

MR. SULLIVAN: Larry Bernard, acting for Ed.

H.M.JR: And now who changed his mind?

MR. SULLIVAN: Huntington Cairns and Randolph.

H.M.JR: That is the trouble, you see.

MR. SULLIVAN: I don't think it is trouble. I am inclined to believe, Mr. Secretary, that if we had gone ahead we might have gotten into trouble.

H.M.JR: Were you relying entirely on--

MR. SULLIVAN: Entirely.

H.M.JR: Now, we have got--

MR. SULLIVAN: No, I think these fellows are right.

H.M.JR: Well, you know perfectly well you will never get it through Congress.

MR. SULLIVAN: No, I don't know that at all, sir.

H.M.JR: Want to bet on it?

MR. SULLIVAN: I will bet on it a--

H.M.JR: A package of my kind of cigarettes. I am betting a package of Spuds, and you are betting a package of Old Golds.

MR. VINER: Plungers.

H.M.JR: I say that if they put it in the tax bill, this thing of abolishing this - what do you call this?

MR. SULLIVAN: Processing Tax Board of Review.

H.M.JR: That they won't get it through this session of Congress.

MR. SULLIVAN: Now, of course, they may put it through at the end of July 1, 1943.

H.M.JR: No, no. If you are worried now about your bet--

MR. SULLIVAN: I am not worried, only I like to have these things clear.

H.M.JR: I say, if they pass it to abolish it - I don't care what the date is, I am saying they won't put it through. All right?

MR. SULLIVAN: Sure.

MR. THOMPSON: The chairman of the Board anticipated something is going to happen on it. He cut his estimate fifty percent for next year.

MR. SULLIVAN: They cut the Board from six to three.

H.M.JR: What other good news have you got?

MR. SULLIVAN: That is all, sir.

H.M.JR: If this isn't going through, there is no need of your leaving town. (Laughter)

MR. SULLIVAN: I already arranged for that. I was leaving this afternoon, and because of this I postponed it. I am not going up until eight in the morning.

H.M.JR: Because Frank Knox is having dinner tonight with Admiral King. You have got to get up a little earlier, boy.

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MR. SULLIVAN: You didn't think I was trying to catch you on something like that, did you?

H.M.JR: Are you going down there?

MR. SULLIVAN: I am going up with him, yes.

H.M.JR: Good. I am glad you are going. I am serious now. I am glad you are going.

MR. SULLIVAN: Thank you, sir.

H.M.JR: What else?

MR. SULLIVAN: That is all, sir.

H.M.JR: Randolph?

MR. PAUL: We have a joint declaration here which is supposed to put on notice all people who buy from - it is a declaration, a warning that all people - to neutral governments - that the United Nations reserve the right to declare invalid all transfers of property of any description situated in occupied territory. It has been prepared by the State Department, and Mr. White and Mr. Bernstein and I talked it over. We think we ought to approve it.

H.M.JR: Just what will it do, again?

MR. PAUL: It puts neutral governments on notice that all transfers of property in occupied territory may be declared invalid; that is, suppose somebody buys something in Holland or something like that, he may not get good title or title that is recognized.

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H.M.JR: It is a tightening up process, is it? Do I sign something?

MR. PAUL: No, we will just advise the State Department. They have prepared it.

Then we have something that might come up while you are away. It has to do with the bonds of certain Philippine corporations. There isn't enough money left in this country to continue interest payments on those bonds, and also the Associated Gas and Electric is a guarantor of the bonds of this Manila subsidiary. Unless something is done, there will be a turmoil about enforcing - there will be suits in all the courts and so forth, and so on, to enforce these obligations; for instance, against Associated Gas and Electric as guarantor. What we think we ought to do is extend the freezing to such an extent that we have practically a moratorium on Philippine indebtedness in the United States. This hasn't come up yet definitely, but I am afraid it might come up while you are away. I talked it over with Bernstein, and there doesn't seem to be any doubt of our power to do it.

H.M.JR: I think it would be, inasmuch as - did the islands come under Interior?

MR. PAUL: Interior and SEC have both agreed that it ought to be done.

H.M.JR: Well, that is all right.

MR. BELL: How about the Philippine Government bonds? Are they included?

MR. PAUL: I don't know.

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MR. BELL: They have got plenty of money. They ought to pay theirs.

MR. PAUL: I don't know. I will have to take that up with--

H.M.JR: Do you see any objection?

MR. BELL: No, not for the type of case he is stating, but I should think the Philippine Government would want to pay the interest on their own bonds.

MR. PAUL: We expected to get in touch with Quezon, but I just wanted to get a clearance on it in case it came up while you were away.

H.M.JR: Supposing I leave it with you and Bell.

MR. BELL: The Philippines have got a hundred and fifty millions in the Treasury that they could use to pay the interest on their bonds.

H.M.JR: I will leave it with the two of you.

While I think of it, Herbert, in your capacity as coordinator of certain Treasury agencies, I would like to see you at eleven-fifteen, John L. Sullivan of New Hampshire at eleven-fifteen, Mr. Elmer Irey and Sullivan at eleven-fifteen. Can you arrange it?

MR. GASTON: Yes, I will. If I might, one thing that I should have mentioned before, you know of this system whereby the manufacture of opium derivatives from the raw opium has been limited to four companies. Only four companies have been allowed to import. Well, now, a very respectable manufacturing house, Penick Company, has taken a Navy contract for codeine, and are attempting to use this as an instrument for chiseling in on the manufacture from opium. They have rather gotten us into a corner because the legal control is only over the import of opium. They have a manufacturing

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permit and they have served formal notice - made a formal request to the three principal importing houses for crude opium with which to supply this codeine. The three houses consulted Harry, and he advised them not to supply the raw opium since these people didn't have licenses to manufacture it. But, as a matter of fact, they do have licenses to manufacture it. Cairns tells me that we will have to correct that information, and it looks as if we would have to do one of two things: Either let this Penick firm chisel in and have the opium to manufacture the codeine, or get an executive order under which we would control it and withhold the opium from them.

H.M.JR: Are you sure that codeine has opium in it?

MR. GASTON: Oh, yes, codeine is an opium derivative. They have a priority order from WPB or from the Navy which covers codeine or any materials necessary to the manufacture. Well, of course, they could buy plenty of codeine from Merck and Company, from Mallinckrodt or from New York Quinine, but that is not what they are after.

H.M.JR: If they are respectable why shouldn't they?

MR. GASTON: Well, it just raises again this old policy under which the attempt was always to limit the manufacture to a very few houses, principally to three houses. That has been up over and over again, and Oliphant reviewed it and finally reluctantly came to the conclusion that it was all right. But here they have - these people now have us in the legal position, apparently, where they can force us to let them have the opium. Anybody else who got into a similar position who had made a low bid on a contract and got a Navy priority could probably use that in the same way.

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Now, it would probably increase the difficulties of enforcement to a certain extent, but I have always been a little bit uneasy about this policy under which we limited the manufacture to those four houses.

Harry has always thought that that was a very great advantage and convenience in enforcement.

H.M.JR: Well, look, talk it over with Paul and the two of you decide it.

MR. GASTON: Well, I wanted - Harry is coming back tomorrow. He was away today. All right, I will get Paul and Huntington in.

H.M.JR: Were you through?

MR. PAUL: Yes, I wanted to see you just a minute about something very confidential.

H.M.JR: All right.

Who is behind you? Oh, little Gamble. He is so small at that distance. What have you got, Ted?

MR. GAMBLE: I have nothing - just one thing, the motion picture people would like you to see Charles Laughton and Greer Garson, Edward Arnold, Abbott and Costello, and possibly one or two other people the week of August 31, just as a sort of promotion stunt, incidental to their September drive.

MRS. KLOTZ: She is marvelous.

MR. GAMBLE: Does that sound as though it would be--

H.M.JR: What date?

MR. GAMBLE: August 31.

H.M.JR: That is Monday?

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MR. GAMBLE: Yes. Their drive starts on September first. They would like to have this come, some of the War Activities Committee - sort of a kick-off.

H.M.JR: She was in "Mrs. Miniver," wasn't she?

MRS. KLOTZ: Yes.

MR. GAMBLE: The industry is sending all of these, representing the Hollywood Victory Committee.

H.M.JR: What are they going to do after that?

MR. GAMBLE: Starting on September first they are going to visit three hundred cities and all the members of this Hollywood Victory Committee, eighty or ninety stars, agreed to give up their time in the month of September in the interest of the war bond program.

H.M.JR: I think it is too bad Ferdie can't get in on it any more. (Laughter)

MR. KUHN: I didn't know I wasn't in on it. (Laughter)

MR. BELL: One of the changes while you were on leave.

H.M.JR: What I would like to know is who meets them at the station in the morning?

MR. GAMBLE: That is Mr. Graves' department. (Laughter)

That is all I have, sir.

H.M.JR: Well, if Mr. Kuhn approves - Mrs. Klotz approves.

MR. PAUL: That might be taken for granted.

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H.M.JR: Let me know who meets them at the station. I am just curious.

What else?

MR. GAMBLE: That is all I have this morning.

H.M.JR: Who is coming?

MR. GAMBLE: Charles Laughton, Edward Arnold, Greer Garson, Abbott and Costello, and one or two other persons. The only reason for ascertaining now if you will see them is if they know that you are going to meet them, it will be a very impressive party.

H.M.JR: All right. That is your favorite, isn't it - Abbott and Costello?

MR. GASTON: I don't know, I have never seen them.

MR. SULLIVAN: When are we going to get the Marx Brothers into this? (Laughter)

H.M.JR: All right.

MR. KUHN: I would like you to see a draft of that statement to the bankers this morning. It is in the typewriter now. I haven't shown the new draft to anyone. Perhaps I had better do that before I bring it in to you.

MR. PAUL: I would like to see one point I discussed with Peter Odegard.

H.M.JR: I can see you at eleven-thirty.

MR. KUHN: Eleven-thirty, yes sir. You want clippings sent to you up in the Adirondacks?

MRS. KLOTZ: No.

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H.M.JR: I get the Times and Tribune up there.

MR. KUHN: You do?

H.M.JR: Yes. I think that is enough. Right?

MRS. KLOTZ: Yes.

H.M.JR: That is enough.

MR. KUHN: That is all.

H.M.JR: Blough?

MR. BLOUGH: Nothing today.

H.M.JR: Viner?

MR. VINER: No.

H.M.JR: Haas?

MR. HAAS: I have nothing.

H.M.JR: Schwarz?

MR. SCHWARZ: No.

H.M.JR: If somebody doesn't hear Schwarz' song pretty soon - has anybody heard it?

MR. SULLIVAN: It is good.

MR. SCHWARZ: I just didn't want you to say you didn't have a chance at it.

H.M.JR: Do you sing it or play it? (Laughter)

MR. WHITE: Can you sing it now? (Laughter)

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H.M.JR: I mean, how does one hear it? I can't play the piano.

MR. SCHWARZ: I will get a record.

H.M.JR: Have you got a record?

MR. SCHWARZ: I will get one.

H.M.JR: There is a song in New York--

MR. WHITE: Can you dance, too? (Laughter)

MR. SCHWARZ: Sure, can you? I will get a record, Mr. Secretary. Kate Smith is going to sing it.

H.M.JR: Harry is going to die. (Laughter)

What else?

MR. SCHWARZ: That is all.

H.M.JR: I know if somebody doesn't relieve him of that song--

MR. SCHWARZ: I got relieved last night.

H.M.JR: Did you? To whom?

MR. SCHWARZ: The Navy band.

H.M.JR: Any other news?

MR. SCHWARZ: Thanks, no.

H.M.JR: I hope it is better than Howard Dietz's, anyway.

MR. SCHWARZ: It is. (Laughter)

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MR. WHITE: The first step in success is to have confidence.

MR. SCHWARZ: I waited a long time and I got it.

H.M.JR: White, have you got a song?

MR. WHITE: If I had I would have sung it before.
(Laughter)

You asked for this this morning.

H.M.JR: I thought the song - we might have it in black and white, you see?

MR. WHITE: I see.

MR. SCHWARZ: Technicolor.

H.M.JR: Did you get it, Schwarz? I said we would like it in black and white.

MR. WHITE: He is giving me the lyrics, now.
(Laughter)

You might be mildly interested in the fact that the directors of the China Defense Supplies, Incorporated have been changed, and Dave Corcoran and Larry Morris have been dropped, or resigned, I don't know which. They are not on the Board of Directors now. There is another group.

H.M.JR: Who goes on in place of them?

MR. WHITE: A William S. Youngman is president and director; Donald Harding is assistant treasurer; Gullander, assistant treasurer; Whiting Willauer is secretary; and Sze is a director, and Ho is another director.

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H.M.JR: Any significance?

MR. WHITE: I don't know.

H.M.JR: Sammy Klaus isn't busy. He can find out for you. Have you seen Sammy, incidentally, Randolph?

MR. PAUL: Yes.

H.M.JR: Did you satisfy him?

MR. PAUL: In fact, we are sending him up to New York on a project this week.

H.M.JR: Good. Anything else?

MR. WHITE: There is a brief matter. It may be that there may be a directive given by the Foreign Funds to force the Swedish Government to sell a certain amount of silver.

(Lt. Comdr. Stephens entered the conference.)

H.M.JR: Well now, you will have to talk with me about lunch. Cabinet is at noon today.

MR. WHITE: The thing has been cooking for several months and the Swedish Government is raising objections. The State Department has approved it, but there are objections, and so on. It is coming to a head. It may possibly be that we ought to sell unless they do it voluntarily. It has been in the vault for over a year.

H.M.JR: What else?

MR. WHITE: That is all.

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H.M.JR: Harold, I will see you a little later. I have got - as a matter of fact, if you don't mind waiting, then, I would like to see you right after Paul gets through.

Mr. Bell?

MR. BELL: That committee that was suggested yesterday at the State Department, is there anything to be done on that, or just let it go until we hear--

H.M.JR: Well, the Under Secretary of War was to have let me know yesterday, and he didn't. I would just as leave sit back and wait until we do hear from him.

MR. BELL: I picked up the colonel last night on the way home that first brought the message over, and he asked if anything had happened on the thing. I told him the first thing was yesterday, and he said they were quite worried down the line to think nothing was being done about it because they considered the cable rather urgent when they got it - he and General Carter.

H.M.JR: You might tell Hall what the decision was.

MR. BELL: Who?

H.M.JR: Hall, in the Bureau of Engraving.

MR. BELL: I did. I told him there would be nothing doing, he could forget it.

H.M.JR: No, no, but the way I decided we would do it, you see.

MR. BELL: That is all right. That can be done very quickly.

H.M.JR: They can get them ready?

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MR. BELL: It will have to be a separate operation. Now they put the numbers and the seals on together. They can do two operations.

H.M.JR: They could?

MR. BELL: Yes.

H.M.JR: And can be ready?

MR. BELL: We can have some within twenty-four hours.

H.M.JR: What else?

MR. BELL: We have been discussing, you know, the new type of nickel to save metal, and we have had a lot of difficulty with the people who run slot machines, particularly those that are run by electric contact. We haven't been able to get anything out of them, and it may be that we will have to move pretty fast because the coins are getting short. I assume it is all right for us to go ahead.

H.M.JR: Yes.

MR. BELL: Is there anything on the proposed press release that I gave you, the rate on discount of American currency in foreign countries?

H.M.JR: I wouldn't do that now.

MR. BELL: Do you want that to go over?

H.M.JR: Yes, definitely. I just haven't gotten to it. I do want - please make a note of this: Give me at quarter of twelve, in my hands, something on this financing, both on the tap issue and the other, to take over to the White House.

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MR. BELL: All right. You gave me some time ago this question of the JDC communicating with--

H.M.JR: Shanghai.

MR. BELL: Shanghai. They came in and we went over the problem with them rather carefully, and then they went to see Welles. I think they are pretty well satisfied with what we are up against in establishing a precedent, and it appeared that they had a job to do in coming down and presenting it. Their board of directors has given them a task, and they were satisfied with the hearing.

Now, Welles was having the report studied that came from abroad some time ago, to see whether or not this could be handled through the International Red Cross. I called him day before yesterday, and he said he hadn't yet determined the question and he would let me know. So it is still hanging fire a little, but I think the people are pretty well satisfied.

H.M.JR: Well, I wish you would call Welles again Monday. Would you? Call him twice a week until you get something on it.

MR. BELL: All right. On the Byrd report, that was my fault. You remember we were going to take it up one morning, and then this memorandum from the President came in and the financing, so I just laid it aside. The report has been published. It has gotten very good publicity. I talked to the Budget about it, and they said they had had no opportunity to comment on it any more than we did.

There is a paragraph in it which he tried, I think, to be fair. He says, "The Committee does not claim sole credit for these reductions. Some of the agencies themselves have cooperated in bringing them about. The Budget Bureau has worked

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diligently in reducing non-essential expenditures and in paring down budget recommendations. Many members of Congress as individuals and as members of the Committee have made invaluable contributions, and of course Congress has been the final authority." That is in place of what he had in it, handing a compliment to McKellar.

H.M.JR: This is the formal report?

MR. BELL: This is the formal report. He has now sent you copies of the final report as printed.

H.M.JR: All right.

MR. BELL: That is all I have.

H.M.JR: It is really Wayne Coy's job over there, if they are going to answer it.

MR. BELL: Yes, it was, but they felt that in view of this and the fact that Byrd brought it out right after the Tydings report, which blasted the Budget Bureau, that he really did the President and the Budget Bureau a favor because it took some of the curse off of the Tydings report.

That is all.

MR. THOMPSON: I wonder if you want to fix a time for Mr. Paul's swearing in. The President has signed it.

H.M.JR: He has?

MR. THOMPSON: Yes.

H.M.JR: Well, I think, if this is agreeable to Mr. Paul - Cabinet is at twelve and the President

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said it would last thirty minutes, so why don't we, if it is agreeable to you - how about quarter of one?

MR. PAUL: May as well have the ordeal over.

H.M.JR: Quarter of one?

MR. PAUL: Yes.

MR. SCHWARZ: Are you going to have pictures, Mr. Secretary?

H.M.JR: Sure. That is all right with you?

MR. PAUL: Sure.

H.M.JR: All right, it will be quarter of one in that room in there.

MR. VINER: Any charge for admission? (Laughter)

H.M.JR: Yes.

MR. PAUL: For relief - it is for relief.

H.M.JR: It will cost you a dollar War Savings Stamp. (Laughter)

I sat next at dinner last night to Mrs. Jesse Jones, who makes these bouquets of War Savings Stamps, and for one hour she told me about it. I kept trying to interrupt her all the time and tell her that I had a little to do with War Savings Stamps, but she wasn't interested and for one hour she kept telling me how she and two Texas girls discovered these things and made these bouquets, and everything else. I just couldn't get a word in anywhere, but it did help pass the time to listen to her talk about her War Savings Stamps; she makes these all the time herself and was very much interested in it.

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Now, this thing, Randolph, is a very rare privilege which I am bestowing on you. I will read it to you. A delegate assigned to any other officer in the Department shall be "subject to the general supervision of Randolph E. Paul as Acting Secretary of the Treasury."

This gives you the unique privilege of being able to stay here on Saturdays and act as Acting Secretary.

MR. PAUL: It confirms the privilege I have already had for several months.

H.M.JR: I just wanted you to know that this enables you to be here on Saturday as Acting Secretary.

Who wanted to see me, Paul?

MR. PAUL: Just a second.

H.M.JR: And then Graves.

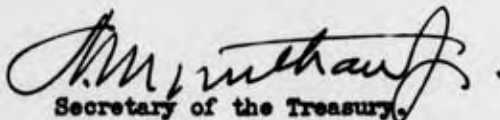


THE SECRETARY OF THE TREASURY
WASHINGTON

August 7, 1942.

TREASURY DEPARTMENT ORDER NO. 46:

By virtue of and pursuant to the authority vested in me, I hereby direct that all authority, duties and functions relating to foreign funds control which heretofore have been delegated or assigned to any other officer or office of the Department shall continue to be exercised and performed by such officer or office subject to the general supervision of Randolph E. Paul as Acting Secretary of the Treasury.


Secretary of the Treasury.

File in Diary

New Hartford, Conn.
June 29, 1896
Supreme Court of the United States
Washington, D. C.

Dear Henry -

Let me congratulate
you on Paul's appoint-
ment. He will take
burden off your shoulders
instead of putting them on
my back. Sincerely,
E. J.

August 7, 1942.

Dear Felix:

It was very good of you to send me a note of congratulation upon Randolph Paul's appointment. I am glad to know that you approve of it, and I shall take pleasure in letting him know of your letter.

With kind regards,

Sincerely,

(Signed) Henry

Justice Felix Frankfurter,

New Milford, Connecticut.

File in Diary

Conference in Secretary Morgenthau's Office
Friday, August 7, 1942
11:05 A.M.

Present: Secretary Morgenthau
Mr. K. C. Mahindra, Indian Supply Mission
H. D. White

The interview was apparently arranged at the request of Mr. Mahindra who is, Mr. White gathered, in charge of purchasing supplies here for India.

Mr. Mahindra stated that he had been here less than a month. The Secretary asked whether Mr. Mahindra would mind if he would ask him some questions about India, purely to help him understand what is going on. The Secretary said he knew very little about India and that Mr. Mahindra need not answer the questions if he felt the slightest hesitation to do so. Mr. Mahindra replied that he was not a diplomat, he was a businessman and therefore could speak freely and unofficially.

The Secretary asked Mr. Mahindra whether Gandhi had not made action impossible on the part of the British Government by saying that if India were granted independence Gandhi would try to make peace with Japan. Mr. Mahindra said he was not a follower either of Nehru or Gandhi and if he had been, he would not have been selected to come to Washington. Mahindra said he did not agree with their views but he was a businessman and had always kept away from politics. He said Gandhi's creed was that non-violence was the only successful way to meet violence. He felt Gandhi was completely out of touch with current events, leading a rather isolate existence, reading and communicating little with current events on the outside. He said, however, he did not think that Nehru would make peace with Japan. Mahindra said he did not know what the situation was now, but when he had left India a month ago he did not regard Nehru's position or that of most Indians as being in favor of peace with Japan. With the exception of one Indian leader, who had a small though very vocal following, who had fled to Germany, that the Indians were opposed to peace with Japan. The Indian people have no confidence in Great Britain's promises which were similar to promises made to them by British representatives in the last war. Gandhi was even known as the recruiting sergeant in his eagerness to cooperate with the British after those promises were made. But the years 1918, 1920 and 1921 was a period of severest oppressive measures against the Indians and they have not forgotten that.

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He said the Indians do not feel that the British can offer them adequate protection. An attack by Japan would merely be a continuation of the Burma, Singapore episodes. He was of the opinion that, had the Japanese gone into India immediately after Burma during May, they could have walked right through India without significant opposition. He thought there were less than 100 planes in India at that time. The Secretary asked how he would explain Japan's failure to take advantage of the situation. He replied that he did not know.

He explained, in response to a question by the Secretary, that the Indians last Spring were afraid of invasion and many people were converting currency into gold. When the situation later eased, some of the gold which had been bought was sold.

The Secretary asked Mahindra what sort of goods the Indians were buying and Mahindra said everything they could possibly get. The Secretary asked him how it was being paid for and he said that formerly they had ample credits in England which they were using, but more recently the goods coming to them were coming under Lend-Lease.

In closing Mr. Mahindra said he hoped recent current developments in India had not created any change in policy with respect to shipment of goods. The Secretary replied he was not informed of any change.



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

August 7, 1942

AUGUST FINANCING

On August three the Treasury reopened the 2-1/2% registered bond of 1962-67 which was originally offered on May 5, 1942. Up to the close of business last night we had received subscriptions totaling \$862 million, compared with \$882 million received for the offering in May during the two weeks that the books were open. It is contemplated leaving the books open several days longer, and there is a possibility that we will get at least a billion dollars.

On August sixth the Treasury offered \$1-1/2 billion of certificates of indebtedness bearing interest at the rate of 7/8% per annum with a maturity of August 1, 1943. Subscriptions up to the close of business last night totaled \$877 million. The books on this offering will close tonight and indications are that it will be well over-subscribed. One bank in New York subscribed to \$150 million, another to \$130 million, and another to \$100 million. Reports from the country indicate that corporations are also much interested in this certificate for the investment of their short-term funds.

FOR DEFENSE



swb

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE August 7, 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Recent Changes in Prices and Yields of Government Securities

During the week ended last night, prices of practically all Government securities lost ground. Declines were heaviest on Monday and Tuesday, following the announcement of the offering of an additional amount of the 2-1/2's of 1962-67. Beginning Monday, outstanding bonds of this issue have been quoted at 100 bid, with no asked quotations available. Among other taxable issues, representative declines during the week were 2/32 for the 1-1/2 percent notes of December 1946 and 3/32 for the 2-1/2 percent bonds of 1967-72. The taxable 2's of December 1949-51 (offered in July) were unchanged at 100-4/32.

The offering yesterday of \$1.5 billions of 7/8 percent certificates of indebtedness due August 1, 1943, was accompanied by a slight decline in the prices of the two outstanding issues, but their closing prices last night still reflected some improvement from a week ago. The average rate on the weekly offering of bills was 0.372 percent, up fractionally from the previous week.

With the exception of the 2-1/2's of 1967-72, prices of all taxable bonds and notes outstanding on March 19 are now below their levels of that date. Prices of short- and medium-term tax-exempt securities have also declined, while longer-term partially tax-exempt bonds represent the only sector of the market in an improved position relative to the March 19 benchmark.

Purchases by the Federal Open Market Account during the week were unusually heavy, amounting to \$281 millions, and consisted of \$165 millions of bills, \$84 millions of certificates, and \$32 millions of taxable notes and bonds. Sales totaled \$27 millions of tax-exempt issues and bill maturities aggregated \$29 millions, so that the net increase in the portfolio was \$225 millions.

Table I 32
Price and Yield Changes of United States Securities
July 30, 1942 to August 6, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	July 30, 1942	Aug. 6, 1942	Change	July 30, 1942	Aug. 6, 1942	Change
(Decimals are thirty-seconds) 1/			(Percent)			
TAXABLE SECURITIES						
Bills						
Average rate last issue	-	-	-	.37	.37	.00
Certificates						
1 1/2% 11/1/42	100.024	100.028	+.004	.41	.38	-.03
5/8 2/1/43	100.015	100.016	+.001	.59	.59	.00
Taxable Notes						
3/4% 3/15/43	100.04	100.03	-.01	.55	.59	+.04
3/4 9/15/44	99.21	99.19	-.02	.91	.95	+.04
3/4 12/15/45	99.06	99.05	-.01	1.00	1.01	+.01
1 3/15/46	99.09	99.07	-.02	1.20	1.22	+.02
1-1/2 12/15/46	100.04	100.02	-.02	1.47	1.49	+.02
Taxable Bonds						
2% 3/15/48-50	101.02	101.00	-.02	1.80	1.81	+.01
2 6/15/49-51	100.09	100.07	-.02	1.96	1.97	+.01
2 9/15/49-51	100.06	100.05	-.01	1.97	1.98	+.01
2 12/15/49-51	100.04	100.04	.00	1.98	1.98	.00
2 12/15/51-55	100.01	100.01	.00	2.00	2.00	.00
2-1/2 3/15/52-54	103.26	103.21	-.05	2.06	2.08	+.02
2-1/4 6/15/52-55	101.04	101.02	-.02	2.12	2.13	+.01
2-1/2 3/15/56-58	103.03	102.31	-.04	2.24	2.25	+.01
2-1/2 6/15/62-67	100.08	100.00bid	-.08	2.48	2.50	+.02
2-1/2 9/15/67-72	101.02	100.31	-.03	2.44	2.45	+.01
TAX-EXEMPT SECURITIES						
Fully Tax-exempt Notes						
2% 9/15/42	100.08	100.07	-.01	.00	0/32*	0/32*
1-3/4 12/15/42	100.18	100.16	-.02	.25	.34	+.09
1-1/8 6/15/43	100.20	100.18	-.02	.41	.47	+.06
1 9/15/43	100.21	100.19	-.02	.41	.46	+.05
1-1/8 12/15/43	100.29	100.27	-.02	.46	.50	+.04
1 3/15/44	100.26	100.24	-.02	.50	.53	+.03
3/4 6/15/44	100.14	100.13	-.01	.52	.53	+.01
1 9/15/44	101.01	101.00	-.01	.51	.52	+.01
3/4 3/15/45	100.16	100.15	-.01	.56	.57	+.01
Partially Tax-exempt Bonds						
3-3/8% 6/15/43-47	102.14	102.08	-.06	.58	.73	+.15
3-1/4 10/15/43-45	102.31	102.25	-.06	.78	.89	+.11
3-1/4 4/15/44-46	104.03	103.27	-.08	.83	.95	+.12
4 12/15/44-54	107.04	106.30	-.06	.96	1.01	+.05
2-3/4 9/15/45-57	105.12	105.08	-.04	1.00	1.03	+.03
2-1/2 12/15/45	105.01	104.30	-.03	.98	1.00	+.02
3-3/4 3/15/46-56	109.00	108.28	-.04	1.20	1.23	+.03
3 6/15/46-48	106.30	106.28	-.02	1.16	1.17	+.01
3-1/8 6/15/46-49	107.12	107.10	-.02	1.17	1.18	+.01
4-1/4 10/15/47-52	115.00	114.26	-.06	1.26	1.29	+.03
2 12/15/47	104.13	104.11	-.02	1.15	1.16	+.01
2-3/4 3/15/48-51	107.14	107.09	-.05	1.37	1.40	+.03
2-1/2 9/15/48	106.26	106.23	-.03	1.34	1.35	+.01
2 12/15/48-50	104.13	104.09	-.04	1.28	1.30	+.02
3-1/8 12/15/49-52	110.16	110.16	.00	1.61	1.61	.00
2-1/2 12/15/49-53	106.15	106.11	-.04	1.57	1.58	+.01
2-1/2 9/15/50-52	106.26	106.21	-.05	1.60	1.62	+.02
2-3/4 6/15/51-54	108.20	108.14	-.06	1.70	1.72	+.02
3 9/15/51-55	110.18	110.15	-.03	1.74	1.75	+.01
2-1/4 12/15/51-53	105.03	105.00	-.03	1.66	1.67	+.01
2 6/15/53-55	103.15	103.10	-.05	1.65	1.67	+.02
2-1/4 6/15/54-56	105.13	105.07	-.06	1.74	1.76	+.02
2-7/8 3/15/55-60	110.11	110.03	-.08	1.95	1.97	+.02
2-3/4 9/15/56-59	109.18	109.12	-.06	1.97	1.98	+.01
2-3/4 6/15/58-63	109.26	109.18	-.08	2.02	2.04	+.02
2-3/4 12/15/60-65	110.11	110.03	-.08	2.07	2.09	+.02

Treasury Department, Division of Research and Statistics.

1/ Decimals in prices of certificates are cents.
* Excess of price over zero yield.

August 6, 1942.

Table II 33
Price and Yield Changes of United States Securities
March 19, 1942 to August 6, 1942

(Based on mean of closing bid and asked quotations)

Security	Prices			Yields		
	March 19, 1942	Aug. 6, 1942	Change	March 19, 1942	Aug. 6, 1942	Change
(Decimals are thirty-seconds) 1/			(Percent)			
TAXABLE SECURITIES						
Bills						
Average rate last issue	-	-	-	.20	.37	+ .17
Certificates						
1/2% 11/1/42	-	100.028	-	-	.38	-
5/8 2/1/43	-	100.016	-	-	.59	-
Taxable Notes						
3/4% 3/15/43	100.12	100.03	-.09	.37	.59	+ .22
3/4 9/15/44	99.31	99.19	-.12	.76	.95	+ .19
3/4 12/15/45	99.21	99.05	-.16	.84	1.01	+ .17
1 3/15/46	99.29	99.07	-.22	1.02	1.22	+ .20
1-1/2 12/15/46	-	100.02	-	-	1.49	-
Taxable Bonds						
2% 3/15/48-50	101.28	101.00	-.28	1.67	1.81	+ .14
2 6/15/49-51	101.04	100.07	-.29	1.83	1.97	+ .14
2 9/15/49-51	-	100.05	-	-	1.98	-
2 12/15/49-51	-	100.04	-	-	1.98	-
2 12/15/51-55	100.12	100.01	-.11	1.96	2.00	+ .04
2-1/2 3/15/52-54	103.23	103.21	-.02	2.09	2.08	-.01
2-1/4 6/15/52-55	101.06	101.02	-.04	2.12	2.13	+ .01
2-1/2 3/15/56-58	103.05	102.31	-.06	2.24	2.25	+ .01
2-1/2 6/15/62-67	-	100.00bid	-	-	2.50	-
2-1/2 9/15/67-72	100.27	100.31	+ .04	2.46	2.45	-.01
TAX-EXEMPT SECURITIES						
Wholly Tax-exempt Notes						
2% 9/15/42	101.04	100.07	-.29	5/32*	0/32*	-5/32*
1-3/4 12/15/42	101.11	100.16	-.27	2/32*	.34	-6/32*
1-1/8 6/15/43	101.04	100.18	-.18	.22	.47	+ .25
1 9/15/43	101.03	100.19	-.16	.26	.46	+ .20
1-1/8 12/15/43	101.16	100.27	-.21	.26	.50	+ .24
1 3/15/44	101.10	100.24	-.18	.34	.53	+ .19
3/4 6/15/44	100.27	100.13	-.14	.37	.53	+ .16
1 9/15/44	101.16	101.00	-.16	.39	.52	+ .13
3/4 3/15/45	101.00	100.15	-.17	.41	.57	+ .16
Partially Tax-exempt Bonds						
3-3/8% 6/15/43-47	103.21	102.08	-1.13	.41	.73	+ .32
3-1/4 10/15/43-45	104.06	102.25	-1.13	.57	.89	+ .32
3-1/4 4/15/44-46	105.06	103.27	-1.11	.72	.95	+ .23
4 12/15/44-54	108.11	106.30	-1.13	.91	1.01	+ .10
2-3/4 9/15/45-47	106.06	105.08	-.30	.94	1.03	+ .09
2-1/2 12/15/45	105.28	104.30	-.30	.90	1.00	+ .10
3-3/4 3/15/46-56	110.08	108.28	-1.12	1.11	1.23	+ .12
3 6/15/46-48	107.28	106.28	-1.00	1.09	1.17	+ .08
3-1/8 6/15/46-49	108.08	107.10	-.30	1.13	1.18	+ .05
4-1/4 10/15/47-52	115.20	114.26	-.26	1.33	1.29	-.04
2 12/15/47	104.23	104.11	-.12	1.15	1.16	+ .01
2-3/4 3/15/48-51	107.28	107.09	-.19	1.38	1.40	+ .02
2-1/2 9/15/48	107.07	106.23	-.16	1.33	1.35	+ .02
2 12/15/48-50	104.21	104.09	-.12	1.28	1.30	+ .02
3-1/8 12/15/49-52	110.22	110.16	-.06	1.65	1.61	-.04
2-1/2 12/15/49-53	106.16	106.11	-.05	1.60	1.58	-.02
2-1/2 9/15/50-52	106.20	106.21	+ .01	1.66	1.62	-.04
2-3/4 6/15/51-54	108.18	108.14	-.04	1.74	1.72	-.02
3 9/15/51-55	110.20	110.15	-.05	1.78	1.75	-.03
2-1/4 12/15/51-53	104.29	105.00	+ .03	1.70	1.67	-.03
2 6/15/53-55	103.10	103.10	.00	1.68	1.67	-.01
2-1/4 6/15/54-56	104.28	105.07	+ .11	1.80	1.76	-.04
2-7/8 3/15/55-60	110.00	110.03	+ .03	2.00	1.97	-.03
2-3/4 9/15/56-59	109.10	109.12	+ .02	2.01	1.98	-.03
2-3/4 6/15/58-63	109.12	109.18	+ .06	2.07	2.04	-.03
2-3/4 12/15/60-65	110.00	110.03	+ .03	2.10	2.09	-.01

Treasury Department, Division of Research and Statistics.

1/ Decimals in prices of certificates are cents.

* Excess of price over zero yield.

August 6, 1942.

Treasury Department 34
Division of Monetary Research

Date Aug. 28, 1942 19

To: Miss Chauncey

The Secretary said "Not now".

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 7, 1942

TO Secretary Morgenthau
FROM H. D. White

I would like to recommend that consideration be given to the proposal that the Treasury add to its security offerings a special bond without interest redeemable at par with certain redemption privileges. It should be announced that such securities are being made available to the public because of the expressed desire of many people to make, without profit, a financial contribution to the war effort. The issue might be given an appropriate name so that it would be publicly distinguishable from interest-bearing securities.

This bond issue would give the people an opportunity to express their patriotism on a somewhat higher moral level than buying government bonds with a 2-1/2 to 3 percent interest return.

- a) It would satisfy and develop a demand for bonds that was based entirely on patriotic motives.
- b) The fact that a growing number of persons would wish to help the Government through investment in non-interest-bearing bonds would make it more difficult for many of the remainder to demand interest on their bonds. The comparison would be an invidious one and persons would no longer be able to boast of buying Government bonds at 2-1/2 to 3 percent interest when they could have made a more sincere contribution to their country's future welfare.
- c) It would provide the means whereby some of the foreign funds now frozen might be put to work without cost to the government and without gain to the foreign owner.
- d) If we ever need to adopt a forced saving program on a vast scale, it would provide a precedent for a non-interest-bearing security. Having once established the instrument on a voluntary basis, its wider application would present fewer difficulties.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE August 7, 1942.

TO Secretary Morgenthau
FROM Harold Graves *HG*

I am sure that you will be interested in looking at the attached.

I suggest that you note especially the item which I have marked on page 3.

SHOWMEN AT WAR

Published by War Activities Committee, Motion Picture Industry

September, 1942

FILM INDUSTRY TO LEAD BILLION DOLLAR DRIVE!

Hollywood Sending Army Of Stars to 300 Cities For September Rallies!

DURING our September drive, more than 300 cities will be able to stage huge, million-dollar bond rallies with one or more Hollywood screen stars appearing in person! The stars, the producers, the Hollywood Victory Committee, the Screen Actors' Guild and all other studio groups are going all-out to aid personally in our Salute-To-Our Heroes month. In September, there'll be "Stars Over America!"

The Hollywood Victory Committee is arranging to have at least seven stars — many of them top-flight personalities — appearing at rallies in seven cities every day during September. Forty to sixty stars will be busy selling bonds during the month. Traveling expenses of the stars, the advance agents and the publicity men accompanying them will be paid from the campaign budget of the War Activities Committee. In addition, the producers and distributors will loan the services of the publicity men to the committee.

Bondes for the star-tours are now being prepared. Will your city be included?

Naturally, every city and town can't be covered. We know that screen stars can sell bonds; they already have sold hundreds of millions of dollars' worth! We want to use our September bombardment of stars to the best advantage — where we are assured of the greatest bond-selling results.

These rallies should average \$1,000,000 each! We want definite promise from 300 cities that they will stage million-dollar rallies! If we get 450 \$1,000,000 pledges, we'll send Hollywood for more stars! No group of Americans is more eager to help than our own screen players.

These star-rallies should not be exclusively a local theatre demonstration. You exhibitors are the leaders and must supply the pep — but every War Savings Committee in your community should unite with you in these demonstrations. Get them together at once; make tentative plans; contact your Treasury Department State Administrator. All requests for stars must come through him. He is to contact the Hollywood Victory Committee through the Motion Picture Division, War Savings Staff, at the Treasury Dept. in Washington.

However, also send your plans for a star rally direct to the War Activities Committee, 1501 Broadway, N. Y. C. We want to know what you are doing. We want to help you all we can. We'd like to enter a long list of MILLION DOLLAR CITIES as quickly as possible.

Hollywood has been generously supplying stars for bond drives by many industries and organizations. In September, we will have the entire range of the stars — greatest bond salesman in the world — for our own billion-dollar drive!

Get going!

War Heroes In Person!

Through the cooperation of the government, it is hoped to have, during "Salute-To-Our-Heroes" month, special rallies in many communities — with real war heroes in person as inspiration for bond-buying.

The Treasury Department, with the help of the Army and Navy, will try to make available in September many of these heroes — brave men decorated for their deeds of valor and back from the front lines to help in the war effort at home.

They can't visit everywhere. Much depends on the local enthusiasm shown in "Salute-To-Our-Heroes" month as to where these gallant fighters will be sent. The committee hopes these "hero rallies" will add, at least, another \$50,000,000 to the month's total! Think big, plan big — for big results. Let us know how your city would fit a hero-in-person rally into its plans for the month.

There can be no just "loans" of heroes. The availability of heroes is, of course, strictly subject to military requirements.

Staff To Help

The entire War Savings Staff of the Treasury Department will aid in our September campaign. Special instructions from Washington have gone out to all State Administrators and thru them to local Treasury representatives. These field men will help in each case.

WATCH TRADE PAPERS!

More details of the campaign are developing hourly. Watch the trade papers for last minute details, suggestions and instructions.

Treasury Enlists Entire Industry As Spearhead for September Bond and Stamp Campaign!

THE motion picture industry faces the greatest challenge in its history! The Treasury Department has named our entire industry to act as the spearhead in its September offensive to sell \$1,000,000,000 in War Stamps and Bonds!

Just as the retailers of America enlisted to lead the July Treasury drive, so is our industry expected to provide the leadership and inspiration for the September campaign.

At a meeting (July 17) of the War Activities Committee all branches of the industry voted unanimously for the all-out campaign. At that meeting 8,451 theatres were represented by owners or by officers of exhibitor organizations. More theatres were represented than at any other industry meeting in years!

The industry accepts the challenge!

Every studio, every exchange and every theatre — with every executive, actor and worker — must unite to provide enough force to put the drive over the top!

We are to be the shock troops, the bridgehead, the commandos of the government's all-out September campaign. Every exhibitor is in the front line. This isn't the other fellow's campaign; it's yours!

Through cooperation of the Hollywood Victory Committee, there will be some 300 movie-star bond rallies in 300 cities! Scores of stars have enlisted for bond-selling tours! A campaign fund has been set up by the War Activities Committee! Already thousands of circuit-theatres and independents have, thru their executive heads, pledged all-out support!

The general title of the September drive will be: "Salute To Our Heroes" month. The slogan will be: "Buy a Bond To Honor Every Mother's Son in Service!"

THE BOND BETWEEN US

A SALUTE FROM HOME TO
EVERY MOTHER'S SON IN SERVICE



Dear

I've just bought a War Bond and was thinking of you when I did it. You got back home with a bond that says the whole story. That's the best we can do in the way of what you are doing. Faithfully,

P.S. All the same theatres in town are selling War Bonds and Stamps.

These government postal cards may be obtained, gratis, through your nearest National Screen Accessories exchange.

ice!" In addition to the movie star rallies, it is hoped that there will be at least 2,000 other rallies and demonstrations during the month to sell a bond in salute to every man in service!

No community is too small or too large to fit into the plans of this campaign.

Remember that you, as a theatre-man, are a leader in this drive. You are the spark-plug to see to it that every other bond and stamp committee in your community

helps put over our movie-month.

Get started at once; prepare for an entire month of high-pressure bond and stamp promotion. That billion dollar quota isn't a push-over!

SORRY!

At the last moment, this issue had to be revised to include the September drive details. Hence, much material on the June-July activities had to be omitted.

5,000 Theatres To Be Made Official Bond Issuing Agents!

Regraded Unclassified

— Story on Page 2

PARADES! RALLIES! BOMBS! BLONDES! BANNERS!

Spectacular premieres, from coast-to-coast, opened theatre campaign

SHOWMEN LAUNCH WAR BOND AND STAMP DRIVE!

Done! In September, there must be more and greater demonstrations!



NEW YORK! Famous bands, popular stars, a changing line-up of 100 and some 10,000 exhibitors helped give New York City's drive a truly stupendous premiere in Times Square. Crowds in bond subscriptions were also poured from the platform, as the Liberty Bell rang up each new.



BROADWAY! A bond drive never before—this was the Crowds of the World War.



BROOKLYN! Movie theatres of Brooklyn are particularly active in the bond and stamp drive. Here is a group of actors from Lorraine's 22 Brook-A-Way members. Similar demonstrations were staged by Loew's Theatres in boroughs of The Bronx, Queens and Manhattan.



PORTLAND! Every exhibitor in Oregon is pushing the drive with vigor. From parades to lobby displays, there is just one word in an 8-block long parade by Portland exhibitors to open the drive. "The greatest rally ever put on by bond theatres," said the newspapers.



COLUMBIA! Even in South Carolina, the theatre drive is unswerving. In C. S. G. (population 300,000), the Carolina Theatre sold \$1,000.00 of bonds and stamps the first week! In Columbia, the theatre took a spectacular patriotic parade. Live! rally in Spartanburg, Greenville and other cities. Hundreds of parades are being planned for September to launch the drive.



WASHINGTON! In the nation's capital, right under the eye of the Treasury Department, Washington theatres are working together with a "line" of Radio Theatre Exchanges who toured the town, with a drumming up bond and stamp sales in front of every theatre in the city.



READING, PA.! A good example of a drive in progress is the campaign in Reading. With all theatre exhibitors, newspapers caught the fever. Every page and space in the city papers and other demonstrations. Bond and stamp sales in Reading theatres overwhelmed their many larger cities!



READING, PA.! A good example of a drive in progress is the campaign in Reading. With all theatre exhibitors, newspapers caught the fever. Every page and space in the city papers and other demonstrations. Bond and stamp sales in Reading theatres overwhelmed their many larger cities!



DAYTON! This photograph appeared on Page One, Daily News, Tuesday, October 1, 1918. The theatres led in a tremendous demonstration opening their bond and stamp drive. Places around overboard, lunch tables, each bond sale; Zane Fitts, Frank Fay and Linda Ward, stars appearing locally, helped draw the huge crowd. Never since World War I days has the heart of Dayton witnessed such an enthusiastic rally. Dayton is one of the nation's leading industrial centers with thousands of workmen engaged in war work.



ST. LOUIS! Very hearty bond and stamp sales are rewarding the efforts of St. Louis showmen, with 115 bond parades exhibition subscribed \$80,000 in bonds at a luncheon. Women of Better Film Council and Women's Clubs are acting as solicitors.

The activities of the St. Louis theatre committee is an example of how exhibitors can work together for the common good of their country. It is this kind of cooperation that is making possible the sale of a staggering amount of stamps and bonds.

Showmen at St. Louis have received dozens of reports and pictures of parades and rallies. Being in spare time and the economy of including complete plans for the September drive, we have had to omit much excellent material at the last minute.



ALBANY! New York State's capital, inspired by a proclamation by Governor Lehman, is keeping its campaign at top speed. This drive was in the Memorial Day parade. Albany theatres are working quickly and their first month's sales rank high among cities of the size. Films are being worked out in "step in the gas" in September.



PHILADELPHIA! One of the most active and best organized spots in the campaign is Philadelphia. With the theatre mobilized into a hard-hitting team, the drive started with a giant rally in Harbort-Park, \$25,000 in bonds were sold in 15 minutes. Photo shows some of the hundreds of sailors who helped swell the crowd. Each sailor carried a placard bearing the name of the theatre he represented. This alone, added to the excitement and color of the event. The territory seems to have caught the drive.

Regraded Unclassified

TO THESE BOXOFFICES MARCH MOVIE-MILLIONS!

OUR

War Stamp display in the lobby of the Madison Square Hotel and the

with state capital building, the oldest and
finely lighted, making it the center of attraction.



ONE SPIN
ON THE
VICTORY WHEEL
WIN \$25
OR MORE
IN CASH OR
SAVINGS

Omaka Theatre, Omaka, NZ.



Flags of United Nations top the display in the Nord Theatre, Philadelphia. Pa. Many other theatres have added flags to their displays. The American Legion, Philadelphia, has a display of flags.



Regraded Unclassified

JUNE SALES HIT \$18,000,000; JULY RESULTS UP!



WISCONSIN RAPIDS! The headlines on this war stamp for Wisconsin Rapids' Theatres, Wisconsin, may be wishful thinking, but they're selling securities. The large "W" is outlined in red, white and blue neon. The booth is manned by "Job's Daughters," a Masonic group. An excellent lobby idea for your September drive.



COAST-TO-COAST! This huge map is standing in a prominent spot near Secretary Morgenthau's office in Washington. On it are being thumbtacked photos, clippings, printed matter, etc., visualizing what theatres everywhere are doing. Maybe you can find on it something you sent in. Keep your campaign reports coming in to War Activities Committee.



JERSEY CITY! Punching the dictators full of holes is a popular pastime with patrons of Loew's Theatre, Jersey City, N. J. Manager George Desmond, personally built this overgrown punchboard. Some of the punches contain lucky pellets which are good for a guest admission ticket.

Based on incomplete reports to the War Activities Committee, the sales of bonds and stamps in theatres were estimated by Campaign Director Fabian to have reached about \$18,000,000 for the first month, June.

Unfortunately, hundreds of theatres selling bonds and stamps failed so far to make their monthly report. To date, less than 5,200 theatres have reported a total of only \$6,000,000 in bond and stamp sales.

Scattered reports on July sales to date indicate that an increased sale for the month is to be expected — probably 25 per cent higher than June.

The possibilities still have not been scratched. This is proven by those theatres that have gone after sales actively in true showmanship style. They have sold ten times what the less active theatres have done.

RUSH IN YOUR REPORT ON SALES FOR JULY!



★ BUY A STAMP AND DANCE ★

C'm on Chicago! **BUY A STAMP AND DANCE!** ★ BUY A STAMP AND DANCE! ★

Tonight
9 p. m. to midnight

Independence Day Jamboree—Inaugurating
WAR STAMP-A-DANCE STOMP
Benton Court adjoining Chicago Theater

PHIL HARRIS & HIS ORCH. - Chicago Theater Orch.

Bring your wife, sister, sweetheart... or date and **DANCE!**

CHICAGO! The Loop district didn't miss the usual firecrackers and Fourth of July din, because Bill (H. & K.) Hollander's War Stamp-A-Dance Stomp furnished young and old a new kind of excitement. With the permission of the city fathers, an entire block was roped off for this Stamp Stomp. Purchase of a 10c War Stamp was required for each dance. New York's famous 42nd Street (Night Club Alley) was the scene of a similar block party staged during July by the Retailer's committee.

Because of mild weather conditions, this is the perfect stunt to stir up excitement for your September drive. It's novel, and a natural for extra newspaper publicity. You'll need many stunts to keep the new drive on high, so earmark this one as a "must."



ATLANTA! Not since the world premiere of "Gone With the Wind" has the heart of downtown Atlanta (Five points) seen so much excitement. Giant rally featuring a personal appearance of Kay Kyser and his band resulted in a skyrocketing of stamp and bond sales. Results of these rallies are felt for many days afterward.

UNITED STATES SAVINGS BONDS - SERIES F AND G COMBINED

Comparison of August sales to date with sales during the
same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August daily sales	Cumulative sales by business days				August as percent of July
		August	July	June		
August 1942						
1	\$ 12,222	\$ 12,222	12,597	\$ 9,705	97.0%	
3	16,587	28,810	21,986	17,601	131.0	
4	12,448	41,258	32,441	26,235	127.2	
5	12,847	54,105	49,175	40,009	110.0	
6	17,447	71,552	62,561	49,353	114.4	

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

August 7, 1942.

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

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

CONFIDENTIAL

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UNITED STATES SAVINGS BONDS - SERIES E

Comparison of August sales to date with sales during the
same number of business days in July and June 1942

(At issue price in thousands of dollars)

		Cumulative sales by business days				
Date	August daily sales	August	July	June	August as percent of July	
August 1942						
1	\$ 14,044	\$ 14,044	\$ 15,821	\$ 19,834	88.8%	
3	22,178	36,222	30,701	27,841	118.0	
4	14,575	50,797	47,523	40,811	106.9	
5	12,988	63,785	77,320	58,199	82.5	
6	23,004	86,789	95,044	82,988	91.3	

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

August 7, 1942.

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

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

UNITED STATES SAVINGS BONDS - TOTAL

Comparison of August sales to date with sales during the
same number of business days in July and June 1942

(At issue price in thousands of dollars)

Date	August	Cumulative sales by business days				August as percent of July
	daily sales	August	July	June		
August 1942						
1	\$ 26,267	\$ 26,267	\$ 28,418	\$ 29,539	92.4%	
3	38,765	65,032	52,687	45,442	123.4	
4	27,023	92,055	79,964	67,046	115.1	
5	25,835	117,890	126,495	98,208	93.2	
6	40,450	158,341	157,605	132,341	100.5	

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

August 7, 1942.

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

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

Sales of United States savings bonds
August 1 through August 6, 1942
 Compared with sales quota for same period
 (At issue price in millions of dollars)

CONFIDENTIAL

Date	Series E				Series F and G				Total			
	Actual sales		Quota,	Sales	Actual sales		Quota,	Sales	Actual sales		Quota,	Sales
	August 1		August 1	to date	August 1		August 1	to date	August 1		August 1	to date
	Daily	to	to	as % of	Daily	to	to	as % of	Daily	to	to	as % of
	date	date	date	quota	date	date	date	quota	date	date	date	quota
1	\$ 14.0	\$ 14.0	\$ 16.0	87.5%	\$ 12.2	\$12.2	\$ 7.7	158.4%	\$ 26.3	\$ 26.3	\$ 23.7	111.0%
3	22.0	36.2	47.3	76.5	16.6	28.8	21.5	134.0	38.8	65.0	68.8	94.5
4	14.6	50.8	61.0	83.3	12.4	41.3	29.6	139.5	27.0	92.1	90.6	101.7
5	13.0	63.8	84.0	76.0	12.8	54.1	45.4	119.2	25.8	117.9	129.4	91.1
6	23.0	86.8	107.3	80.9	17.4	71.6	58.7	122.0	40.5	158.3	166.0	95.4
7			134.4				68.8				203.2	
8			154.1				76.3				230.4	
10			190.6				87.9				278.5	
11			205.1				94.1				299.2	
12			227.1				105.1				332.2	
13			247.9				114.0				361.9	
14			271.0				120.9				391.9	
15			287.7				126.4				414.1	
17			319.2				135.8				455.0	
18			332.2				141.3				473.5	
19			353.0				151.9				504.9	
20			373.6				161.0				534.6	
21			397.4				168.3				565.7	
22			415.1				174.3				589.4	
24			449.0				184.8				633.8	
25			462.9				191.0				653.9	
26			484.5				203.0				687.5	
27			505.0				213.2				718.2	
28			527.8				221.4				749.2	
29			544.2				228.1				772.3	
31			575.0				240.0				815.0	

August 7, 1942.

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

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.

Note: Quota takes into account both the daily trend during the week and the monthly trend during the month.

August 7, 1942.

Dear Mr. Buml:

Your letter reached the Secretary just as he was preparing to leave the office for a brief vacation. He will not be back in Washington until August 17, and suggests, therefore, that if you have not already done so, you might wish to talk over the income tax plan, of which you speak, with Mr. Randolph Paul.

With appreciation of your courtesy in writing as you did,

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. Boardley Buml,
151 West 34th Street,
New York, New York.

File in Diary

43
A-1-C-2
C-1-C-4
J-3-201
c Paul
151 WEST 34TH STREET

My dear Mr. Secretary:

I do not want to omit to do anything I properly can to advance the cause of the Pay As You Go income tax plan. I know that you have plenty of other sources of information and comment, but if it would be at all helpful, I would greatly appreciate an opportunity to discuss the plan with you.

Very sincerely yours,

Beardsley Rumel

Beardsley Rumel

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

AUG 7 1942

My dear Mr. Secretary:

Reference is made to your letter of August 3, 1942, in which you ask the assistance of the Treasury Department in organizing a program of action by which unreliable and hostile persons may be prevented from obtaining licenses for the possession, distribution and use of explosives under the Federal Explosives Act of December 26, 1941. You request the loan to the Bureau of Mines, for a period of six months of ten or twelve trained investigators to help organize and direct a program of investigation in connection with this matter.

I regret to advise you that it has been found impossible to comply with your request. A large number of our best qualified investigators have been commissioned in, or have otherwise joined, the armed services and we are experiencing difficulty in maintaining sufficient properly qualified personnel to take care of our own minimum requirements. I would have liked very much to have been able to comply with your request, but men of the type which we would have considered it necessary to assign to your project simply cannot be spared at this time.

I appreciate very much your kind references to the work of our investigative organizations and the compliment implied in your request.

It is possible that this department may be able to help you to some extent by making available the facilities of our Training Division, Treasury Enforcement Agencies. This organization could give advice on procedure in investigations of this manner, preparation of forms, and similar incidental matters. If your department wishes to avail itself of the help of this organization, and you will so advise, I shall be pleased to issue appropriate instructions.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Hon. Harold L. Ikes,

Secretary of the Interior.

Delivered by Mess. Harmon
8/7/42 at 3:20.

File in Diary

Carton

45



THE SECRETARY OF THE INTERIOR
WASHINGTON

AUG - 3 1942

My dear Mr. Secretary:

I am writing to ask the assistance of your Department in organizing a program of action by which unreliable and hostile persons may be prevented from obtaining licenses for the possession, distribution and use of explosives under the Federal Explosives Act of December 26, 1941 (50 Stat. 863). In my letter to you of March 24 I outlined the responsibilities which that act imposes upon this Department. The difficulty of this task, as I there stated, arises from the fact that licenses must be issued by local licensing agents all over the country and must be issued expeditiously in order not to delay industrial activity. I asked then whether it would be possible for your Department to aid the Bureau of Mines, which administers the act, and the local licensing agents in detecting disloyal applicants and licensees by such means as examining lists of applicants and licensees. In response to this letter the Coordinator of Treasury Agency Services arranged a conference with representatives of the Bureau of Mines and the Solicitor's Office of this Department, at which it was determined that the information available to your Department was not such as to be useful in the particular ways proposed. At the same time, the readiness of your Department to assist in any other feasible ways was made clear.

Since this conference consultation with other Federal agencies has made it clear that it will be necessary for this Department to undertake on its own account a program of investigation of applicants and licensees. This means that a staff of investigators must be organized who will be capable of directing and undertaking personal investigations and who will serve in addition to, and in cooperation with, the engineers of the Bureau of Mines assigned to the investigation of the technical aspects of the handling and use of explosives and of compliance with the terms of the act.

The question I wish to put before you is whether your Department can lend to the Bureau of Mines for a period of six months, 10 or 12 trained investigators to help organize and direct an investigation program. Such a group should include employees who have engaged in

investigative and enforcement work requiring cooperation with local police agencies, since such cooperation will be essential in carrying out a national explosives control campaign; if possible the group should also include one or more persons acquainted with the activities of enemy agents. This Department will be able to recompense your Department for the services of such employees. Authority for such detail is contained in section 15 of the act, which provides that:

"... The head of any executive department or independent establishment of the Federal Government may cooperate with the Director of the Bureau of Mines in the administration and enforcement of this Act and may assign employees to operate under the direction of the Director."

Expert Government investigators are essential in view of the size and complexity of the problem. At present there are 4,500 licensing agents, all of whom should themselves be checked, and over 120,000 licensees, with additional thousands of applicants anticipated. Trained investigators must determine how to restrict and to cover this field and must establish workable procedures which can be carried on by such a staff as they may assemble. The work of the investigators detailed would probably be begun in Washington and culminate with at least one investigator serving at each of the eight regional offices of the Health and Safety Service of the Bureau of Mines, which offices supervise the mine safety engineers, coal mine inspectors and the explosives investigator assigned to each State.

I appreciate the additional demands on the facilities of your Department made by the war. I make this urgent request only because sabotage through the use of explosives must be prevented by every possible means, and because the experience and record of your investigative staff in dealing with smuggling, narcotics, counterfeiting and other forms of law evasion are such as compel me to conclude that the help of men from your Department is essential in organizing a national effort to bar access to explosives by potential saboteurs.

I and representatives of the Department will be glad to discuss the details of this program with you and members of your Department.

Sincerely yours,

Harold T. Pehas

Secretary of the Interior.

Hon. Henry Morgenthau, Jr.,

Secretary of the Treasury.

Investigative Personnel of Treasury Enforcement Agencies

Agency	Quota	On roll	Military service	Vacancies
Alcohol Tax Unit	1,340	1,183	100	157
Customs Agency Service	179	178	21	1
Investigative Staff, Foreign Funds Control	96	96	6	-
Intelligence Unit	302	287	31	15
Bureau of Narcotics	227	217	34	10
Secret Service Division	295	259 18 277	78	36 -18
TOTAL	2,439	2,880 2238	270	319 201

MEMORANDUM FOR THE SECRETARY.

August 7, 1942.

Mail Report

The past week would seem to have set a low for the year 1942, which still is well above the mail receipt of the same time during previous years. This holds true for the July mail, both Treasury and referred, as is indicated by the following figures on letters referred from the White House during the month: 1942-735; 1941-517; 1937-350.

Our fan mail has been full of suggestions for financing the war effort. Soft drinks, candy, cigarettes and cigars, in the order named, have been most frequently suggested for additional taxation, while other proposals for revenue include transaction taxes, excise taxes on personal luxuries, tax on Labor Unions, increase in postage rate, tax on fines collected by state and local governments, and the substitution of the 10¢ War Stamp for the 3¢ postage stamp.

There have been 4 letters urging excess profits tax on individual incomes, and a number of letters urging higher income taxes all along the line. Several business houses have opposed higher corporation taxes, and there have also been several announcing that they are closing up shop because of current conditions, particularly taxes. The ratio of those in favor of the Sales Tax to those opposed is 5-2. Comments on the car use stamp have decreased.

Thanksgiving and Christmas are already mentioned in connection with sales promotion on Bonds and Stamps. There are many requests for non-interest bearing Bonds, and a number asking that Bonds be accepted as collateral for loans or be made transferable. 3 letters in favor of compulsory payroll deductions for Bond purchases are balanced by 2 objecting to this. General complaints have slightly increased with 15 concerning delays in handling, and 8 on failure to receive interest.

Toward the end of the week letters commending the work of the committee on non-essential spending began to come in. There still are many letters violently critical of Government spending, usually giving instances of local extravagance. There also has been a wave of letters suggesting that the Treasury counterfeit the currency of the Axis nations and drop the "fake" money by plane.

Guille E. Forbush

- 1 -

GENERAL COMMENTS

Ed. Miller, Worthington, Minn. Herewith enclosed draft in the sum of \$536.40, which amount of money was received by a group of local C. St. P. M. & O. Railway employees from the sale of 79,320 pounds of scrap metal collected in this community. This money is being sent to you to buy bombs, with the special request that such bombs be delivered to Adolph Hitler by Air Mail, with the personal regards of all those who helped contribute to the "scrap pile". Please acknowledge receipt of this draft, as we will be listening for the explosion of the bombs.

O. E. M. Keller, President, The Small Business Men's Association, Toledo, Ohio. The contents of your second report, just made, surely comes to us as a ray of sunshine - not only for what has been accomplished, but for the hope that it gives us that the good work of your Committee will proceed and be more and more effective. Small business is probably called upon to make greater sacrifices than other portions of our structure, and it certainly makes these sacrifices easier to take, and makes for unity, when we find that there are those in the Government that are aiming to have the Government follow the same line of sacrifices, and furthermore, that they are succeeding. * * *

L. Richard Guylay, Citizens Public Expenditure Survey, Albany, New York. The report of the Joint Committee on Reduction of Nonessential Expenditures, listing the economies in Federal spending since the first of the year, is truly astonishing. Every dollar that has been saved will help to make the eventual load on the American people that much lighter. You are to be congratulated for your part in making these economies possible.

Lionel Wachs, Oakland, Calif. * * * (Enclosing clipping re Canadian forced savings plan.) Please be assured that this thought is only offered to you in a spirit of constructive suggestion, as I am a great admirer of the

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splendid manner in which you handle our finances. Extending to you my warmest personal regards, I am, Sincerely yours, Lionel Wachs.

Sam Ishkanian, New York Hotel, Washington, D. C. I would like to help the Government in the rubber campaign. Unfortunately I am not a car owner and I do not have any kind of rubber equipment. I feel strongly that each citizen should help in every way he can to help the Government to buy all the available rubber in the world. I wish to do my share to provide the funds for the purchase of rubber and I am therefore enclosing a check for \$100 for that purpose. * **

Thomas M. Galey, Owensboro, Ky. Believe me, I am one who is alarmed because of the panicky thinking in Washington. What's the matter with you fellows anyway? * * * Now, you had better not tamper with anything so dangerously vital as the petroleum supply. Do you know that we are in the gravest danger of a critical shortage in the event the War is prolonged? * * * And yet you, damn-it, you trifle about a measly little eighty million dollars by insisting on extracting from the trembling oil industry a denial of depletion allowance. By so doing, you are adding to and abetting the certain shortage which has been engendered by the crude oil price restrictions of the Henderson group. I tell you, Mr. Morgenthau, it's time to call a halt -- it's time to think about the salvation of this country in terms of petroleum supply, the bulwark of our war effort. Petroleum is our very life blood N O W. And you fellows who haven't the vision to understand critical situations outside your immediate problems, had better listen, AND LISTEN WELL.

Letter written by John T. Parkerson, Manager, Washington Bureau of Press Wireless, National Press Building, Washington, D. C., sent to Stephen Early, and referred by him to the Treasury. " * * * As a newspaperman of many years' experience, I returned to the States on June 1 from Berne, Switzerland, where I had been in charge of Press Wireless operations

during the trying months of the Nazi invasion of Western Europe and the Balkans, and later their assault on Russia. Owing to the uncertainty of conditions in European neutral countries, I felt that as an American, the only assurance I had for the protection of my savings was to maintain them in the currency of my own country. Exchanges fluctuated from day to day, and there were times when we felt that an invasion of Switzerland was only a matter of hours. I realized that if such an event should happen, the only possible means I might have of leaving the country with my family would be by having a supply of American dollars in my possession. Accordingly, I kept my savings in dollars, purchasing them in every single instance from such internationally reputable financial institutions as Credit Suisse and Union Bank of Berne at varying rates, which they currently gave to any and all of their customers. When I left Berne I advised the American Consul that I had an accumulation of personal savings in dollars which I desired to bring to the states with me. He had received no definite instructions from the Treasury Department, but said he did not think I would have any difficulty if I declared my money to the authorities on my arrival in New York, and explained the source thereof. * * * I said I had come by my money in good faith and proposed to take it back with me; that it was the only money in which I felt that an American, living abroad, could have any confidence whatever, and that I would rely upon my own Government to give me a square deal. He agreed that such was the right attitude to take. When I arrived in New York I went to the Customs officials, counted out my money, turned it over to them, and took their receipt for same, which I now hold. I have conformed in every known manner to the Treasury regulations in the hope of obtaining the release of this money, but in vain and without even the courtesy of an explanation as to what I might expect. * * * I know of no law under the Constitution which entitles the Government to confiscate the personal belongings of citizens who have always done what they could to serve their country and its best interests, and who are above suspicion. Had I returned to America without a fixed employment, I might have been seriously embarrassed for a livelihood, because my own Government has seen fit to deprive me of the just fruits of my labors over a period of years in the service of American interests abroad. I submit that this is an injustice which calls for attention. As one who feels that he has a just grievance, I beg you to accept my statement for the record.

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Favorable Comments on Bonds

Ernest A. Rostel, Information, Estes Park, Colorado. * * *
I should like to call your attention to the accomplishment of a group of tunnel workers now drilling a 13-mile irrigation tunnel through the Rockies in Rocky Mountain National Park. A short time ago these drillers, 120 in the group, not only signed up 10% of their wages, but added another 10% to make up 20% of their monthly pay check. We think that this accomplishment is a record worthy of your recognition. Recently Governor Ralph Carr of Colorado cited the entire group, including the contractor, S. S. Magoffin, as "Heroes of the Week" for the State of Colorado -- as probably the largest single 100% group in the nation to pledge 20% of their pay for Bond purchases. In addition, one of the drillers, Stanley Fell, started off the July retail store Bond campaign by purchasing \$400 worth of Bonds. The \$400 had been saved up for a trip, but Fell believed his country -- our country-- needed the money more for guns and ammunition. * * *

J. C. Lamkin, Postmaster, Yazoo City, Miss. Last month I sold Mr. J. A. Bardwell, Sr., his 201st one thousand dollar bond. Mr. Bardwell has been buying these for his grandchildren for several years. (Maturity value of purchases, \$201,000). Mr. Bardwell is 85 years of age. Each time that he comes to buy these bonds he always says, "I want to send Mr. Morgenthau some more money so that he can keep up his good fight". The last time Mr. Bardwell was in my office, he made the remark that you probably would never know he was trying to help you, so I thought that I would call the matter to your attention so that you could write him a letter one of these days. I know that the letter would bring joy to the old man.

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Unfavorable Comments on Bonds

W. E. McNatt, Downey, Calif. Re: Aleutians. I have been a consistent buyer of Bonds, but as I see our supplies and men sent to Ireland, Egypt and Australia to help "dear ole bloomin' 'england", and our own shores unprotected, I feel I have enough. * * * Apparently we are incapable of protecting our own shores as the Japs, despite heroic deeds, so reported, but our forces continue to increase in number. * * * If you think the morale on the West Coast is of any particular moment, you have another guess coming. My particular feeling is that so much of our equipment and so many of our men have been sent out of the country that the West Coast is practically undefended. Until something is done about the Aleutians, I'm not buying any more Bonds to send equipment to England and her possessions.

O. C. C. Opsal, Chicago, Ill. On July 25 Miss Katharine Foss of this city went to the National Boulevard Bank, Chicago, to make a deposit in her Savings Account, and, incidentally, withdrew \$150 in cash to buy eight War Bonds of the value of \$18.75 each. She was referred to a Vice President, a Mr. Donovan, of this bank. He protested and was averse to sell her Bonds of this denomination, using various excuses, among which was that the Government was holding back on the issuance of same and for these various reasons the bank could not sell Bonds of this denomination. This was a rather startling pronouncement to Miss Foss and myself, in view of the great and mighty effort that is being made every day and all over the country. We are most confused as to this situation and would like to have the real true facts from you. Miss Foss and I were most resentful to the attitude taken. Also, for the past few months, three of us have regularly been buying War Stamps at the Lincoln Park Station, Post Office Dept., in Chicago, through depositing pennies for such purpose, and in every case, we are met with growlings, surly looks, and inept statements from the Post Office attendant. These clerks' attitude towards "pennies for the Government and its War effort" certainly does not make us feel any too good in our efforts to do good. * * *

Emil Marohn, Chicago, Ill. * * * I am employed at the New York, Chicago, and St. Louis R. R., Chicago Division. We all in Chicago pledged 100% for buying War Savings Bonds. My first Bond of \$25 was paid June 15 at the sum of \$18.75. July 30 I received this Bond, dated July 29, from the Federal Reserve Bank of Cleveland. I'm losing 1½ months' interest on this. On June 30 I paid another Bond of \$50, and on July 15, a \$25 Bond. I'm sorry to say that I have received nothing from these last two. Before this campaign, I bought my Bonds at the Post Office without any loss or trouble. I'm willing and will do all I can to help our country to win this war.

Sigmund Schlesinger, Allied Purchasing Corp., N.Y.C. One of the safeguards our Government promises purchasers of War Bonds is that in the event of their being misplaced, stolen, etc., the owner is insured against loss. I have had an experience which is contrary to this. Several months ago, a \$50 face value Bond was stolen from me, and my efforts by letter, copy of which is attached, to arrange for a replacement of it have been fruitless. (The following comments are from the letter written by Mr. Schlesinger to the Chief of the Division of Loans and Currency, Treasury Dept., Merchandise Mart, Chicago, Illinois.) The writer has lost a \$50 maturity value War Bond, purchased by the above company for his account on April 30, at the Manufacturers Trust Company, 530 Seventh Avenue, N.Y.C., through the Federal Reserve Bank of N.Y.C. Unfortunately, neither the Manufacturers Trust Company, nor the Federal Reserve has kept a record of the serial numbers of the Bonds sold to employees of the above company on this date, and so it is impossible to file the Application for Relief on Account of Loss, etc., to replace this Bond. * * *

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Favorable Comments on Taxation

Lewis L. Clarke, N.Y.C. * * * In my opinion the Washington perspective on the desire for greater revenue is somewhat warped. I have yet to come in contact with any one in the financial world who is not of the firm opinion that the Government would be able to get greater revenue if the capital gains tax was abolished, for it would bring capital out into the open, in going into enterprise and doing things in a constructive way, with the thought in mind that if there should be substantial profits, these profits would be used in further development in enterprise, and in the final analysis, all such enterprises would have earnings. These earnings would be taxed, and in the longrun, greater revenue for the Government. * * * I am merely an humble citizen who has been in the business world for some years, but I cannot help passing on these few lines, as I feel I am bending a constructive effort on lines of your desire for greater revenue, and my desire to lend a helping hand.

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Unfavorable Comments on Taxes

C. S. O'Loughlin, South Orange, N.J. Thanks for assuming that I am governed by thoughtfulness in sending in my kick by mail. I am thinking of "me" for when I come to pay taxes, buy Bonds, give to the Red Cross, or any other charity or church, pay interest on what I owe, and then REDUCE MY BACK INDEBTEDNESS, I wonder how in the world it can be that I eat, or my wife or any one dependent upon me. The indebtedness accumulated in the dark ages of the depression can be only cleaned off gradually, but let me ask the U. S. Government, representing me, how I can do that trick. How can I pay old bills and then be taxed for the paying so much that that, plus the interest, takes the wherewithal out of me by which to live. * * * This income of mine comes principally from real estate, and that is plentifully milked before the net gets to me, then my bureaucratic governing father does the same trick, and lo and behold, after he gets through, the debt holder or my creditor won't exercise any more mercy than my paternal Government. * * * Won't you try to have put in the tax bill some relief when old debts are paid . . . and I don't mean those incurred just for the purpose of escaping taxes!

R. N. Moorehead, Fresno, Calif. I wish to tell you my experience with one of your tax anticipation bonds. I thought it was a good idea, so the first week in Sept. I bought one for \$50. I am a wage worker and I figured my tax would be about that much. At tax paying time in March, I proudly went up with my bond to pay my taxes. The Collector would not accept it - said he could not use it. Told me to take it back where I bought it (the bank). I tried to deposit it in my Postal Savings, but "no". I tried to buy a War Bond, but it was not legal tender; then the man at the window told me to take it back where I bought it. I did! The man in the bank acted dumb. Finally I made him understand I wished the cash. He told me, "Come back in a few days". He gave me the cash but charged me 23¢. On the back of the bond it said they would draw interest. * * *

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Copy of letter written by L. M. Teed, Amarillo, Texas, to the Collector of Internal Revenue, Dallas, Texas. I am in receipt of your form 21-A, threatening dire consequences if the fourth installment of my income tax is not paid at once. I note you state a notice was sent me on June 15. If such a notice was sent, the Post Office still has it somewhere, and judging by the way some of my mail is handled, I don't suppose I will ever get it. May I remind you that inasmuch as the Government was supposedly short of funds last March, I made a special effort and paid half of my tax then, and intended to pay the rest of it as soon as possible. You already have my payment in June of another quarter of the tax. * * * However, to avoid any controversy, I am enclosing the \$19.75 and will expect a receipt in full from you. I might state right here that there will be no more half tax payments. Future taxes will be paid by the quarter and only when they are due. In view of your attitude in this matter, it would not appear that early payments are appreciated.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose weekly Statement No. 63, covering
Aircraft Flight Delivery as at August 4, 1942.

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

August 7, 1942.

CONFIDENTIAL REPORT
REF. NO. D-55LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- ^{BRITISH} ~~SECRET~~ **MOST SECRET**
(Covering Movements through August 4, 1942)1. B-17C -- Boeing Contract A-5077

20 DELIVERED TO U.K.

2. LIBERATOR TYPES off B.A.C. Contracts(A) B-24 -- Consolidated Contract A-5068

6 DELIVERED TO U.K. (assigned to ferry service)

(B) LIBERATOR I -- Consolidated Contract F-677

19 DELIVERED TO U.K.

1 under repair

20

(C) LIBERATOR II -- Consolidated Contract F-677(a) Never taken by U.S.A.A.F.

36 DELIVERED TO U.K.

5 DELIVERED TO M.E. (1 crashed in Africa)

1 in Ferry Service (delivered to Montreal)

3 at Montreal

63

(b) Taken by U.S.A.A.F. and Returned or Kept

14 DELIVERED TO U.K.

4 in Ferry Service (delivered to Montreal)

3 at Montreal

1 at Detroit

2 on special duty

6 retaken by U.S.A.A.F.

44 kept by U.S.A.A.F.

74

3. HUDSON V (LONG RANGE) -- Lockheed Contract A-1749

174 DELIVERED TO U.K.

42 DELIVERED TO DEBERT

1 at North Bay

1 at Montreal

2 under repair

5 crashed (2 in U.S.; 3 after export)

225*

*Excluding one crash written off by contract amendment

SUPPLEMENTARY (not included in table at end of report)SHORT RANGE HUDSON V off A-1749

168 DELIVERED TO U.K. (by sea)

6 DELIVERED TO NEW ZEALAND (by sea)

1 flight delivered to Canada (at Debert for training)

1 returned from Canada for repair

6 lost at sea

182*

*Excluding one crash written off by contract amendment.

4. HUDSON III off B.A.C. Contracts(A) Lockheed Contract A-67 (LONG RANGE)

46 DELIVERED TO U.K.

4 crashed (after export)

50*

*Including "Gift Plane"

SUPPLEMENTARY (not included in table at end of report)SHORT RANGE HUDSON III off A-67

29 DELIVERED TO U.K. (by sea)

1 Resident at Lockheed plant

30

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT --
(Covering Movements through August 4, 1942)

~~SECRET~~
MOST SECRET

A. HUDSON III off B.A.C. Contracts - Cont.

(B) Lockheed Contract A-58 (LONG RANGE)

211 DELIVERED TO U.K.

3 at Montreal

1 at Detroit

20 for U.S.A.A.F. Familiarisation Program (including

10 crashed (after export)

1 known crash

249*

*Excluding two crashed written off by contract amendment.

SUPPLEMENTARY (not included in table at end of report)

30 (LONG RANGE) DELIVERED TO NEW ZEALAND (by sea)

71 (SHORT RANGE) DELIVERED TO U.K. (by sea)

5. VENTURAS

(A) Off Vega Contract A-344

(a) LONG RANGE

98 DELIVERED TO U.K.

2 in Iceland

1 at Gander

2 en route Gander

32 DELIVERED TO PENNFIELD RIDGE

17 at Montreal

45 departed Miami

17 at Detroit (including 12 for West Palm Beach)

1 en route Detroit

28 at Miami or West Palm Beach

5 en route Miami or West Palm Beach

1 on special duty (Wright Field)

8 taken by U.S.A.A.F.

10 crashed (1 in U.S.; 9 after export)

268

(b) SHORT RANGE

6 DELIVERED TO PENNFIELD RIDGE

8 at Montreal

2 at West Palm Beach

1 en route Detroit

1 at Long Beach

18

SUPPLEMENTARY (not included in table at end of report)

10 (SHORT RANGE) DELIVERED TO U.K. (by sea)

(B) Off Vega Contract A-1748 (LONG RANGE)

23 DELIVERED TO U.K.

2 in Iceland

1 at Gander

5 DELIVERED TO PENNFIELD RIDGE

2 at Montreal

1 at Detroit

196 taken by U.S.A.A.F.

230

6. FLYING BOATS

(A) Off B.A.C. Contracts

(a) A-2387

7 DELIVERED TO U.K.

(b) F-210

38 DELIVERED TO U.K.

1 DELIVERED TO AUSTRALIA

1 DELIVERED TO SINGAPORE

40

(c) A-37

42 DELIVERED TO U.K.

8 DELIVERED TO SINGAPORE

8 at Dartmouth

1 at Bermuda

39

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT --
(Covering Movements through August 4, 1942)

MOST SECRET

A. HUDSON III off B.A.C. Contracts - Cont.

(B) Lockheed Contract A-68 (LONG RANGE)

211 DELIVERED TO U.K.

3 at Montreal

1 at Detroit

20 for U.S.A.A.F. Familiarisation Program (including

10 crashed (after export)

1 known crash)

243*

*Excluding two crashed written off by contract amendment.

SUPPLEMENTARY (not included in table at end of report)

30 (LONG RANGE) DELIVERED TO NEW ZEALAND (by sea)

71 (SHORT RANGE) DELIVERED TO U.K. (by sea)

5. VENTURAS

(A) Off Vega Contract A-344

(a) LONG RANGE

98 DELIVERED TO U.K.

2 in Iceland

1 at Gander

2 en route Gander

32 DELIVERED TO PENNFIELD RIDGE

17 at Montreal

45 departed Miami

17 at Detroit (including 12 for West Palm Beach)

1 en route Detroit

28 at Miami or West Palm Beach

5 en route Miami or West Palm Beach

1 on special duty (Wright Field)

6 taken by U.S.A.A.F.

10 crashed (1 in U.S.; 9 after export)

268

(b) SHORT RANGE

6 DELIVERED TO PENNFIELD RIDGE

8 at Montreal

2 at West Palm Beach

1 en route Detroit

1 at Long Beach

18

SUPPLEMENTARY (not included in table at end of report)

10 (SHORT RANGE) DELIVERED TO U.K. (by sea)

(B) Off Vega Contract A-1748 (LONG RANGE)

23 DELIVERED TO U.K.

2 in Iceland

1 at Gander

5 DELIVERED TO PENNFIELD RIDGE

2 at Montreal

1 at Detroit

196 taken by U.S.A.A.F.

230

6. FLYING BOATS

(A) Off B.A.C. Contracts

(a) A-2387

7 DELIVERED TO U.K.

(b) F-210

38 DELIVERED TO U.K.

1 DELIVERED TO AUSTRALIA

1 DELIVERED TO SINGAPORE

40

(c) A-37

42 DELIVERED TO U.K.

8 DELIVERED TO SINGAPORE

8 at Dartmouth

1 at Bermuda

59

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 43
(Covering Movements through August 1942)

6. FLYING BOATS - Contd.

(A) Off B.A.C. Contracts - Cont.

(d) AOA - 48

17 DELIVERED TO AUSTRALIA
1 DELIVERED TO U.K.

(e) GAN - 78

17 DELIVERED TO U.K.
9 DELIVERED TO AUSTRALIA
1 in Bermuda
2 crashed (after export)
29

SUPPLEMENTARY (not included in table at end of report)

7 DELIVERED TO CANADA

(B) Off Lend-Lease Contracts B.A.C. Requisitions

(a) PRY-5-A -- BSC Reg. 10772

10 DELIVERED TO U.K.
2 at Montreal
12

(b) PRY-5-B -- BSC Reg. 7952

7 DELIVERED TO U.K.
2 at Gander
2 at Montreal
1 in Bermuda
43 at Elizabeth City
55

* 7. LODESTARS

(A) C-49 -- L/L Contract AC-53, BSC Reg. 1049

7 Departed Miami or West Palm Beach
3 taken by U.S.A.A.F.
10

(B) C-60 -- L/L Contract AC-53, BSC Reg. 1049

15 departed Miami or West Palm Beach

* 3 Reassigned C-60's (Army Release) and 8 L-18's off AC-1039, BSC Reg. 3235, previously included hereon, are dropped from this report, since they were diverted from the British.

8. HUDSONS OFF LEND-LEASE CONTRACTS

(A) Hudson XII - A off AC-5

129 DELIVERED TO DEBERT
1 at North Bay
2 at Montreal
3 at Montreal for Debert
2 at Ottawa
1 at Detroit for Debert
3 under repair
2 at Long Beach
32 for China
20 diverted to U.S. Navy
153 taken by U.S.A.A.F.
6 crashed (5 in U.S.; 1 after export)
336

SUPPLEMENTARY (not included in table at end of report)

49 DELIVERED TO AUSTRALIA (by sea)
12 DELIVERED TO NEW ZEALAND (by sea)
61

SECRET
MOST SECRET

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT No. 63
(Covering Movements through August 4, 1942)

8. HUDSONS OFF LEND-LEASE CONTRACTS - Cont.

(B) HUDSON III - A off AC-131

183 DELIVERED TO U.K.
2 at Gander
1 at North Bay
3 at Montreal
1 at Detroit
1 at Nashville (transition)
2 at Long Beach
2 for China
14 crashed (3 in U.S.; 11 after export)
211

SUPPLEMENTARY (not included in table at end of report)

45 DELIVERED TO AUSTRALIA (by sea)
42 DELIVERED TO NEW ZEALAND (by sea)
1 crashed (on acceptance flight)
88

(C) HUDSON VI off AC-471

30 DELIVERED TO U.K.
1 en route Gander
4 at North Bay
4 at Montreal
39 departed Miami
8 at Miami (for training)
5 at Miami or West Palm Beach
1 at Detroit
1 taken by U.S.A.A.F.
1 crashed (after export)
94

SUPPLEMENTARY (not included in table at end of report)

4 exported to New Zealand (by sea)

(D) HUDSON VI off AC-908

14 DELIVERED TO U.K.
6 at Montreal
21 departed Miami
16 at Miami or West Palm Beach
1 en route Miami or West Palm Beach
6 at Detroit
1 en route Detroit
2 at Nashville
12 at Long Beach
30 taken by U.S.A.A.F.
1 crashed (after export)
110

9. DOUGLAS TRANSPORTS off BSC Requisitions

(A) D-53 off BSC Reg. 1050

11 departed Miami

(B) C-47 off AC-167, BSC Reg. 2489

1 departed West Palm Beach

10. B-17E (Army Release)

37 DELIVERED TO U.K. (modified)
4 at Montreal (modified)
1 at Houlton, Me. (modified)
1 at Detroit (modified)
2 on special duty (modified)
12 taken back by U.S.A.A.F. (in April)
4 taken back by U.S.A.A.F. (in June)
61

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WESTERN HEMISPHERE
(Covering Movements through August 1942) **MOST SECRET**

11. B-24B (Army Release)

- 10 DELIVERED TO U.K. (unmodified)
- 36 DELIVERED TO U.K. (modified)
- 4 in temporary South Atlantic Ferry Service (modified)
- 2 at Gander (modified)
- 10 at Montreal (9 modified; 1 unmodified)
- 13 at LaGuardia Field (modification center)
- 2 en route LaGuardia Field
- 2 taken back by U.S.A.A.F. (in June)
- 2 crashed (unmodified) (1 en route modification center; 1 after export)
- 1 crashed (modified) (after export)

12. B-25B (Army Release)

- 3 DELIVERED TO U.K. (modified)
- 15 at Montreal (modified)
- 1 at Detroit (modified)

13. B-25C (Army Release)

- 84 DELIVERED TO U.K. (modified)
- 1 at Gander (modified)
- 1 en route U.K. from Montreal (modified)
- 2 at North Bay (modified)
- 10 at Detroit (modified)
- 37 taken back by U.S.A.A.F. (June)
- 29 taken back by U.S.A.A.F. (April)

14. B-26A (Army Release)

- 4 at Montreal (modified)
- 19 departed Miami (modified)
- 1 at Detroit (modified)
- 18 at Miami or West Palm Beach (modified)
- 2 en route Miami or West Palm Beach (modified)
- 24 at Nashville (modified)
- 1 crashed (2 en route Omaha; 1 at Omaha)

AIRFRAMES DIVISION,
PLANNING & PRODUCTION DEPT.,
BRITISH AIR COMMISSION,
WASHINGTON, D.C.

U. S.

BRITISH

SECRET
MOST SECRET

POSITION	1	2	3	4	5	6	7	8	9	10	11	12	13	14	TOTAL
UNITED KINGDOM	B-17G	14b	14b, V	14b, III	14b, V	14b, V	14b, V	14b, V	14b, V	14b, V	14b, V	14b, V	14b, V	14b, V	1187
MIDDLE EAST	20	95	174	257	122	122	227	227	227	227	227	227	227	227	1187
AUSTRALIA		5				27									27
ALASKA															9
DESIKAT			42					129							129
On route U.K. from Montreal														1	1
PRINCE EDWARD ISLAND		5			43										43
FRANCE SERVICE															9
Iceland or Greenland					4										4
Gander or Goose					2										2
On route Gander or Goose					2										2
North Bay															9
Montreal		6	1			4									92
Ottawa															92
Portsmouth															92
Barbados															92
Departed Island or E. Palm B.															92
Island or West Palm Beach															92
On route Island or E. Palm B.															92
Island, B.															92
Detroit		1													1
On route Detroit															1
Island															1
On special duty		2													2
Elizabethtown City															2
Modification Centers															2
On route Modification Centers															2
Long Beach															2
Under repair		1													1
For China															1
Diverted to U.S. Navy															1
U.S.A.A.F. Modification															1
Taken or Retaken by U.S.A.A.F.		90													90
Crashed															90

Regraded Unclassified

TREASURY DEPARTMENT

65

INTER OFFICE COMMUNICATION

DATE August 7, 1942

TO Secretary Morgenthau
FROM Mr. Hoflich
Subject: Shipment of Planes to British Forces

1. Ninety-three planes of all types, including 47 combat planes, were sent from the United States to British forces during the week ending July 28, 1942. For the third consecutive week these shipments were substantially below the weekly average of 117 planes during the first six months of this year.

2. Only eight planes were sent to the British Isles during the week. Thirty-six went to the Middle East.

3. For the second week in succession, no pursuit or fighter planes were shipped to the British forces.

4. The first shipment of a naval scout observation plane, the Vought Sikorsky OS2U, was sent to the United Kingdom. This is a closed, two-seated, convertible monoplane. Only two were shipped.

Table A - Shipments by Area

	Week Ending July 28, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
<u>To the United Kingdom</u>			
Light and medium bombers	4	530	1,691
Heavy bombers	0	130	234
Naval patrol bombers	2	10	112
Pursuit	0	849	1,160
Army Cooperation	2	73	104
Trainers	0	0	24
Total to the United Kingdom	8	1,592	3,325
<u>To the Middle East</u>			
Light and medium bombers	32	400	730
Heavy bombers	0	0	5
Naval patrol bombers	0	6	6
Pursuit	0	344	1,192
Army Cooperation	4	18	18
Trainers	0	8	150
Total to the Middle East	36	776	2,101
<u>To the Canadian Forces</u>			
Light and medium bombers	3	52	220
Heavy bombers	0	1	1
Naval patrol bombers	0	23	31
Pursuit	0	30	72
Trainers	46	550	1,791
Total to Canadian Forces	49	656	2,115
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	145	245
Naval patrol bombers	0	0	27
Pursuit	0	200	363
Trainers	0	0	105
Total to Pacific Forces	0	345	740
<u>To the British Indian Forces</u>			
Light and medium bombers	0	38	38
Pursuit	0	40	40
Total to Indian Forces	0	78	78
<u>Totals</u>			
Light and medium bombers	39	1,165	2,924
Heavy bombers	0	131	240
Naval patrol bombers	2	39	176
Pursuit	0	1,463	2,827
Army Cooperation	6	91	122
Trainers	46	558	2,070
Grand Total	93	3,447	8,359

Table B - Shipments by Types

	Week Ending July 28, 1942	Total Shipped in 1942 to date	Total Shipped since Jan. 1, 1941
Bell Airacobra	0	315	469
Boeing B-17	0	41	61
Boston III	0	15	39
Brewster Buffalo	0	0	168
Cessna Crane I-A (AT-17)	24	89	89
T-50	0	86	700
Consolidated Catalina	2	39	176
Liberator	0	90	179
Curtiss Kittyhawk	0	575	957
Tomahawk	0	0	544
Douglas Boston I, II, and III	0	0	492
Fairchild 24 R-9	4	79	101
PT-26 Cornell	22	33	33
Glenn Martin B-26A (Marauder)	2	18	18
Baltimore	15	272	340
Maryland	0	0	150
Grumman Martlet II	0	47	88
Lockheed A-29A (AC-151)	0	1	1
Hudson	5	457	1,427
Lightning	0	3	3
Ventura I	0	12	12
Ventura Bomber	16	243	243
North American B-25	0	106	106
Harvard II	0	53	950
Mustang	0	518	598
Northrop Vengeance	1	6	6
Pitcairn Autogiro	0	0	5
Stearman PT-27	0	297	298
Vought-Sikorsky Chesapeake	0	0	50
OS2U	2	2	2
Vultee-Stinson O-49	0	10	14
Vultee-Vengeance	0	40	40
Grand Total - All Types	93	3,447	8,359

Table 3 - Plane Shipments to the British by Week

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy Bombers</u>	<u>Naval patrol bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Total</u>
Weekly average of shipments in 1941	35	2	3	27	1	29	97
Weekly average of shipments in first 6 months of 1942	36	4	1	55	3	18	117
July 7, 1942	77	17	0	17	0	30	141
July 14, 1942	42	11	3	24	0	1	81
July 21, 1942	66	8	3	0	2	4	83
July 28, 1942	<u>39</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>6</u>	<u>46</u>	<u>93</u>
Total shipments since January 1, 1941 to date *	2,924	240	176	2,827	122	2,070	8,359

* Total includes planes shipped in 1942 prior to March 17 which are not included in the weekly totals up to that date.

AUG 7 1942

My dear Mr. Ambassador:

I wish to refer to the agreement dated January 3, 1942, relative to the purchase of 600,000 fine troy ounces of gold by the Secretary of the Treasury from the Government of the Union of Soviet Socialist Republics, against which an advance of \$50,000,000 was made on January 3, 1942.

I take pleasure in enclosing for your information two copies of the assay report of the United States Assay Office at New York giving an analysis of the gold which was received by the Federal Reserve Bank of New York and was deposited by order of your Government on July 27, 1942 for the account of the Secretary of the Treasury.

You will observe from the enclosed report that the shipment, after melting and upon assay, was determined to contain 54,221.322 fine troy ounces of gold and to have a value of \$1,037,742.66. After the deduction of the amount of \$4,736.67, representing the melting charge of \$84.30 plus the 1/4% handling charge of \$4,744.37, the net value of the gold was \$1,032,995.99. This amount of gold has been applied by the Treasury against the amount of gold agreed to be purchased by the Secretary of the Treasury under the agreement of January 3, 1942.

Sincerely yours,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

His Excellency
Nikolai Litvinoff,
Ambassador of the Union of Soviet
Socialist Republics.

Enclosures.

Initialed: RM JS RMB RIB RB VFT

Shv: 6-7-42

Treasury Department 70
Division of Monetary Research

Date Aug. 7, 1942
.....19

To: Mrs. McHugh

The Secretary may be
interested in seeing this.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

71

DATE August 7, 1942

TO Secretary Morgenthau
FROM Mr. White

Subject: Japanese financial measures in occupied areas outside China.

1. I think that you might be interested in the enclosed memorandum prepared in my Division on Japanese financial measures in occupied areas outside China.
2. Among the more interesting and significant points made by the memorandum are:
 - (a) The Japanese policy on currency is to attempt to drive out the local currency and to substitute in its place military script which the armies take with them when they invade any area. This military script differs according to the area invaded since the Japanese aim to make this military script as similar as possible to the local currency being eliminated. It is interesting to note that whereas in China Japanese military script was similar to the Japanese yen, in their more recent invasions the Japanese have used military script similar to the local currency.
 - (b) The Japanese do not allow Japanese currency, i.e. yen, to be used in the occupied areas.
 - (c) The Japanese military authorities, with the assistance of Japanese financial experts, are dealing with broad problems of fiscal administration, including price control.
 - (d) The Japanese have taken considerable pains to reorganize the Bank of Japan to enable it to undertake successfully its new functions as the central bank of all the areas occupied. Moreover, they have organized a new bank -- the Southern Regions Development Bank -- to operate in the newly occupied areas.
 - (e) The military authorities on the spot are allowed a certain amount of latitude and discretion but the fundamental decisions are made in Tokyo.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE July 28, 1942

TO Mr. White
FROM Mr. Friedman

Subject: Japanese financial measures in occupied areas outside China.

Measures taken by the Japanese Government regarding the financial administration of the areas Japan has occupied since December 7th in general have followed a similar pattern, although necessary modifications have been made to adapt the techniques used to the particular area involved. The information given below on the major characteristics of Japanese policy and the practices in the different areas, including Thailand, cannot be considered definitive or even reliable since for the most part it is based on Japanese sources. Any information, however, regarding Japanese experience may be useful in helping us to work out similar problems.

PART IMajor Characteristics of Japanese Policy

- A. The major characteristics of Japanese policy on the financial administration of the occupied territories have been:
- (1) The reorganization of the Bank of Japan to enable it to become the central bank for all the occupied areas;
 - (2) The opening of a new bank - the Southern Regions Development Bank - to operate in the newly occupied areas;
 - (3) The attempt to drive local currency out of circulation within a few months after occupation;
 - (4) The use of military script similar to the domestic currency being eliminated, instead of script similar to the Japanese yen as in Occupied China;
 - (5) In one case, the Japanese authorities are refusing to accept their own paper currency in return for goods or services;
 - (6) The prohibition of banking transactions within the period immediately after invasion;

- 2 -

Division of Monetary
Research

- (7) The prohibition against the use of Japanese money in the occupied areas;
 - (8) Provision for capital transactions within the expanded yen-bloc area;
 - (9) The providing, if necessary, of financial aid to the local area to effect desired financial changes;
 - (10) The opening of new branches of already existing Japanese banks and the elimination of foreign banks;
 - (11) The local military administration is given considerable amount of discretion but the important and basic decisions are made in Tokyo;
 - (12) The Japanese military authorities have concerned themselves with the problem of fiscal administration, including price control. They seem to operate on the principle that the least disturbance possible is best and attempt to make use of local inhabitants.
- B. The reorganization of the Bank of Japan was decided on in January, 1942 with the aim of its becoming the central bank of the yen-bloc. This necessitated changes in its organization in order that it could be more capable of carrying out foreign exchange transactions within the yen-bloc. Hitherto, the main function of the Bank of Japan had been to issue bank notes. In discussions in the Diet, it was pointed out that the central banks of other occupied areas, including Thailand, were to utilize the Bank of Japan as the clearing house and balances resulting from trade with the yen-bloc area were to be paid for in Japanese yen, even if the contract was made out in a foreign currency. It was recognized that this might necessitate the adjustment of currency relations and revision of exchange rates within the yen sphere.
- C. The establishment of a new bank to operate in the newly occupied areas and to deal with such problems as the reorganization of industrial enterprises, the support of currency, etc. was provided for in a bill introduced in the Diet in January, 1942. The capital of 100 million yen was to be raised by the Japanese Government. In addition, this bank was to be authorized to issue debt certificates up to a billion yen, which certificates were to be dealt in in the occupied areas in order to allow local capital markets to participate in the financing

- 3 -

Division of Monetary
Research

of the bank. In the latter part of March, the bank - the Southern Regions Development Bank - was established and later it was announced that it would open branches in the different main centers of the occupied areas. It also was announced that one of the main tasks of the new bank would be to issue military notes. The local military authorities were to supervise the branches of the bank and to fix the amount of expenditures and credit in accordance with principles decided upon by the central office. The Bank, for the most part, would provide long-term credit while local Japanese banks would handle short-term credit and deposit business. The Bank would also have sole control of capital transactions among the newly occupied areas and would provide the means of payment and capital by the use of military notes. Moreover, it seems that the Bank would also accept some deposits and would handle the exchange of military notes into the local currency of the various territories.

- D. In China, the Japanese military script was denominated in yen. In the newly occupied South Sea territories, military script is being issued in the local currency unit. In the earliest months after December 7th, the Japanese Government took the position that the local currencies as far as possible would be maintained and that the issuance of military yen would be limited to the greatest possible extent. It was even stated that the planned Southern Regions Development Bank would not have the right to issue bank notes. However, this was not carried out in practice and it was decided that the Southern Regions Development Bank would issue military script and that it would be at par with the local currency. This meant that for some time, the Japanese military notes were in circulation side by side with domestic notes. For example, in the Philippines, for a time, the Philippine peso and American dollar and Japanese military script were all in circulation. Measures have been taken, however, in most areas to drive the old currencies out of circulation and it would seem that it is the intention of the Japanese authorities to maintain in circulation only the Thailand baht and the Indo-Chinese piaster in addition to the Japanese military script. Some indications of what the Japanese were prepared to do is indicated by Japanese statistics on note circulation in Southeast Asia:

Netherlands East Indies	guilders 260 million
Philippines	pesos 160 million
Malaya and British Borneo	straits settlement dollars 162 million
Burma	rupees 127 million

- E. Remittances between Japan and the occupied areas were prohibited in the early days of the Japanese occupation, but, in July, Tokyo announced that military authorities were permitting remittances to be made to Japan.

F. The Yokohama Specie Bank and the Bank of Taiwan, at the request of the Japanese Government, have opened branches in the various centers of the Japanese occupied areas, thus helping to extend Japanese financial control over these areas.

G. Because of the practice of Japanese civilians going to the occupied areas to take with them Japanese money and to use it instead of the prescribed military notes, Tokyo has made special provision for prohibiting the use of Japanese money in the newly occupied areas. Travelers going to the occupied lands have been instructed to exchange their currency for military notes at the Bank of Japan or one of its agencies before leaving Japan.

PART II

Newly Occupied Countries

A. Philippines

In the Philippines, the Japanese have taken financial measures covering many phases of Philippine life.

(1) During the first stage of occupation, the Japanese recognized as legal both the Japanese military script and the ordinary Philippine peso. Moreover, the Japanese military authorities announced that U.S. dollars would be accepted at the official rate of 2 pesos = 1 U.S. dollar. In May, about four months after occupation, the Japanese military authorities declared the domestic Philippine peso to be illegal, making legal only Japanese military script. At the end of June, Tokyo reported that by this time the Philippines "understood" the new regulations and that the circulation of the old Philippine pesos had ceased.

(2) During the first stage of the invasion, it would seem that the Japanese ordered the closure of banking institutions. After some weeks — in some cases as much as three or four months — the banks were allowed to reopen. On reopening, the banks, of course, found themselves being regulated by the Japanese military authorities and the puppet authorities. Thus, withdrawals of deposits made previous to the closure of the banks still are restricted. A Philippine branch of the Southern Regions Development Bank was reported to be opening for business on July 1.

- (3) The Japanese had to cope with problems of fiscal administration. They are reported to have conducted a charity lottery to increase the revenues of the puppet Government, as well as to assist welfare facilities. They have made no changes in existing taxes on real estate, while asking for assistance of the puppet Government regarding such matters as the reconstruction of district finances. Ostensibly to stimulate reconstruction activities on the part of natives, they have extended special reconstruction loans while, supposedly beginning July 1, they plan to distribute rice on the basis of the village allotment system practiced in Japan, with village officials to be responsible for the distribution. (This also indicates the manner in which the Japanese have been using natives in their financial administration.)

B. Malaya

Japanese policy in Malaya has been similar to that in the Philippines.

- (1) Military script was used to displace the outstanding Straits Settlement dollars and for a few months both currencies were legal tender. By the end of May, or only about three months after the occupation of Malaya, Tokyo was announcing that almost all of the outstanding Settlement dollars had been absorbed.
- (2) The Yokohama Specie Bank and the Bank of Taiwan went into operation immediately after the occupation of Malaya and Singapore and on July 1 the Southern Regions Development Bank opened a branch in Singapore.
- (3) The military authorities have run lotteries as a means of raising funds. Moreover, as of July 1, the sale of tobacco, matches and salt has become a monopoly of the Japanese military administration. At the same time, prices were fixed officially for certain daily necessities.

C. Netherlands East Indies

- The Japanese military authorities in the Netherlands East Indies followed the pattern in use in the Philippines and Malaya. In the period immediately following the occupation in March,
- (1) the only currencies allowed in circulation were military script and the guilder;

- (2) banking transactions were stopped;
- (3) prohibition was placed against disposal of real estate, securities and bank deposits, etc. without the authority of the Japanese military administration;
- (4) all commercial and industrial enterprises were obliged to inform the Japanese authorities of all stocks on hand and stocks of certain goods, such as quinine, could not be disposed of without the consent of the Japanese military administration;
- (5) salaries and prices, including rents, were frozen as of January 31, 1942;
- (6) imports and exports of goods were prohibited;
- (7) all employees were requested to return immediately to their places of employment while representatives of transportation enterprises were requested to report personally at Japanese military offices.

In the following months the Japanese eased up on these restrictions and began to make more use of local inhabitants. At the beginning of May, it was reported that the Japanese banks were active and by June 20, the other banks in Java were reported to have resumed operations.

D. Burma

Very little information is available regarding Burma. Recent reports, however, indicate that in Burma the Japanese have made some innovations. They are collecting taxes in the form of labor instead of money, and also have decreed that they, the Japanese authorities, do not have to accept their own paper currency in return for goods or work. This is reported to have caused considerable hardship because the Japanese have flooded Burma with military script, and have driven Burmese currency almost entirely out of circulation. Burmese money left in the country presumably has gone into hiding.

PART IIIThailand

The case of Thailand is considerably different from those of the ordinary Japanese occupied areas in that Thailand still maintains its own sovereignty. However, the Japanese have taken measures to include Thailand in the yen-bloc and some of the most important measures along these lines may be of interest here.

- (1) In April, a new bank of Thailand was created to control all Thailand banks, to issue bank notes and to have general control of currency.
- (2) Formerly, the Thailand baht had been issued by the Thailand Treasury and had been backed in part by British securities and balances at British banks. Instead of this, the Japanese in June, 1942 extended a 200 million yen credit to Thailand through the Bank of Japan to be used as a special reserve for currency. In accordance with this arrangement, the Thailand Foreign Minister on June 16 announced that all previous relationship between the baht and the pound and the U.S. dollar had been cancelled and in its place Thailand had become part of the yen-bloc exchange.
- (3) The rate of the baht as against the yen has been set at 1 to 1. Before the war the exchange rate was baht 100 = yen 159.25. The new rate, therefore, represents a considerable devaluation of Thailand currency.

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 270

Information received up to 7 A.M., 7th August, 1942.

1. NAVAL

Last night our light forces made two attacks on a large escorted enemy vessel proceeding up channel from BOULOGNE. During the first, one of our motor torpedo boats was sunk, all crew rescued and another damaged. There are no details of the second attack. A naval mine-sweeper shot down an enemy aircraft off PORT SAID on the 5th.

2. MILITARY

RUSSIA. Russian attacks are in progress in the RZHEV area. The Germans in an eastward advance between the Rivers DON and SAL have reached the area of KOTELNIKOVSKI thus threatening STALINGRAD from the South. The spearhead of the German southward advance is now turning eastwards across the River KUBAN north of ARMAVIR.

3. AIR OPERATIONS

WESTERN FRONT. 6th. Our fighters successfully attacked barges and gun positions in the low countries. Deaughter of coastal command destroyed a German sea plane off the SCILLY ISLANDS and damaged another.

6th/7th. 231 aircraft were despatched - DUISBURG 216, HAVRE 5, Intruders 9, sea mining 1. Preliminary reports state that six bombers are missing from DUISBURG where weather conditions were variable, scattered fires were seen. About 16 enemy aircraft flew over EAST ANGLIA and three over the EDINBURGH district, night fighters probably destroyed one.

EGYPT. 5th. Two further attacks were made on the concentration of mechanical transport in central sector reported yesterday and other mechanical transport was bombed in the southern sector.

4. HOME SECURITY

6th. TRURO. In the late evening the Royal Cornwall Infirmary was hit by a bomb and evacuated. 10 persons were killed.

6th/7th. A few bombs were dropped in EDINBURGH and at ST. ANDREWS where seven persons were killed. At CAMBRIDGE some fires were started but all were soon under control or put out.

CORRECTION to OPTEL No. 268, para 2.

Should read: "4th/5th. Aircraft were despatched - ESSEN area 38, sea mining 45, "Intruders" 13, and convoy off the FRISIAN ISLANDS 5. 3 bombers missing."

Regraded Unclassified

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 7, 1942

TO Secretary Morgenthau
FROM Mr. Hoflich
Subject: R.A.F. Activity in July, 1942

1. During July the R.A.F. made nine large-scale night raids on the continent, each involving 200 to 400 planes. Duisberg, one of the greatest inland ports in Europe and a center of many war plants, was the chief target, being bombed four times during the month. The two largest raids were on Hamburg. Saarbrücken, Wilhelmshaven and Bremen were the other objectives of the large-scale night raids. Bombs dropped averaged about two tons per plane, and included a large number of the two ton "block busters".

2. British losses on these night raids ran from 4 to 5 percent of the participating planes, with three exceptions. The air attack on Wilhelmshaven by 285 R.A.F. planes during the night of July 8 resulted in a loss of only five planes or slightly less than 2 percent. After the attack on Hamburg during the night of July 28 by 240 planes (actually only 40 percent of these reached Hamburg, due to bad weather) intelligence reports from England revealed that 36 planes (33 bombers and 3 fighters) were missing. These losses amounted to 15 percent of the 240 planes sent out. The British attributed these high losses to the unfavorable weather and the fact that Hamburg is one of the most heavily defended targets in Germany. The July 26 raid on Hamburg, described below, was the third exception.

3. The July 26 night raid on Hamburg, in which 404 aircraft participated, constituted the largest air attack yet made on Germany, with the exception of the three earlier 1,000 bomber raids. About 680 tons of bombs were dropped, including 164,000 incendiaries. Losses amounted to 30 bombers, over 7 percent of the planes participating.

(British Operations Reports)

<u>Losses during</u> <u>July</u>	<u>Total losses in the</u> <u>war to Aug. 1, 1942</u>
-------------------------------------	--

I. Losses

R.A.F. bomber losses in raids
over Western Europe

189

2,143

<u>Attacks during</u> <u>July</u>	<u>Total number of attacks</u> <u>in war to Aug. 1, 1942</u>
--------------------------------------	---

I. Analysis of Objectives

Ports, docks, shipping
Industrial plants
Airdromes and seaplane bases
Oil refineries, synthetic
plants and tank farms

33

19

17

1

1,666

974

954

361

Total of above

70

3,955

<u>Attacks during</u> <u>July</u>	<u>Total number of attacks</u> <u>in war to Aug. 1, 1942</u>
--------------------------------------	---

I. Leading Cities Attacked

A. Germany

Cologne (industrial center)
Bremen (port)
Hamburg (port)
Emden (port)
Wilhelmshaven (port)
Kiel (port)
Mannheim (industrial center)
Duisberg (port)
Essen (industrial center)
Berlin (industrial center)
Gelsenkirchen (synthetic oil)
Hanover (synthetic oil)

0

1

2

0

2

0

0

4

0

0

0

1

102

98

91

76

63

59

58

52

51

50

43

43

Total of above (12 cities)

10

786

B. Occupied Areas

Boulogne (port)
Brest (port)
Ostend (port)
Calais (port)
Flushing (port)
Lorient (port)
Paris (industrial center)
Trondheim (naval base)

1

0

0

0

0

1

0

0

123

107

104

83

65

53

5

2

Total of above (8 cities)

2

542

C. Italy

Naples (port)
Turin (industrial center)

0

0

24

14

Total

0

38

82

8-7-42

INTELLIGENCE REPORT

35

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OFFICE OF
WAR INFORMATION
BUREAU OF
INTELLIGENCE

COPY No. 7

Henry Morgenthau, Jr.

Such recommendations and suggestions as may appear in this report have not been cleared in advance with the Director of the Office of War Information and do not necessarily reflect his views or those of the Office of War Information. Recommendations and suggestions, if they do appear, are only submitted by individuals in the Bureau of Intelligence who have assembled the data and they are offered for the consideration of appropriate authorities.

The Bureau of Intelligence of the Office of War Information uses a variety of procedures and techniques to obtain its data on the attitudes of people and on what is brought to their attention. These procedures and techniques have been found reliable after extensive experimentation over a period of years.

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NEWS EMPHASIS

The battle for the Caucasus dominated news pages and radio broadcasts throughout the week. Headlines extracted what hope they could from its ebb and flow; but, in the main, they conveyed to the American public starkly enough the grim tale of Nazi gains.

Editors generally employed communiques from both Russian and German sources — most of them giving preferred position to the Soviet version. Considerable prominence was also accorded feature stories, such as that by Leland Stowe, depicting the desperateness of the United Nations situation. Speculative reports of second front possibilities continued to receive marked attention.

The trial of the Nazi saboteurs zoomed into sudden prominence with the Supreme Court's hearing of their habeas corpus plea. News stories dramatized the court session and gave conspicuous attention to conclusion of the proceedings by the military commission. There has been much advance heralding of the verdict which the President is to announce.

News of the fighting fronts, apart from the battle for the Caucasus, was led by the RAF raids on Germany. Toward the end of the week, considerable interest was displayed in American and Australian attacks on Japanese bases in New Guinea. The situation in the Aleutians and fighting in China continued to receive secondary attention. The Libyan campaign was relegated to subordinate status. At the end of the week, conditions in India assumed great importance.

There was continued interest in various phases of the economic situation on the home front. The Government's statement calling for a 48-hour

maximum work week was treated as a major development. The rubber tangle, the meat shortage in Eastern cities and the fuel oil situation continued to evoke warm interest.



EDITORIAL ATTITUDES

Reflection

Editorial commentators have engaged in some sober second thoughts on ideas which they propounded with great vigor a week or 10 days ago. They no longer seem quite so certain that a second front must be opened immediately or that cargo planes should supplant steamships overnight.

Reflection on the second front issue was inaugurated by Walter Lippmann. "It is an interesting question", he observed, "whether current debate about the second front gives information to the enemy.... The risks of speculating about future war plans are, therefore, very considerable." Mr. Lippmann approved "speeches and editorials urging the government to help the Russians and the Chinese, and to reinforce the Middle East, and to bomb Germany, and to open another front somewhere." His colleagues continue very vigorously and in great volume to press for these generalized forms of offensive action. They have become somewhat more cautious, however, in specifying the particular mode and locale of the attacks for which they hope.

The prompt action of administration officials in giving a hearing to Henry J. Kaiser's plan for building giant flying boats appears to have allayed editorial fears that the project would be written off without consideration. The comments respecting it continue to be hopeful, even enthusiastic, but they are now more patient, temperate and realistic.

The press was united in opposition to Senator Lee's bill to take the decision in this matter out of the hands of present war production officials; their leadership appeared to enjoy full confidence. The Baltimore Sun's comment was typical: "Decisions in such matters are for military and production experts, not for amateur strategists in Senatorial seats. We must keep the professionals on their toes, but we cannot submerge their studies and strategy under senatorial impulses."

The pressure for a united command remains considerable. Indeed, isolationist attacks on civilian determination of military strategy have been reinforced significantly by the strongly interventionist New York Times. The Times declares: "Both Mr. Churchill and Mr. Roosevelt, it becomes increasingly clear, have tried to plan and direct too much of the strategy of the war themselves.... The Admiral Leahy appointment, under the conditions announced, does not change this situation. What is needed is not another 'adviser', another man to do 'leg work' and 'index' work, but a commander with the power of making all but the most crucial decisions on his own responsibility."

Domestic Affairs

A variety of issues made the general subject of labor a leading editorial topic during the week. Almost all commentators approved the Government's plea for limiting the work week to 48 hours. Many of them, however, seized the opportunity to renew their demands for suspension of the 40-hour week provision of the Wage and Hour Law.

A good deal of editorial comment was devoted to indignant insistence that James Petrillo, head of the musicians' union, be curbed. The refusal to permit members of his union to make recordings was commonly described

as tyrannical and frequently employed as a flail with which to whip labor leaders in general.

The War Labor Board came in for a continuing share of editorial ire over its decision in the Remington Rand case. And the Pontiac strike was grasped by a number of commentators as a further occasion for berating labor.

The Supreme Court's hearing of the habeas corpus plea on behalf of the Nazi saboteurs met with warm editorial approval. The New York Herald-Tribune, for example, called it "a stirring demonstration of a democracy's faith in its own laws and convictions." The action taken by the court was anticipated and applauded.

Comment concerning the cost of living decreased somewhat in volume during the week, although there was no sign that dissatisfaction with Government policy in this field had abated. Similarly, the irritation over the rubber and gasoline situations remained apparently unchanged. An overwhelming majority of commentators condemned the Gillette Bill for the establishment of a separate rubber agency as a farm bloc device to create a larger market for grain. But they are insistent upon a thorough investigation of the problem and effective action toward its solution.

India

The developing crisis in India became a leading editorial topic toward the end of the week. There is great uneasiness over the decision of the Congress Party to conduct a non-violent rebellion against British rule. In general, comment was hostile to Gandhi and sympathetic toward the British. The Chicago Sun urged that the United States intervene directly in the Indian impasse, but other papers seem to consider it a United Nations problem

in which this country should do no more than furnish leadership.



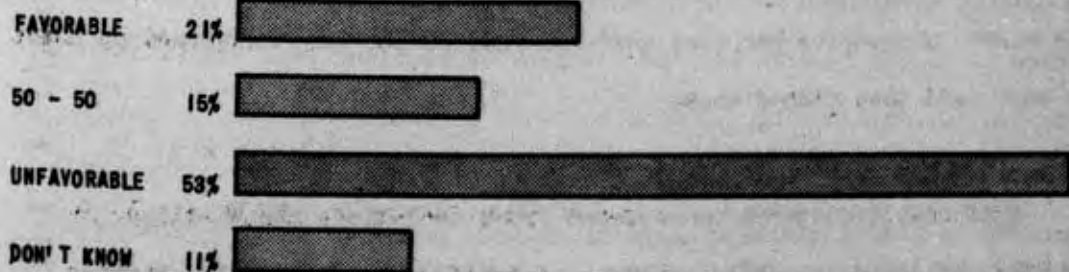
POPULAR REACTIONS

Appraisal of the News

The Bureau of Intelligence asked a small national sample of the American public, "What do you think was the biggest news of the past week?" About one-third of those interviewed named the fighting on the Russian front, which, as reported above, was actually the dominant subject on news pages and in radio broadcasts. Approximately one-tenth of the sample mentioned the trial of the Nazi saboteurs, which was accorded second place by news editors.

Other news topics received scattered mention as having been of prime importance. Among these were fighting in the Pacific, the possibility of a second front, the bombing of German cities and a variety of domestic subjects. One-third of the whole sample had no opinion as to the week's outstanding event.

The Bureau also asked these people, "Do you think the war news, as a whole this past week, has been generally favorable for our side or generally unfavorable?" The distribution of responses to this question was as follows:



Most of those who considered the Russian fighting of prime importance during the week regarded the news in general as unfavorable. And conversely, among all of those who considered the news unfavorable, approximately half selected the battle of the Caucasus as of first importance; among all of those who considered the news in general favorable, only one-fifth gave first place to the Russian fighting.

It should be noted that in response to questions such as these, people almost always answer with the most recent news in mind; they are more clearly aware of the latest headlines and broadcast bulletins than of those of preceding days which may have faded from their memories. The interviewing on these questions was conducted on July 31, a day on which almost all morning newspapers gave top position to the Russian front and second place to the saboteur trial.

Confidence in Government Information

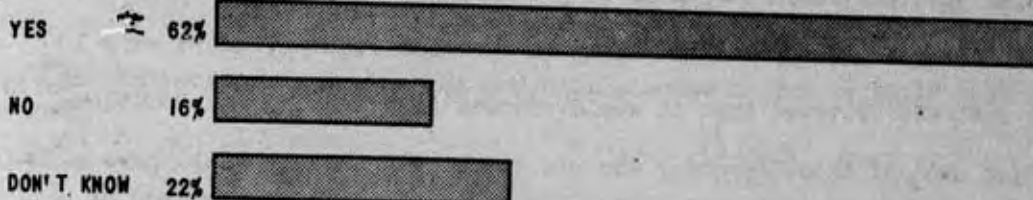
Interviewing of the same small sample indicates that a considerable majority of the American public retains satisfaction with Government policies in the handling of war news. Nevertheless, now, as in the past, a sizeable minority believes that the Government is withholding information which it ought to give to the American public.

The sample was asked this question: "Do you think the Government is giving the public as much information as it should about the fighting in this war?" Sixty-five per cent answered yes; 26 per cent answered no; nine per cent said they didn't know.

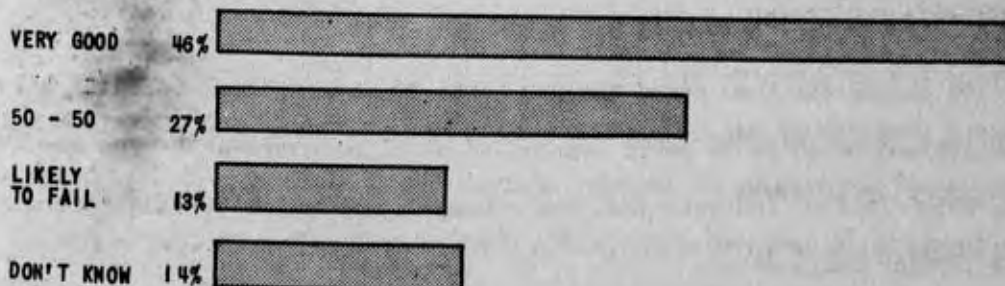
Second Front

Editorial insistence on a second front to relieve the Russians is strongly reflected in public opinion. A decided majority of the sample

interviewed by the Bureau on July 31 answered affirmatively to the question, "Do you think that in the next two or three months the allies should try to land troops somewhere in Europe to attack Germany?" The division of opinion was as follows:



These people were then asked "If the allies do try this attack on Germany in the next two or three months, do you think their chances of success are very good, about 50-50, or that it is more likely to fail than to succeed?" Here are the results:



As was to be expected, those believing that the chances of success are "very good" were most inclined to believe that the attempt should be made; 85 per cent of them advocated an invasion effort. In addition, 61 per cent of those believing that there is a "50-50" chance of success said that the invasion should be tried. And even among those predicting that an invasion

would fail, 20 per cent thought that the effort was worth making anyway.

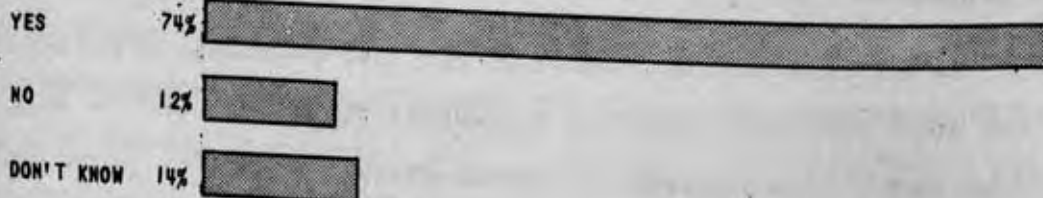
Conversely, those who believed that we should try a second front were most prone to think that it would be successful; 62 per cent in this group considered the chances very good, while an additional 26 per cent looked upon the venture as a 50-50 gamble.

Among those opposed to making an invasion attempt, there were 16 per cent who believed that it would succeed if tried; and an additional 27 per cent of those opposing the effort thought that it would have a 50-50 possibility of success. Half of this group were of the opinion that an invasion in the next two or three months would be doomed to failure.

Cargo Planes

Press and radio interest in the Kaiser plan for mass production of large cargo planes has apparently made a considerable impression on the public mind. Two-thirds of the sample interviewed said that they had heard about the plan; one-third had not heard of it.

The sample was then asked "Do you think it is practical to build airplanes instead of ships to carry troops and supplies overseas?" The answers, which follow, indicate that the scheme is one which appeals strongly to the popular imagination.



It is significant that the plan was approved by some of those who knew nothing about it. Of those who had heard of the Kaiser project, 81 per cent

thought that it would prove practical. In addition, it was considered practical by 59 per cent of those who had not previously heard of it.

Advance Ordering of Fuel

The effort to induce early ordering of coal and fuel oil for next winter is evidently meeting with some measure of success. Almost half of a national cross section of home owners recently questioned had already placed their orders. Another 20 per cent planned to put in their orders before the end of summer.

In some cases, of course, "ordering" may mean only making some sort of arrangement with a supplier. Necessarily this is the case with respect to fuel oil. Even when allowance is made for this, the response seems encouraging.



DEVELOPING SITUATIONS

Opinion toward the United Nations

In an effort to discern trends in American attitudes toward our allies and the problem of post-war international relations, the Bureau of Intelligence in July interviewed a nationwide cross-section of adults. Certain changes of opinion had developed since mid-May, when the Bureau last conducted interviews on the same subject.

American appreciation of the importance of our allies increased slightly. There was also some disposition to be more lenient in exacting payment for Lend Lease shipments. And there were indications that any fear that our principal allies might desert us for a negotiated peace with Hitler is diminishing.

On the other hand, there is a steady suspicion of Russia's post-war cooperativeness and a continuing skepticism of British war efforts — in

contrast to the belief that the Russians are doing their utmost to win.

In the interval between May and July, there was a widespread Government campaign to publicize the United Nations concept. This campaign culminated in the celebration of June 14 (Flag Day) as United Nations Day. Only one-fourth of the persons interviewed had heard about United Nations Day; one-fifth lived in communities where the celebration was observed. Identical questions asked in May and July give little indication that publicity regarding the United Nations concept appreciably changed people's attitudes toward our allies or increased their knowledge of them.

Only about one-third of the American public has any knowledge of the Four Freedoms as such; no more than two per cent were able to identify all four of them correctly. Nevertheless, there is an overwhelming public approval of the principles which they embody.

Four-fifths of the sample interviewed thought the United States should join in some sort of world organization when the present war is over. Many think the United Nations may become the nucleus of such an organization and there are indications that people would welcome participation by other nations, including the Axis.

Nearly one-half of those interviewed expressed a belief that the United States should have joined the League of Nations after the last war. Nearly all of these people believe that the United Nations should continue their collaboration in the post-war period. In addition, more than three-fourths of those believing that we should not have joined the League of Nations are now ready to forsake isolationism, at least to the extent of continued association with our present allies.

These findings constitute a summary of a Special Intelligence Report, Trends in Opinion toward the United Nations and the Post-War Organization. Copies of the complete report are available to authorized individuals upon request to the Bureau of Intelligence.

White Attitudes toward Negroes

A majority of white Americans are unaware that there is any such thing as a "Negro problem." Six whites in ten believe that in general Negroes are pretty well satisfied with existing conditions. This was one of the most surprising findings of a nationwide survey recently completed by the Bureau of Intelligence.

In part, this opinion appears to stem from unrealistic notions of the amount of discrimination which exists. Among those interviewed, more than one-half with an opinion on the question believed that Negroes have as good a chance as whites to get jobs in war plants. Almost as many felt that Negroes have as good a chance as whites to get ahead in the armed forces. Most whites also thought that Negroes are generally better off than they were before the war.

Disparaging attitudes toward Negroes contributed to the belief that they are content with their lot. Large numbers of people evidently felt that Negroes need little to keep them happy. Others, who put a low appraisal on Negroes' character and capabilities, took the position that they are getting just about all that they deserve.

On all questions, as might be anticipated, marked regional differences were evident. But while Southerners were most inclined to feel that Negroes have no just cause for complaint, large numbers of people in all parts of the country were unsympathetic, not only toward their aspirations, but even

toward their present rights. Even in the Northeast and in the West, more than half of all respondents felt that white and Negro children should attend separate schools.

Whites appraised the hopes and demands of Negroes with considerable accuracy. They recognized, for example, that what Negroes are most concerned about is improvement in their economic situation. But relatively few whites were willing to make concessions in this area. They were willing, however, to provide better housing facilities for Negroes.

These are some of the significant findings discussed in "White Attitudes Toward Negroes", a special report of the Bureau of Intelligence, dated August 5. Copies of the complete report are available to authorized individuals upon request to the Bureau.

Rank and File Unrest

In Detroit and some other industrial centers a number of straws in the wind suggest that many rank and file members of labor unions are growing dissatisfied and restive.

In part, this feeling stems from a belief that the War Labor Board is slow in settling labor disputes and that many firms are deliberately taking advantage of the situation. Workers maintain that these firms are questioning W.L.B.'s jurisdiction and resorting to various legalistic devices with the deliberate intent of stalling off Board decisions on important issues. Workers believe that they are entitled to prompt arbitration of their claims in return for having renounced their most fundamental bargaining weapon, the right to strike. It is up to the W.L.B., they feel, to make whatever arrangements are necessary to clear cases speedily.

Production interruptions which are now occurring in some plants as a result of material shortages add to workers' bitterness. Rightly or wrongly,

they feel that many of these shortages were avoidable, and blame management for their occurrence.

Workers are also resentful over the failure of Congress to do anything about the President's proposal to limit incomes to \$25,000 a year. They feel that some of the concessions they have made, such as the surrender of double pay for Sundays and holidays, and time-and-a-half for work on Saturdays, have simply gone to swell industry's already huge profits. They are sharply critical of the OPA and of Leon Henderson, whom they regard as the spearhead of the attack on wages. Workers are willing to accept wage stabilization, though not wage freezing, but they insist that prices and profits be stabilized simultaneously.

Elements within the United Automobile Workers charge that the failure of other unions to follow the U.A.W.'s lead in relinquishing overtime for Sundays and time-and-a-half for Saturdays, has placed the U.A.W. in a disadvantageous position. A resolution has been introduced in the U.A.W. convention, now in session in Chicago, to rescind the voluntary waiver of double pay unless it is universally applied throughout industry within the next thirty days. Many delegates propose to go further and put teeth in the resolution by abolishing the "no strike" agreement. The final action of the U.A.W. convention on these proposals will provide a clue to the prevalence of rank and file discontent.

The dangerous possibility exists that if labor dissatisfaction is not reduced, workers will turn to more radical methods and more radical leaders. They may resort to unauthorized strikes, for example, as a way of getting immediate attention paid to their claims. Or they may turn to leaders who emphasize labor's rights, rather than the necessity of making sacrifices for the sake of the war effort. The very threat of this may force their present leaders to take a more extreme stand on many issues.

Farm Labor Shortage

A nationwide farm labor shortage looms on the 1943 horizon, and it may be aggravated by a serious simultaneous shortage of farm machinery. The resentment local labor shortages have caused wherever they have occurred indicates the need for prompt attention to the situation.

So far most farmers have been able to get the machinery they needed. When they have not, they have managed to get along by patching up, by exchanging equipment with neighbors, and by buying used machinery. Next year the shortage of new machinery may be more acute and harder to get around.

Except in certain areas, farmers have also been able to get all the help they needed, although they have sometimes had to look a little harder to find it. When the war began, there were many people in rural areas who were either unemployed or underemployed. The existence of a more than adequate supply of farm labor was a boon to most farm owners: it insured them a dependable supply of cheap help. Some farm operators unquestionably encouraged the accumulation of more farm workers than were needed in particular areas, in order to be able to get their crops out rapidly and inexpensively and to be in a position to take advantage of market conditions.

The war-stimulated demand for manpower in industry and the armed forces has almost completely soaked up the surplus supply of labor in rural America. There is no immediate cause for alarm, but the situation is daily tightening, and farmers are deeply disturbed about it.

After being questioned about such subjects as rationing, farm machinery, repairs and transportation, a group of farmers interviewed in June was asked what other things they thought the Government ought to be investigating. More than one third mentioned the problem of farm labor. Even in areas

where labor shortages have not been experienced, many farm people complained of the failure of draft boards to give sufficient consideration to the needs of farmers.

If the problem is neglected or mishandled, the present high morale of farm people is almost certain to suffer. The Food for Freedom program may also be upset, both because farmers are unable to produce as much and because they may be tempted to make ill-advised shifts into crops which require relatively little labor.

Traveling Salesmen

Traveling salesmen in the eastern states are protesting their present gasoline rationing classification, which permits them only 470 miles of occupational driving a month, or 5,640 miles a year.

There are approximately 500,000 traveling salesmen in the states in which gasoline is now rationed. Beyond any question, an overwhelming majority of them are seriously inconvenienced by rationing. They now travel an average of 15,000 miles a year; a survey shows that more than four out of five of them cannot cover their territory satisfactorily by train or bus.

While well aware of these facts, Joel Dean, Chief of the fuel rationing division of the OPA, has ruled that it is simply not possible under present conditions to permit traveling salesmen an unlimited amount of gasoline. Such a step, he points out, would require an additional 1,300 tank cars.

Traveling salesmen do not represent a particularly powerful group. Many of them will be forced from the road in the near future in any case

because of the impending unavailability of the goods they sell. Their protest is important primarily because it is symptomatic of the kind of complaint which is likely to arise from now on as more and more small businessmen are hit by wartime controls.

The Government cannot, of course, permit the claims of protesting groups to impede the war effort. But it can do a great deal to minimize both the number and intensity of complaints by pursuing a skillful informational policy. The protests of traveling salesmen are based in part upon the erroneous belief that adequate supplies of gasoline and tires are available, or can be made available, to meet their needs. A fuller awareness of the facts would unquestionably help to minimize their somewhat better about their situation.

Italian-Americans

Anti-fascist Italian-Americans are disheartened by the Federal Government's apparent friendliness toward Italian leaders they deeply mistrust. They were shocked by the presence of representatives of the Justice and Treasury Departments at a recent New York City Defense Bond Rally held under the sponsorship of Generoso Pope.

Many pro-democratic Italian-Americans feel that this event was as great a mistake as would be a Defense Bond Rally among German-Americans under the sponsorship of Fritz Kuhn. They do not rest their case against Pope merely on his pre-Pearl Harbor espousal of Fascism, or their conviction that a leader like Pope maintains his position by exploiting his ignorant fellow countrymen. They maintain that Pope is still covertly pro-fascist. There appears to be no question that he has harbored fascists on the staffs of his newspapers; some of his writers have been arrested by

the F.B.I. Veiled divisionist statements continue to appear in his papers. A recent attack on anti-fascists caused particular bitterness among Italian-Americans with sincere democratic sympathies.

Government recognition of men like Pope as leaders of Italian-Americans carries with it the implication of an official endorsement. The endorsement is employed by such men to strengthen their hold upon alien elements. More effective cooperation with the Federal Government could be secured through the encouragement of alien leadership genuinely sympathetic with democratic purposes.

The impression that the Government is not interested in advancing the leadership of anti-fascist Italians has been fostered by its failure to release loyal Italian-Americans from classification as enemy aliens. The protest against keeping all Italian aliens in this category has now been sponsored by Luigi Scala of Providence, a man believed to be fascist in his sympathies by Americans of Italian origin. It is through the championship of such causes that men like Scala and Pope bolster their power and prestige. They will claim credit for any benefits which may come to the Italian-American colony through a change of Federal policy. By recognizing instead the leadership of men who have demonstrated their opposition to Fascism, the Government can more effectively secure the loyalty of aliens who are real adherents of the democratic cause.

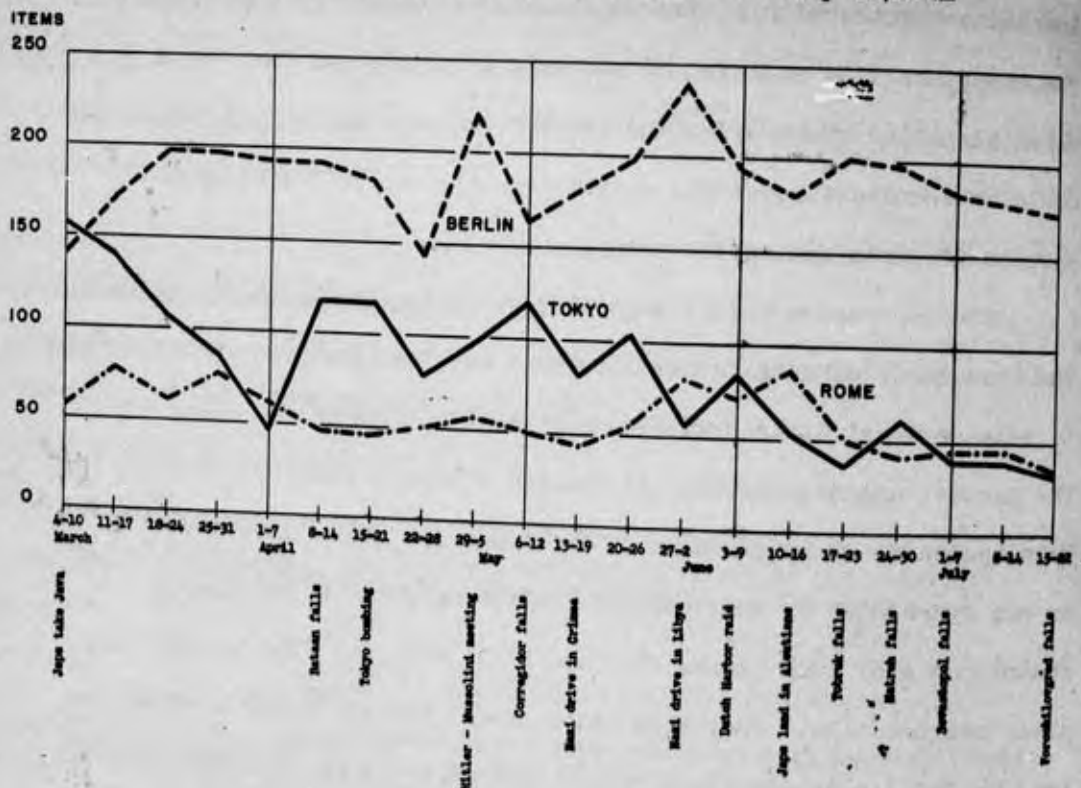
Enemy Radio in the American Press

The Germans have consistently been more successful than their Axis partners in making use of American newspapers as vehicles for their propaganda. This success has been accentuated by the recent shift of attention from the Pacific to the European sector of the war.

The relative extent to which American newspapers have drawn upon Axis sources for their news is shown in the following chart:

ITEMS CREDITED TO ENEMY SOURCES

in 16 metropolitan newspapers, March 4 to July 21, 1942



ENEMY PROPAGANDA

Second Front

The possibility of a second front appears to be very much in the minds of German propagandists. Their dominant theme to the United States in dealing with the subject is complete German readiness for an invasion. But, characteristically working all lines, the Nazis attempt to depict a second front as unnecessary, as well as hopeless.

To bolster the impression of readiness for an allied invasion effort, the German navy is described as "prepared day and night". Hundreds of new air fields are said to have been constructed "behind the coastal wall of Western Europe". The Atlantic coast is described in general as "a gigantic fortress studded with the best arms available". Dr. Goebbels attempts to discount the value of a second front for the Russians by claiming that the Nazis have enough troops in the West to meet any invasion, and that no troops will be withdrawn from the East now.

In dealing with the conflict in Russia, Nazi propagandists have shown a pronounced tendency to soft-pedal their successes; they appear to be trying to reduce British and American popular pressure for a second front. Indeed, Nazi commentators accuse British officials of over-pessimistic reports intended to foster second front sentiment in England. The Berlin radio described German soldiers as fully prepared for another winter campaign in Russia — an outlook echoed in Italy by Virginio Gayda. Claims of great successes on the Russian front are left to the radio and press of Germany's satellites. The German press also follows a policy of caution in reporting the Russian campaign.

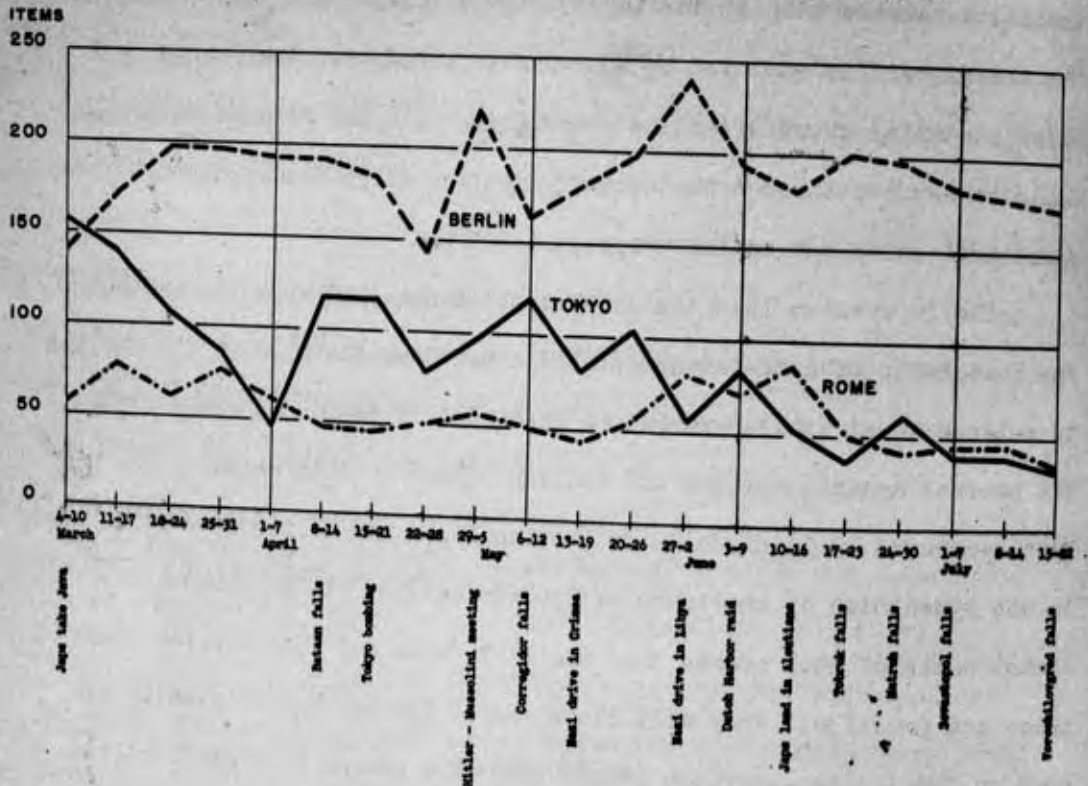
Nazi-dominated Europe is being psychologically prepared for a second front. The dominant idea in the campaign is Nazi invincibility. The Swedish newspaper, Dagens Nyheter, reports that the recent parade of the S.S. in Paris took three hours to pass a single point. Many photographs of defense works have been appearing in the daily and periodical press.

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a second front attempt is doomed to disaster. The British and Americans will not come "with purry forces", says Goebbels. "Possibly they may gain one or two illusory successes to be offered up as an ingratiating present to their Bolshevik allies Then slowly but surely our war machine will come into play and one day we shall see the British marching on Berlin not as conquerors but as prisoners of war."

Nazi propaganda intended for European consumption appears to have the two-fold purpose of allaying traditional German fear of a second front and of dampening the ardor of the conquered peoples who are awaiting a United Nations invasion as a signal for revolt. Recently enacted Nazi measures, such as the one applicable to Frenchmen providing the death sentence for all immediate relatives of those resisting Nazi domination, contribute to the Nazi goal of terrorizing the conquered peoples into inaction in order to keep them from coming to the aid of a United Nations invasion force.

Olive Branch for Russia

Ever since the appearance of the Voelkischer Beobachter article of July 20, 1942 describing Great Britain and not Bolshevism as the primary enemy of Germany there have been a number of peace feelers directed to Russia via German as well as satellite sources. The French radios have been and continue to be most active in this campaign. This week the Antilles radio (Vichy) broadcast a report attributed to the Swedish paper Social Demokraten, that the Nazis after the capture of Stalingrad will offer a separate peace to Moscow. Refusal of this offer will mean a Japanese attack on Siberia, according to the Vichy broadcast. The official Vichy radio broadcasts a report said to have originated in

the Swiss paper Gazette De Lausanne, that Russia is about to make an "about face", and that Russian demands for a second front are a "pretext for giving up the fight". The Japanese-dominated Manchurian station, Radio Harbin, also has been taking an active part in the peace offensive against the Soviet Union.

Placing a more official stamp on this peace offensive the Deutsche Zeitung in den Niederlanden of July 29 states that "leading personalities in Berlin consider a separate peace with Russia as very desirable". The Nazis may believe that Russian setbacks have made her susceptible to peace offers. Or they may hope to discourage American and British offensive plans by portraying Russia in a weak and untrustworthy light.



AUTHORITATIVE STATEMENTS

Production

The subjects of ships, steel for ships, and cargo planes to replace ships, continued to gyrate and to give off a spray of contradictions, recriminations and "we-will-study" statements. The key point of confusion seems to be the figure given as the official shipbuilding goal. For 1943, W.P.B. says the goal is 10 million tons, and that there is steel enough. W.S.A. says the goal is 15 million tons and there is not steel enough.

On the cargo plane proposition, Mr. Kaiser had his say before the "Truman Committee" on July 29, and Robert Patterson and Donald Nelson promised full and serious consideration of the plan.

Oil

Further warnings on the fuel oil supply in the Northeast have been

issued by the White House and by Secretary Ickes.

Sugar

An O.P.A. release of July 29 warns that the supply situation is worse again due to Caribbean shipping difficulties. This should relieve the pressure caused by rumors of glutted warehouses. At the same time it may produce confusion when considered in the light of Navy statements on convoy success in the Caribbean.

Finance and Taxation

The anti-inflation front has become comparatively quiet, with the exception of a fluid situation on the tax bill in Senate Committee, and some sporadic comment on wages by W.L.B. and others; meanwhile a study by Mr. Rosenman is awaited, and should precipitate a new drive.

Foreign Relations

Mr. Lauchlin Currie made a strong statement in Chungking on July 30, saying in part, that the U. S. Government looks "upon all the Axis powers as a single power and all the United Nations as a single opposing power" and that "victory or defeat of one of the United Nations anywhere in the world today is a victory or defeat for all the United Nations."

Mr. Archibald MacLeish in London, also on July 30, spoke to similar effect, and included a trenchant attack upon isolationists.

India

The statement of Gandhi on August 2, warning that India's "hidden discontent may burst forth into welcome for the Japanese...", together with the statement of the Indian Government on August 4, branding Gandhi and the All-India Congress as appeasers, marked the growing crisis in the Indian situation.

United Nations

The outstanding statement of the week was Stalin's order to the Red Army, July 30, calling for a defensive stand. The Moscow radio is calling for a second front. (on August 2, in particular.) Air Marshall Harris spoke on the British radio in German on July 28, promising "to scourge the Third Reich from end to end..."

8/7/42

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TREASURY DEPARTMENT
WashingtonFOR RELEASE, MORNING NEWSPAPERS,
Saturday, August 8, 1942.
8/7/42Press Service
No. 32-74

Secretary of the Treasury Morgenthau announced last night that reports from the Federal Reserve Banks indicate that subscriptions for the additional issue of 2-1/2 percent Treasury Bonds of 1962-67 aggregated \$964,778,800, through August 7, divided among the several Federal Reserve Districts and the Treasury as follows:

<u>Federal Reserve District</u>	<u>Total Subscriptions Received & Allotted</u>
Boston	\$ 65,180,300
New York	612,138,200
Philadelphia	42,864,700
Cleveland	20,848,500
Richmond	12,419,000
Atlanta	3,936,800
Chicago	40,103,200
St. Louis	3,633,000
Minneapolis	13,200,000
Kansas City	6,937,300
Dallas	10,610,200
San Francisco	16,787,700
Treasury	350,600
Government Investment Accounts	115,769,300
TOTAL	<u>\$964,778,800</u>

-oOo-

CLIFTON A. WOODRUM
8TH DIST. VIRGINIA
ROANOKE, VA.

DIANE TAYLOR
SECRETARY

84
THE COMMITTEE ON APPROPRIATIONS

Congress of the United States
House of Representatives
Washington, D. C.

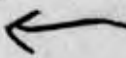
Roanoke, Virginia,
August 8, 1942.

Mr. Henry Morgenthau, Jr.,
Washington,
D. C.

My dear Henry:

I want to tell you how delighted I am that you are coming to Roanoke on the 24th of August in connection with the War Bonds Campaign.

I am highly honored that my constituents are to have the pleasure of entertaining you for a little while, and we are going to give you a warm reception.

I also want to direct your attention to "Woodrum Field," the Roanoke Airport, where you are scheduled to land. We think it is one of the finest. 

Looking forward with great pleasure to your visit, I am

Sincerely, your friend,

Cliff
CLIFTON A. WOODRUM

August 11, 1942.

My dear Mr. Woodrum:

Your letter of August 8 reached here just after the Secretary had left Washington. I am forwarding the letter to him as I know that he will appreciate what you said about his forthcoming visit to Danana.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Clifton A. Woodrum,
Danana, Virginia.

OKF/dls



OFFICE OF THE DIRECTOR

O.K. J.M. J.
TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

August 8, 1942

86

MEMORANDUM TO THE SECRETARY:

We have been doing some preliminary planning to coordinate governmental warehousing, exclusive of military stores.

At the present time, throughout the United States warehouses of various Government agencies are being operated independently of each other and frequently are located within the same city or area. An Executive Order proposed by the Bureau of Budget now pending approval by the President provides in part that the Procurement Division shall take over warehousing for Government agencies, which includes facilities, personnel, and funds. A very substantial part of the field warehousing is now carried on by the various agencies of the Department of Agriculture.

I have talked with Mr. Samuel A. Snyder, Chief, Division of Purchase, Sales and Traffic, Department of Agriculture, with the thought in mind of bringing him into the Procurement Division as Assistant to the Director, Grade 14, salary \$8,500, to do the planning and supervise the operation of coordinating all Federal warehousing in the field service where there is a common need for warehousing. After several talks with Mr. Snyder, he has indicated his willingness to join us; and I feel very pleased about it because we need men of his type in our organization. In my opinion, Mr. Snyder is the best qualified procurement man in any of the Government agencies we are buying for now. For many years he has been constantly in touch with the field agencies of the Department of Agriculture on procurement matters. He is essentially a field man, knows field problems and field personnel, and I think he is well suited to take over the responsibility of coordinating all field warehousing and then carrying on the operation after the planning has been completed. The planning and coordination is a detailed job which will prob-



- 2 -

ably keep Mr. Snyder in the field more or less continually for the next year or two; and when the job is completed, there should be a substantial savings as well as much more efficient operation than the present system of each agency operating its own warehousing without regard to the other.

I will keep you informed as the program develops.

Clifton E. Mack
Clifton E. Mack
Director of Procurement

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THE WHITE HOUSE
WASHINGTON

August 8, 1942.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY
OR
HON. RANDOLPH PAUL

Will you talk with Wayne
Coy about this?

F. D. R.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D. C.

AUG 6 1942

MEMORANDUM FOR THE PRESIDENT:

In your message to Congress setting forth a program to stabilize the cost of living, you indicated that you wanted to give the voluntary saving plan a trial but would recommend compulsory saving if this proved necessary. In view of the development of war expenditures and experience with the voluntary saving plan, there is a growing unanimity of opinion, both in and out of Congress, that adoption of compulsory saving will soon become necessary, probably by early next year. I had been of the opinion that the pending tax bill should be disposed of before this question was reopened.

A recent development in the Senate Finance Committee's deliberations on the tax bill suggests, however, the desirability of an early announcement of your intentions. The Committee is seriously considering granting a deduction from the income tax for repayment of debt, for life insurance premiums, and perhaps for purchases of war bonds. While allowances for these purposes would be perfectly proper if made against compulsory savings as in Canada, the case is otherwise with respect to deductions from the income tax. Tax deductions of this character would militate against the principle of equality of sacrifice during wartime outlined in your message. A man who pays off his debts, carries life insurance, or acquires a war bond better off financially. This does not justify a reduction of his tax bill. In cases of unusual hardship postponement of tax payment, rather than cancellation of tax liabilities, appears to be the appropriate relief measure.

There is the danger that a temporary emergency may induce Congress to enact a provision which may permanently damage the income tax structure.

Granting deductions from the income tax as relief for debtors and for similar purposes would also greatly complicate the operation of the plan for collection of a part of the income tax at the source, if indeed it did not result in rejection of the whole proposal.

Since I am wholly in accord with the view of the Secretary of the Treasury that early development of machinery for collection at the source is an essential part of the program to stabilize the cost

of living, I believe that it is important that this threat to collection at the source be removed. (For technical reasons, it would be easier to grant deductions for debt relief and the like from compulsory savings withheld at the source than from the income tax.)

The Treasury is apparently willing to oppose the movement for deductions for debt repayments and insurance premiums purely from the tax standpoint. The Senate Finance Committee is likely to reject these arguments, unless a positive assurance is given that such deductions will be permitted in another way. In view of your announced position with respect to voluntary saving, and their own responsibility to give the voluntary plan a fair trial, the Treasury representatives do not seem to feel free to meet the demand for relief for debtors by suggesting that such offsets be considered in connection with compulsory saving. The Senate Committee might be willing to accept a promise of allowances from possible compulsory savings and drop the relief measures now being considered.

I suggest, therefore, that you authorize the Secretary of the Treasury to announce that the question of compulsory saving is under consideration and that you have requested him to study the advisability of allowing appropriate relief in the form of offsets to compulsory saving for repayment of old debts, for insurance premiums, and perhaps for other purposes.


Acting Director

COPY NO 13

BRITISH MOST SECRET.
U.S. SECRET.

OPTEL No. 271.

Information received up to 7 a.m. 8th Aug, 1942.

1. NAVAL.

Air reconnaissance of the ANDAMAN ISLANDS on the 7th showed one aircraft carrier (converted merchant ship) and one other warship in Port Cornwallis.

2. MILITARY.

Russia. In the RZHEV area, continued Russian attacks had met with some success. The Germans have made further progress in their advance towards Stalingrad from South of the Don. North of ARMAVIR the Germans are advancing westwards across the river KUBAN with the probable intention of moving on MAIKOP.

3. AIR OPERATIONS.

Western Front. 6th/7th. Duisburg.

About 415 tons of H.E. and incendiaries were dropped, including 60 four thousand-lb. bombs. Some large fires were seen near the centre of the town.

7th/8th. Two enemy aircraft bombed ABERDEEN and 12 others operated over Lincolnshire, Derbyshire and Nottinghamshire. One was destroyed by a Beaufighter.

Egypt. 5th/6th. Our bombers attacked shipping at TOBRUK and naval aircraft bombed barges in MERSA MATRUH harbour. One bomber is missing. Both objectives were again attacked on the 6th.

4. HOME SECURITY.

7th. BODMIN. Two bombs damaged the gasworks. 6 persons were killed.

7th/8th. ABERDEEN. Damage was caused in the harbour area and 4 persons were killed.

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 272

Information received up to 7 A.M., 9th August, 1942.

1. MILITARY

RUSSIA. The Germans have made further progress in their advance towards STALINGRAD from South of DON and are now less than fifty miles from the town. They are advancing into CAUCASUS in two columns, one thrusting Southwards is approaching the Caucasian Foothills, the other moving Westwards has reached a point 50 miles Northeast of MAIKOP. The German claim to have taken TIKHOTETSK is confirmed.

2. AIR OPERATIONS

WESTERN FRONT. 8th. 11 enemy aircraft flew over widely scattered areas in cloud and rain conditions. R.A.F. Fighters damaged a bomber and Spitfires of the U.S. Army Air Corps damaged a Fighter.

8th/9th. Ten Lancasters laid sea mines, all returned safely. At dusk a Beaufighter destroyed a Heinkel off KENT. Five enemy raiders operated singly over YORKSHIRE.

EGYPT. 6th/7th and 7th. Air activity increased on both sides. During the attack on TOBRUK on 6th Liberators claimed to have set fire to a large ship estimated 10,000 tons.

7th. Hudsons destroyed a Lighter off SIDI BARRANI, damaged another and sank a tank landing craft. Fighter Bombers attacked enemy M.T. in the Central sector and a Camp in the Coastal sector.

On 6th and 6th/7th the enemy bombed our aerodrome at BURGELARA but damage was slight. During this period an M.E. 109 was shot down and three damaged. We lost four Fighters and one Bomber-Transport.

MALTA. 8th. Spitfires destroyed 3 M.E.109's and damaged a fourth. One Spitfire is missing.

4. HOME SECURITY

8th. In the evening enemy aircraft operating singly dropped bombs in widely separated localities. A Naval Hospital was hit at TYNEMOUTH.

8th/9th. Bombs dropped at LEEDS caused some dislocation of utility services.

August 10, 1942.

Dear Henry:

I am glad that you sent me the telegram you received from the employees of Younker Brothers in Des Moines. This is just another example, but an especially fine one, of the spirit that Iowa has been showing in the War Bond campaign. Thank you very much for sending it to me.

Sincerely,

8/10 Sent to Secretary for signature
at Malone.

The Honorable
The Vice President,
Washington, D. C.

FK:eg

Postal Telegraph

VICE PRESIDENT'S OFFICE 94

August 5, 1942

Hon. Henry Morgenthau

Henry:

You will be interested in this telegram. This is the largest department store in Des Moines.

HAW

H.A.W.

Kuhn

- 5 - 21

RECEIVED AT

TELEPHONE YOUR TELEGRAMS
OR POSTAL TELEGRAPH

VICE PRESIDENTIAL OFFICE

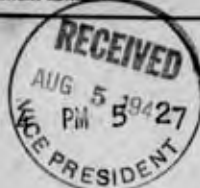
THIS IS A FULL RATE TELEGRAM. CHECK
YOUR OR MICROGRAM UNLESS OTHERWISE
INDICATED BY SYMBOL IN THE PREAMBLE
IN THE OFFICE OF THE MESSAGE.
SYMBOLS OF (12) HAVE SELECTED
THE OUTLINE OF STAMPS
ON HAND AT EACH OFFICE
REGULATORY AUTHORITY

LB434W 111/99#D DESMOINES IOWA 4 1212P

HON HENRY A WALLACE=

VICE PRESIDENT (WASHINGTON DC(SU)=

1942 AUG



FINAL AUDIT IN THE "RETAILERS FOR VICTORY CAMPAIGN AT YOUNKERS
REVEALS THAT 1150 EMPLOYEES ATTACKED OUR STORE QUOTA OF
\$25,000.00 WITH SUCH VIM AND VIGOR THAT WE EVEN EXCEEDED THE
DESMOINES AND POLK COUNTY QUOTA OF \$274,000.00 WE SOLD
\$224,356.00 IN BONDS AND \$59,544.00 IN STAMPS MAKING A GRAND
TOTAL OF \$283,900.00 CASH VALUE OR \$344,852.00 MATURITY
VALUE. THE CAMPAIGN WAS ONE OF THE MOST ENJOYABLE AND
INSPIRING IN OUR 86 YEARS OF BUSINESS. WE WANT YOU AS VICE
PRESIDENT TO KNOW THAT WE IOWANS FURTHER PLEDGE OUR
CONTINUOUS SUPPORT IN THE ALL OUT EFFORT OF WINNING THIS
WAR=

EMPLOYEES OF YOUNKER BROTHERS INC.

00 \$25,000.00 \$274,000.00 \$224,256.00 \$59,544.00 \$283,900.00
\$344,852.00 86

August 10, 1942.

Dear Major Namm:

I have just seen the text of the resolution in which the Retail Advisory Committee calls upon all retailers to continue their efforts to sell War Bonds and Stamps. Will you convey to your members my sincere appreciation of this splendid resolution?

I hope it will be possible for the Committee, through its various associations, to express the thanks of the Treasury Department for the fine job that was done in July by all trade and retail groups.

Sincerely,

(Signed) H. Morgenthau, Jr.

8/10 Sent to Secretary for
signature at Malone.

Major Benjamin H. Namm,
Chairman, Retail Advisory Committee,
420 Lexington Avenue,
New York, New York.

FK:eg

August 4, 1942

Mr. Sloan.
Mr. Graves.
Mr. Mahan.

Attached is a copy of the resolution adopted yesterday by the Retail Advisory Committee together with a suggested letter for the Secretary's signature.

This letter will be used along with the resolution to keep retailers in action during August.

It is important that we secure the letter as the boys were a little "hurt" because they were not included in the press release reporting July sales. Only payroll savings and F & G were mentioned, I believe, I didn't see the release.

WHEREAS the present war in which we are engaged is taking billions of dollars for its proper prosecution; and

WHEREAS from present indications this war will continue for a considerable period of time until victory is achieved; and

WHEREAS the retailers of the United States have met and exceeded a quota set up for them by the United States Treasury during the month of July under the title of "Retailers for Victory"; and

WHEREAS the combined efforts of the retailers of the nation have had a definite and beneficial effect upon the morale of all the people due to the tremendous promotion and publicity put behind this effort; and

WHEREAS such ~~good~~ retail organization has been perfected in this "Retailers for Victory" drive, because of the whole-hearted and efficient cooperation of store owners, corporation executives, retail employees everywhere, the ~~daily~~ press of the nation, the radio ~~stations and broadcasting~~ stations, and periodicals in every field of publication,

THEREFORE BE IT RESOLVED that the Retailers' Advisory Committee to the U. S. Treasury Savings Staff hereby calls upon all retailers everywhere to continue with their efficient efforts to sell war stamps and bonds and continue to assist in every way possible the financing of this tremendous conflict in which we now find ourselves engaged;

BE IT FURTHER RESOLVED that the Retailers' Advisory Committee to the U. S. Treasury Savings Staff hereby dedicates each and every member to further and more intense activity, to greater cooperation with merchants everywhere ^{and} in the continuing of the sale of U. S. War Stamps and Bonds; *and*

~~AND~~ BE IT FURTHER INVOLVED that a copy of this resolution be sent to the Secretary of the Treasury of the United States, to all trade associations

...ment, to the wire services, radio stations, and newspapers and
 ...

... IN A JOINT STATEMENT that the Retailers' Advisory Committee to
 the Treasury Savings Staff hereby extends its thanks and deep appreciation
 to all retailers for the valiant efforts and great accomplishments in
 the sale of stamps and bonds during the "Retailers for Victory" week.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1942

TO Secretary Morgenthau

FROM Mr. White

This is a comparative statement of the earnings and expenses of the Stabilization Fund for the months of June and July, 1942.

<u>Earnings</u>	<u>June 1942</u>	<u>July 1942</u>
Interest earned on investments	\$ 19,514.93	\$ 20,110.20
Interest earned on Yuan	<u>23,605.23</u>	<u>24,360.81</u>
Total	\$ 43,120.16	\$ 44,471.01
Profits on handling charges on gold	<u>36,940.30</u>	<u>63,213.78</u>
Grand Total	\$ 80,060.46	\$107,684.79
 <u>Expenses</u>		
Salaries	\$ 23,670.23	\$ 16,853.65
Travel	539.55	83.53
Subsistence	1,766.75	96.00
Telephone and Telegraph	2,239.54	1,699.92
Stationery	35.00	141.84
All others	<u>1,462.96</u>	<u>104.51</u>
Total	\$ 29,714.03	\$ 18,979.45
 <u>Net Earnings</u>	 \$ 50,346.43	 \$ 88,705.34

The rise in earnings for July resulted mainly from an increase in the value of gold transactions with foreign countries.

The month to month fluctuation in salaries and other expenses is largely due to the uneven arrival of vouchers, principally from the Federal Reserve Bank of New York. Salary expenses in the first seven months of 1942 averaged about \$19,800.

White has 191 =

BOARD OF ECONOMIC WARFARE
~~ECONOMIC DEFENSE BOARD~~
WASHINGTON, D. C.

OFFICE OF THE EXECUTIVE DIRECTOR

August 10, 1942

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

Reports on the subject matter for the next meeting of the Board of Economic Warfare have not, as yet, been completed.

The next meeting of the Board, therefore, will be held on Thursday, August 20, instead of on Thursday, August 13.

Sincerely yours,

Miles Periam
Executive Director

RECEIVED DEPARTMENT

AUG 11 AM 8 32

SECRETARY OF THE BOARD
OFFICE

Photostat to Mr. St. Hubert
8/12/42 - 102

SAFE HAND

MOST SECRET
AND PERSONAL

BRITISH EMBASSY,

WASHINGTON, D.C.,

10th August, 1942.

My dear Mr. Secretary,

You asked me some time ago whether I had any information with regard to certain transfers of funds through the Argentine. I regret that so far I have not been able to obtain any evidence of these movements, although careful inquiries have been made. I am informed that a particular rumour which may have given rise to reports of this nature has been checked, but has been found to be baseless. If I am able to obtain any more information, I will at once let you know.

Yours sincerely,

R. J. Stopford

The Hon. Henry Morgenthau, Jr.,
United States Treasury,
Washington,
D.C.



THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

August 10, 1942

TO THE SECRETARY:

At a conference last week in your office with Dean Acheson, Mr. Armour, our Ambassador to Argentina, and Merle Cochran, you raised the question about uncensored German mail going to South America on Pan-American Air Lines.

Mr. Acheson called me today to say that he had thoroughly investigated and found that that is no longer the case. He says that there were possibly three plane trips in which the mail was not censored, but this was due to the fact that, because of bad weather, the planes did not land at the place where the censoring was performed. A new arrangement has been made under which these planes land at Puerto Rico and the censoring is performed there. There are some Italian passenger planes that go down the coast, but they do not carry any mail.

duB

FOR DEFENSE

BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

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1942 AUG 10 AM 7 31

V DENVER COLO 407A AUG 10 1942

UNDER SECRETARY OF THE TREASURY

WASHINGTON DC

CARGO NOW IN DENVER MINT

FAILOR.

729A AUG 10 1942

(Received by F.D. from
E.D.B. at 9:05 a.m., 8/10/42)

Copy:1c:8/11/42

August 12, 1942

File

Mr. Dietrich

July 29, 1942

11:05 A.M. Mr. S. V. Hall summoned me to his office and stated that the Russian Ambassador had informed the Secretary of a shipment of gold valued at \$3,755,000 which was due to arrive at Nome, Alaska about the end of July. Mr. Hall also said that the Secretary had agreed to see that this shipment was transported from Nome, Alaska to the United States Mint at Denver. He instructed me to prepare a letter to the Secretary of War giving the details of this shipment of gold and to request that the War Department handle the transportation from Nome to Denver.

July 30, 1942

5:10 P.M. I inquired of Mr. Hall if he knew when the gold would arrive at Denver. Mr. Hall replied that he did not but that a Mint man was being sent to Nome to take charge of the gold.

July 31, 1942

5:15 A.M. Mr. Hall called me to his office and asked me to prepare a letter of instructions for Mr. Failer of the Mint Service who was going to Nome to take charge of the gold shipment.

1:00 P.M. I delivered to Mr. Failer the letter of instructions mentioned above and spent quite some time providing him with miscellaneous information as to the size of the boxes, the gold contents and possible situation which might arise in connection with the shipment.

5:10 P.M. I delivered to Mr. Gumphe at the Russian Embassy a draft of a letter which the Russian Ambassador was to send to the Secretary in connection with this shipment. Mr. Gumphe said that this letter would reach the Treasury tomorrow. He inquired if the shipment was insured and I replied that I did not know. Mr. Gumphe said that he would speak to the Ambassador tomorrow about insuring the shipment.

July 31, 1942

5:15 P.M. I called Mr. Gumphe and informed him that the letter which the Russian Ambassador was to send to the Secretary had not yet been received. Mr. Gumphe said he would check this matter with the Ambassador and that he had not yet talked with the Ambassador about insuring the shipment but that he would shortly.

5:10 P.M. Mr. Gumphe informed me that the Ambassador would not sign the letter of instructions to the Secretary as he had called to Russia relative to instructions about insurance.

1:35 P.M. I spoke to Mr. B. Bernstein about not receiving the Russian letter and he said to mention the matter to him in the morning. I gave Mr. B. Bernstein a copy of the letter and he said he would speak to Mr. White.

August 1, 1942

10:12 A.M. Mr. B. Bernstein informed me that he had spoken to Mr. White and that Mr. White said the matter of the letter would be taken up Monday morning.

August 1, 1942

12:35 P.M. In reply to Mr. Gumphe's inquiry as to the name of the man who was to take charge of the gold at Rums, I told him it was Kenneth H. Failer. I reported this inquiry to Mr. B. Bernstein who suggested we await developments.

August 4, 1942

5:05 P.M. Mr. Gumphe informed me that the shipment was valued at \$5,600,000 and was to be insured from the point of shipment to the Denver Mint. I asked Mr. Gumphe what sort of insurance was wanted and he replied "General Insurance". In reply to my question of where the shipment originated, Mr. Gumphe said that in English it is "Providence", north of Bucharest. I informed Mr. B. V. Hall and Mr. B. Bernstein of this conversation with Mr. Gumphe. Later Mr. Hall instructed me to write a letter to the War Department in the morning on the increased amount, and at my suggestion a telegram to Mr. Failer, giving the new amount, was also included in this letter.

August 5, 1942

9:35 A.M. I called Mr. Gumphe who confirmed that the value of the shipment was \$5,600,000.

12:02 Noon I delivered to Mr. Gumphe at the Soviet Embassy a draft of a letter which the Russian Ambassador was to write to the Secretary requesting that insurance be placed on the shipment. I explained to Mr. Gumphe that in order to obtain insurance it would be necessary to divulge the point of shipment, the name of the ship, the contents of the shipment and the destination, and Mr. Gumphe said that this would be all right. Mr. Gumphe also requested that he be advised of the cost of the insurance with and without the premium included in the insurance.

5:00 P.M. Mr. Long of the Federal Reserve Bank of New York, who had been requested to canvass the insurance market, stated that Mr. Sum of Delaney Rip & Sum had discussed this insurance with the 4 largest underwriters in New York and only 1 of them showed any interest in placing insurance, while the other 3 thought that this was more a military operation than a commercial operation. Mr. Sum said that possibly \$500,000 and maybe \$1,000,000 at the most in insurance could be obtained on the shipment from the Bay of Providence to Denver. Mr. Sum also said that maybe \$1,000,000 and \$2,000,000 at the most in insurance might be obtained on the trip from Rums to Denver. He said that if this insurance was to cover during transit a route that was not used much, it would be necessary for the underwriters to get together to check ship rates, if any insurance were written. Mr. Sum also said that he had yet to see 16 more underwriters which would probably take 2 days.

I mentioned to Mr. D. V. Bell the difficulty in obtaining insurance and suggested that in the circumstances the Secretary might take delivery of the gold at Hono and then insure the shipment under the "Government Losses in Shipment Act" from Hono to the Denver Mint. Mr. Bell said that he would discuss this matter with the Secretary. Mr. Bell agreed with my suggestion that I discuss with the War-time Insurance Corporation whether or not it would insure the shipment from the Bay of Providence to Hono.

August 6, 1942

9:15 A.M. I called at the War-time Insurance Corporation and spoke with Mr. Houlahan, Deputy Administrator in Charge of Fiscal Affairs, Mr. Smith and Mr. Carterville to see if the corporation would cover the insurance from the Bay of Providence to Hono. All three of these gentlemen agreed that this shipment was not consistent with the policy of the corporation which is to promote under bonus commerce of the United States. They also mentioned that the War Insurance Corporation had discussed with the Lend-Lease people the question of insuring Lend-Lease shipments to Russia and that the Lend-Lease people had said the corporation was not to do so. This request for insurance on Lend-Lease shipments had been received informally from the Russians. In view of refusing to insure Lend-Lease shipments the three gentlemen named did not think it would be wise to write insurance covering this Russian gold shipment. Mr. Houlahan stated that if for reasons of high policy it was necessary for the corporation to insure this shipment from the Bay of Providence to Hono, that upon instructions from the President, the corporation would be glad to comply with the request.

11:00 A.M. Mr. Lang called and said that Mr. Dunn felt that if given assurance that 3 planes were to transport the gold that insurance up to \$1,000,000 to \$1,500,000 on each plane might be obtained on the trip from Hono to Denver. Mr. Lang and I discussed the possibility of placing this insurance and letting the Russians pay the premium on as much insurance as was obtained and to record the uninsured portion of the shipment under the "Government Losses in Shipment Act" if delivery of the gold was taken at Hono.

11:10 A.M. Miss Melia informed me that Mr. D. V. Bell told her to tell me that the Secretary said to take delivery of the gold at Hono.

11:00 A.M. I discussed with Mr. Bell my conversation with the War-time Insurance Corporation people and how they felt about placing insurance on this shipment. I also mentioned that if delivery were taken at Hono we could have the Russians pay for as much insurance obtained and place the balance under "Government Losses in Shipment Act". Mr. Bell did not agree to this as he felt ^{that} to take delivery of the gold it should be insured wholly under "Government Losses in Shipment Act".

5:10 P.M. I called on Mr. Grunke at the Russian Embassy and delivered to him our letter of August 5 stating that the Secretary of the Treasury would take delivery of the gold at Hono and that it would be insured for the Secretary's account under the "Government Losses in Shipment Act". I explained to Mr. Grunke the insurance situation and the fact that by taking delivery at Hono the gold would be transported from there to Denver, Colorado for the Secretary's account and therefore the gold would be placed under "Government Losses in Shipment Act", that any losses between these two points would be payable to the Secretary and that by handling the shipment

A tele message there would be no business problems to be paid by the Russian Government. I explained to Mr. Gump that we had received a telegram today from Mr. Fuller stating that he was still waiting for the gold to arrive.

August 7, 1938

11:30 P.M. Mr. Gump called me today and said that the Ambassador did not quite understand how the Treasury of the Freezing could take delivery of the gold at Paris and insure it and that there would be no problem on the insurance to be paid by the Russian Government. Mr. Gump said that he understood the matter thoroughly but wanted to check with me again to confirm our conversation of August 6, 9:30 P.M.

August 8, 1938 (Saturday)

2:55 P.M. Mr. Gump called me at my home and said that the shipment would arrive at Paris today. He also mentioned that the day on which the gold was being transported had been changed from the 20th instant to the 22nd.

1:00 P.M. I called Mr. B. V. Bell and informed him of my conversation with Mr. Gump and Mr. Bell agreed to contact the War Department and send a message to Mr. Fuller at Paris as follows: "22nd instead of 20th".

1:10 P.M. I tried to locate either Mr. Howard or Mr. Francis of the Eliza Service but could not.

1:45 P.M. I called Mrs. Rose and informed her that this shipment might arrive at Denver over the weekend and she said that she knew that certain employees of the Denver Eliza had been designated to stand by awaiting this shipment. She said that she would call the Denver Eliza and tell them the shipment might arrive tomorrow.

1:50 P.M. Mrs. Rose called me back at home and said that she had phoned the Denver Eliza and talked to the chief clerk who said that his waiting people were standing by to take in the shipment.

2:00 P.M. I called Mr. B. V. Bell and told him that Mrs. Rose had called the Denver Eliza and that everything was in readiness to receive the shipment.

August 10, 1938

9:10 A.M. Mr. Bell informed me that Mr. Fuller had called from Edmonton, Alberta at 4:30 P.M. August 9 (Sunday) and said that the shipment would arrive at Denver at 1:00 P.M. on the morning of August 10. Mr. Bell said that he had phoned the chief clerk of the Denver Eliza and told him the approximate time of arrival.

9:15 A.M. Mr. Ambassador delivered to me a telegram addressed to the ^{Under} Secretary of the Treasury from Mr. Fuller which read "Gump now at Denver Eliza".

9:15 A.M. I submitted to Mr. E. H. Bernhardt the copy of the telegram to the Denver Eliza instructing the manner in which it was to handle this gold. Mr. E. H. Bernhardt said that he would advise Mr. White of the arrival of the gold at Denver.

11:30 A.M. I called Mr. Howard and told him that I had received a telegram from

- 9 -

7. Fuller stating that the shipment had arrived at the Denver Mint. Mr. Howard said that he had also received a similar telegram from Mr. Fuller. I asked Mr. Howard to advise the Denver Mint that there was to be no publicity about this shipment.

9:36 A.M. The telegram of instructions to the Denver Mint was delivered to the Treasury Telegraph Department.

9:52 A.M. I called Mr. Grumbe and advised him of the arrival of the gold at Denver.

Stabilization Fund

AUG 10 1942

**Superintendent,
United States Mint,
Denver, Colorado.**

There will shortly be deposited with you gold valued at approximately \$5,600,000 for the account of the Secretary of the Treasury of the United States by order of the Government of the Union of Soviet Socialist Republics.

Upon receipt of the gold, you are hereby authorized and instructed to melt and determine its value. After determination of the value you are further authorized and instructed to purchase the gold at the first price of \$75 per fine troy ounce, without subtracting the 1/4 of 1% handling charge, to prepare the deposit certificate accordingly, to issue your check for the net value of the gold (less the usual Mint charges) to the order of the Denver branch of the Federal Reserve Bank of Kansas City for account of the Federal Reserve Bank of New York for credit to the "Secretary of the Treasury, Special Account". Please instruct the Denver branch of the Federal Reserve Bank of Kansas City to transfer this amount by telegraph to the Federal Reserve Bank of New York for credit to the "Secretary of the Treasury, Special Account". Please have the Denver branch of the Federal Reserve Bank of Kansas City include in its telegram to the Federal Reserve Bank of New York the contents of the number of fine ounces, the total dollar value, the amount of the regular 1/4 of 1% handling charge, the amount of the Mint charges which have been deducted, and the date of the arrival of the gold at the Denver Mint. Please prepare 10 copies of Mint Form 48-2 in the usual manner, inserting in the prepared spaces at the foot of the report the total value of the gold, the melting charge, the handling charge, the total charges and the net value of the gold, with the handling and other charges deducted. These forms are to be forwarded to the Secretary of the Treasury, attention Frank Dietrich, Room 223, Treasury Department, Washington, D. C.

You will observe from these instructions that you are not to deduct the 1/4 of 1% handling charge, notwithstanding the preparation of forms 48-2 per above directions.

You are also authorized and instructed to arrange for the transportation of the above-mentioned gold from the airport in Denver to the United States Mint, if this should be necessary, and to charge the costs thereof to the Treasurer of the United States as a transfer of funds.

Initialed: FD JED BB EMB

(Signed) D. W. BELL

FD:lap-7/30/42

Acting Secretary of the Treasury.

For Miss Chamney

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**TREASURY DEPARTMENT
OFFICE OF THE SECRETARY**

August 10, 1942

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended July 29, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

[Handwritten mark]

lap-8/10/42

COPY

FEDERAL RESERVE BANK OF
NEW YORK

August 6, 1942

CONFIDENTIAL

Dear Mr. Secretary:

Attention: Mr. H. D. White

I am enclosing our compilation for the week ended July 29, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

(Signed) Robert G. Rouse,

Vice President.

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

Enclosure

COPY:lap-8/10/42

FEDERAL RESERVE BANK
OF NEW YORK

August 6, 1942

CONFIDENTIAL

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

I am enclosing our compilation for the week ended July 29, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

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Robert G. Rouse,
Vice President.

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

Enclosure

STATEMENT OF RECEIPTS AND PAYMENT ACCOUNTS OF THE UNITED KINGDOM (BRITISH GOVERNMENT)

PERIOD	DEBITS			CREDITS			BALANCE			OF CREDITS		
	Total Expenditures (a)	Gov't	Other Debits	Total Credits	Proceeds of Sales of	Securities (b)	Net Incr. (+) or Decr. (-) in Balance	Total Debits	Gov't Expenditures (d)	Other Debits	Total Credits	Proceeds of Gold Sales
First year of war (8/29/39-8/28/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	52.0	420.1	866.3(e)	416.6(e)	449.7	1,095.3(f)	900.2
War period through December, 1940	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	106.0	575.6	878.3	421.4	456.9	1,098.4	900.2
Second year of war (8/29/40-8/27/41)*	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	38.9	4.8	34.1	8.8	-
1941												
Aug. 28 - Oct. 1	140.9	105.9	35.0	176.2	20.1	2.0	154.1	0.3	-	0.3	0.5	-
Oct. 2 - Oct. 29	109.0	77.3	31.7	150.9	0.8	-	150.1	0.3	-	0.3	0.3	-
Oct. 30 - Dec. 3	156.1	111.6	44.5	134.6	-	1.0	133.6	16.1	-	16.1	0.4	-
Dec. 4 - Dec. 31	88.4	69.6	18.8	51.5	-	-	51.5	0.8	-	0.8	0.4	-
1942												
Jan. 1 - Jan. 28	102.3	73.2	29.1	69.3	-	0.5	68.8	0.2	-	0.2	0.4	-
Jan. 29 - Feb. 25	87.2	63.8	23.4	57.2	-	1.0	56.2	0.1	-	0.1	0.3	-
Feb. 26 - Apr. 1	121.4	86.4	35.0	171.6	-	-	171.6	0.1	-	0.1	0.4	-
Apr. 2 - Apr. 29	6.1	4.2	1.9	10.6	-	0.5	7.1	0.2	-	0.2	0.4	-
Apr. 30 - June 3	104.0	81.4	22.6	166.7	-	-	165.7	-	-	-	0.3	-
June 4 - July 1	15.6	12.6	3.0	13.6	-	-	13.6	-	-	-	0.3	-
July 2 - July 29	56.1	45.9	10.2	84.4	-	-	84.4	0.1	-	0.1	0.3	-

WEEK ENDED:

July 8	22.8	19.5	3.3	15.1	-	-	13.1	-	-	-	0.1	-
15	18.3	11.6	6.7	29.2	-	-	29.2	-	-	-	0.1	-
22	10.2	5.6	4.6	31.2	-	-	31.2	-	-	-	0.1	-
29	14.8	9.2	5.6	10.3	-	-	10.8(f)	-	-	-	0.1	-

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940) \$19.6 million

England (through June 19, 1940) 27.6 million

England (since June 19, 1940) 36.3 million

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

Transfers from British Purchasing Commission to Bank of Canada for French Account

Week ended July 29, 1942 \$ 163.7

million

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply, Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the reliquidation of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (f) Includes \$3.0 million transferred from account of Commonwealth Bank of Australia here; \$1.4 million received for credit of U. S. State Department; \$0.3 million for credit of U. S. Army.

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

Revised July 29, 1946

SECRET

PERIOD	UNITED KINGDOM AND CANADIAN GOVERNMENTS				COMBINATION BANK OF AUSTRALIA (and Australian Government)			
	U K G I T S		C R E D I T S		U K G I T S		C R E D I T S	
	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	Other Credits	Net Incr. (+) or Decr. (-) in Balance	Total Debits
First year of war (8/29/39-8/28/40)*	323.0	15.6	306.4	504.7	412.7	20.9	38.7	32.4
War period through December, 1940	477.2	16.6	490.6	707.4	524.8	20.9	110.7	41.0
Second year of war (8/29/40-8/27/41)**	460.4	-	460.4	462.0	246.2	3.4	123.9	68.5
Aug. 28 - Oct. 1, 1941	31.1	-	31.1	32.2	21.2	-	-	31.0
Oct. 2 - Oct. 29	37.4	-	37.4	19.7	11.9	-	-	7.8
Oct. 30 - Dec. 3	32.8	0.1	32.7	33.5	19.3	-	-	13.2
Dec. 4 - Dec. 31, 1942	47.7	-	47.7	22.2	17.3	-	-	4.9
Jan. 1 - Jan. 28	39.5	-	39.5	33.0	27.0	-	-	6.0
Jan. 29 - Feb. 25	34.1	-	34.1	35.7	12.4	-	-	23.3
Feb. 26 - Apr. 1	46.5	-	46.5	29.3	7.7	-	-	71.1
Apr. 2 - Apr. 29	37.4	-	37.4	35.0	14.6	-	-	21.7
Apr. 30 - June 3	54.2	-	54.2	47.0	15.7	-	-	32.2
June 4 - July 1	47.2	-	47.2	32.9	13.7	-	-	38.2
July 2 - July 29	40.8	-	40.8	37.7	9.0	-	-	28.7
Weekly Average of Total Debits Since Outbreak of War								
Through July 29, 1942	7.9	-	7.9	7.7	0.2	-	-	7.5
For monthly breakdown see tabulations prior to April 23, 1941.	15	-	15	13.9	1.1	-	-	10.4
For monthly breakdown see tabulations prior to October 8, 1941.	28	-	28	25.9	2.1	-	-	4.0
(a) Includes \$5.6 million representing proceeds of U. S. Government checks deposited by war supplies, etc.	29	-	29	25.9	2.1	-	-	6.6
(b) Since this represents the net change in all dollar funds held here by the Canadian Government, it does not reflect the receipt of \$6.8 million representing the proceeds of war supplies, etc.								

I - revised

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose Statement No. 45 - Aircraft Despatched
- for week ended August 4th, 1942.

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

August 10, 1942.

TOP SECRET

August 8, 1942.

STATEMENT NO. 45
AIRCRAFT DESPATCHED FROM THE UNITED STATES
WEEK ENDED AUGUST 4th 1942

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>Cessna</u> A.T.17 Crane IA	Canada	Canada			8
<u>Consolidated</u> P.B.Y.-5.B.	U.K.	Canada en route		4	
<u>Curtiss</u> Kittyhawk	Middle East	Middle East	20		
<u>Douglas</u> D.B. 7B.Boston III	U.K.	U.K.	1		
<u>Glenn Martin</u> B.26A Marauder	Middle East	Middle East		5	
<u>Lockheed</u> A.28 Hudson VI	Middle East	Middle East		3	
" " VIA	" "	" "		3	
Ventura	Canada	Canada			5
"	U.K.	Canada en route		3	
"	South Africa	South Africa		6	
<u>Shuttle 12A</u>	U.K.	U.K.	1		
<u>Fairechild</u> 24 R.9	U.K.	U.K.	13		
<u>North American</u> N.A.73 Mustang	U.K.	U.K.	7		
<u>Northrop</u> Vengeance	India	Bombay	6		
<u>Yough Siksorsky</u> O.S.2.V.	U.K.	U.K.	13		
"	South Africa	South Africa	12		
TOTALS			73	24	13

British Air Commission
 August 8, 1942.

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 273

1. N Information received up until 7 A.M., 10th August, 1942.

1. NAVAL

A British ship reported yesterday that she was being attacked by a raider 920 miles Southwest of ASCENSION ISLAND. No further details received.

2. AIR OPERATIONS

WESTERN FRONT. 9th. A Mosquito bombed the docks at FRANKFURT. 7 offensive operations involving 17 Squadrons of the U.S.A. Air Corps were carried out over Northern FRANCE and against shipping off the Belgian Coast, one Spitfire is missing. A JU 88 was destroyed by typhoons off the East coast 9th to 10th. 256 aircraft were despatched as follows - OSNABRUCK 192, HAVRE 18, aerodromes 22, sea mining off the Dutch coast 14, shipping off BORKUM 10. Visibility over OSNABRUCK was good. 8 aircraft are missing. 37 enemy aircraft flew over this country, 2 were destroyed and one damaged by night fighters and another destroyed by A.A.

EGYPT. 7th to 8th. Our bombers attacked the harbours at TOBRUK, BARDIA and MERSA MATRUH. At TOBRUK bombs fell among ships and at MERSA MATRUH an F-boat (tank landing craft) was hit. On the 8th, a second F-boat was hit off BARDIA.

3. HOME SECURITY

9th to 10th. Flares were dropped over many towns in LANCASHIRE and on the Northeast coast slight damage reported, chiefly to crops and farm buildings. At PETERBOROUGH, incendiary bombs caused some damage to the roofs of the Cathedral, the Bishop's Palace and the Town Hall.

4. The Germans are undertaking important alterations at LA PALlice. A new lock is under construction, shelters for 4 more U-boats are being built and booms are being laid to protect the entrances to the roadsends.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 10, 1942

TO Secretary Morgenthau

FROM Mr. Hoflich

Subject: Second Front - Ambassador Maisky's "Off-the-Record" Statement.

The following are highlights of a recent statement by Soviet Ambassador Maisky to a private gathering of 300 members of the British Parliament and "off the record" to 21 leading British newspaper editors:

1. The military power of the Soviet Union probably has reached its peak and will be lower in 1943 than it is today. Losses in killed, wounded and captured are estimated at five million.

2. Russia has lost about half of its steel and pig iron production and three-quarters of its aluminum output.

3. The loss of the Ukraine and the threatened loss of the Kuban granary will result in a serious food problem next year.

4. The German capture of an extensive railway network on the southern front has increased the mobility of the German forces and reduced that of the Russians.

5. The Russian forces have been forced to withdraw steadily as the only alternative to encirclement and annihilation. Only in this way have the Russians retained their fighting power and cohesion.

6. The answer to these rapidly mounting difficulties is an Allied second front this year. Every Allied division landed on the Continent this year would be worth two or three next year. If a second front is postponed until 1943, the increased strength of the Anglo-Saxon powers will be counterbalanced by the weakened condition of the Soviet Union. By next year the Nazis may be able to transfer large forces to Western Europe.

(Office of Strategic Services, "The War This Week", July 30-August 6, 1942)

TREASURY DEPARTMENT
WashingtonFOR RELEASE, MORNING NEWSPAPERS,
Tuesday, August 11, 1942
8/10/42Press Service
No. 32-77

Secretary of the Treasury Morgenthau announced last night that reports from the Federal Reserve Banks indicate that subscriptions for the additional issue of 2-1/2 percent Treasury Bonds of 1962-67 aggregated \$1,026,595,400, through August 10, divided among the several Federal Reserve Districts and the Treasury as follows:

<u>Federal Reserve District</u>	<u>Total Subscriptions Received & Allotted</u>
Boston	\$ 68,821,900
New York	654,620,300
Philadelphia	48,171,800
Cleveland	22,541,300
Richmond	14,407,700
Atlanta	4,498,000
Chicago	42,905,400
St. Louis	3,926,400
Minneapolis	14,397,000
Kansas City	7,307,100
Dallas	10,910,600
San Francisco	17,935,400
Treasury	383,200
Government Investment Accounts	115,769,300
TOTAL	<u>\$1,026,595,400</u>

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8/11/42
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TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE
Tuesday, August 11, 1942

Press Service
No. 32-73

Secretary of the Treasury Morgenthau today announced the subscription figures and the basis of allotment for the cash offering of 7/8 percent Treasury Certificates of Indebtedness of Series B-1943.

Reports received from the Federal Reserve Banks show that subscriptions aggregate \$3,273,000,000. Subscriptions in amounts up to and including \$25,000, totaling about \$71,000,000, were allotted in full. Subscriptions in amounts over \$25,000 were allotted 48 percent, on a straight percentage basis, but not less than \$25,000 on any one subscription, with adjustments, where necessary, to the \$1,000 denomination.

Details as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

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August 11, 1942.

MEMORANDUM FOR THE FILES:

Mr. Willkie telephoned me yesterday afternoon. He said he just wished to keep me informed as to the developments in their negotiations with the British.

They had had a satisfactory meeting and the British had stated that they were going to ask to have special representatives to conduct further negotiations sent from London. He expected that they would arrive shortly at which time the discussions would be resumed.

H. D. White

August 11, 1942

MEMORANDUM FOR THE SECRETARY:

Messrs. Bell, Gaston, Kuhn and Blough had a conference at 9:15 this morning in Mr. Bell's office, at which we discussed your suggestion that someone have a conference with Senator Vandenberg in order to obtain a more definite statement as to the meaning of his call on the Administration to submit a "comprehensive" fiscal program for financing the war effort. For your information there is attached hereto a copy of the account of Senator Vandenberg's call in the New York Tribune of August 10.

It was thought in many respects undesirable to make a formal call upon Senator Vandenberg, the consensus of opinion being that he might make political capital out of such a call by announcing in the press that the Under Secretary and others in the Treasury were consulting him. As a compromise measure, it was suggested that I interview Senator Vandenberg more or less informally before the Senate finance hearings. I therefore left for the Senate hearing room and was able to run into Senator Vandenberg very casually just before the hearings began at 10 o'clock.

I told the Senator that I was interested in knowing what he meant by his call for a "comprehensive" financing plan about which he spoke to me the day before, that I had been reading the newspaper account since that time and wondered what particularly the Senator had in mind. He told me the following:

(1) His opinion is that we will have to resort not only to a sales tax but also to compulsive savings of a drastic character. On this

- 2 -

point he doesn't think that compulsory savings would be passed by Congress immediately but that it would be part of a broad financing effort for which the public mind should be prepared at this time.

(2) The Senator thinks there is a great misconception in the public mind in that it is generally thought that the war will be financed by an eight billion dollar tax bill and the President's demagogical \$25,000 limitation proposal. (The Senator said he did not blame the President for making this proposal; "We all have to be demagogues at times," he said.) This approach to the problem neglects the thirty billion dollar commercial bank financing necessity which he thought is not being faced at all. He thought, in other words, that the Treasury had no plan for this important end of the picture.

(3) The Senator thinks it will take some time to work out these problems and that much public education is necessary. He thinks the Treasury is dawdling with the problem and will have to face it suddenly some time, say a few months from now when the public will be totally unprepared. On this point he said that the public will not accept a sudden unsupported pronouncement of change or development of policy by the Secretary but that any such new program should be supported by the greatest fiscal experts in the country. This is the background of his demand for a committee to be appointed by the President to study the problem. The committee would serve as a sort of prestige factor in the equation. I asked the Senator whether he had any particular persons in mind for such a committee and he replied that he did not.

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In the course of my conversation with the Senator he observed that we were being too political in advance of elections. Throughout the conversation he exhibited a very friendly attitude toward you personally.

Ref.

Attachment

The New York Tribune
August 10
1942

Plan to Finance War Demanded By Vandenberg

**Wants Best Fiscal Minds of
Land Put to Work on
Comprehensive Program**

From the Herald Tribune Bureau
WASHINGTON, Aug. 9.—As the Senate Finance Committee prepared to embark on what its members hope will be the last week of public hearings on the House-approved \$6,271,000,000 revenue bill, Senator Arthur H. Vandenberg, Republican of Michigan, called today on the Administration to submit a "comprehensive" fiscal program for financing the war effort.

A member of the Finance Committee, Senator Vandenberg pointed out that Congress is devoting at least nine months to trying to raise from \$6,000,000,000 to \$8,000,000,000 in taxes, as one segment of a financial program of \$50,000,000,000. At the same time the Treasury proposes to take the entire year on a voluntary bond sales campaign to raise \$12,000,000,000, representing another segment.

At the result, as far as Congress and the public have been informed, Senator Vandenberg concluded, the Treasury will be required to borrow some \$30,000,000,000 from the banks, a procedure which, he said, was certainly potentially inflationary.

"President Roosevelt," said Senator Vandenberg, "should put the best fiscal minds of the country to work immediately on a plan of war financing that will combine taxation with government borrowing in a comprehensive program."

Silent on Sales-Tax Showdown

At the same time the Michigan Senator, who is an outspoken advocate of the sales tax as a means of raising new revenue to the level of the Treasury recommendation of \$3,700,000,000, would not comment on the final showdown in the Finance Committee on this controversial levy. To date the hearings of the committee have indicated that a majority of the membership finally will oppose the sales tax and probably report a bill not greatly in excess of the \$6,000,000,000 plus provided in the House measure and derived mainly from drastic increases in the income tax on both individuals and corporations.

The committee enters its third week of hearings with Congress still awaiting President Roosevelt's promised revision of his anti-inflation program, plans for which are said to be under study by Justice Samuel Rosenman, of the New York Supreme Court.

In announcing today the quotas for bond sales for August, the Treasury Department disclosed that the total had been fixed at only \$615,000,000, although no change had been made in the goal to obtain \$12,000,000,000 from this source this year.

"The \$615,000,000 total," said a Treasury statement, "is in keeping with the goal since the seasonal variations in income distribution prevents the establishment of a uniform national monthly quota of \$1,000,000,000."

The August quota for New York City was announced at \$100,336,000.

August 11, 1942

Conference in the State Department
Tuesday, August 11, 1942
4:00 P.M.

The meeting was held in Mr. Acheson's office to consider the latest draft setting up an International Relief Authority.

The committee members were in agreement on this latest draft, as appended, with the exception of some minor changes to be incorporated in the final draft.

Mr. Acheson stated that he would like to present that final draft to Secretary Hull then possibly to the President.

Mr. Stone of the Board of Economic Warfare, said that his chief would probably want some time to consider the matter before any such action was taken. Mr. White stated that the Secretary of the Treasury had not yet examined the draft and that he hoped it was clear to Mr. Acheson that the Treasury Department had not yet approved of the draft.

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DEPARTMENT OF STATE

ASSISTANT SECRETARY

August 10, 1942

For discussion in Mr. Acheson's
office, Tuesday, August 11,
at 4:00 p.m.

Aug 11, 1942
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STRICTLY CONFIDENTIAL

August 10, 1942

Relief and Rehabilitation Administration ,Draft No. 2*or authorities*

The Governments whose duly-authorized representatives
^
have subscribed hereto,

Having subscribed to a common program of purposes and principles embodied in the Declaration of January 1, 1942, known as the United Nations Declaration and the Joint Declaration of the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland dated August 14, 1941, known as the Atlantic Charter,

Being determined that immediately upon the liberation of any area by their armed forces the population thereof shall receive aid and relief from their sufferings, food, clothing and shelter, aid in the prevention of pestilence and in the recovery of the health of the people, and that preparation and arrangements shall be made for the return of prisoners and exiles to their homes, for the resumption of agricultural and industrial production and the restoration

of

of essential services, to the end that peoples once freed
may be preserved and restored to health and strength for
the tasks and opportunities of building anew,

Have agreed as follows:

Article I

There is hereby established the United Nations Relief and Rehabilitation Administration.

1. The Administration shall have power to acquire, hold and convey property, to enter into contracts and undertake obligations, to designate or create agencies and to review the activities of agencies so created, to manage undertakings and in general to perform any legal act appropriate to its objects and purposes.

2. The purposes and functions of the Administration shall be as follows:

(a) To plan, coordinate, administer or arrange for the administration of measures for the relief of victims of war in any area under the control of any of the United Nations through the provision of food, fuel, clothing and other basic necessities, housing facilities, medical and other essential services; and to facilitate in areas receiving relief the production and transportation of these articles and the furnishing of these

these services so far as necessary to the adequate provision of relief.

(b) To formulate and recommend measures for individual or joint action by any or all of the member governments for the coordination of purchasing, the chartering of ships and other procurement activities in the period following the cessation of hostilities, with a view to integrating the plans and activities of the Administration with the total movement of supplies, and for the purpose of achieving an equitable distribution of available supplies. The Administration may administer such coordination measures as the member governments may authorize.

(c) To formulate and recommend for individual or joint action by the United Nations measures with respect to such related matters, arising out of its experience in planning and performing the work of relief and rehabilitation, as may be proposed by any of the member governments and approved by unanimous vote of the Policy Committee.

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Article II

Membership

The members of the United Nations Relief and
Rehabilitation Administration shall be the governments^{or authorities}
signatory hereto and such other governments^{or authorities} as may upon
application for membership be admitted thereto by action
of the Council or the Policy Committee thereof.

Article III

The Council*or authority*

1. Each member government, shall name one representative, and such alternates as may be necessary, upon the Council of the United Nations Relief and Rehabilitation Administration, which shall be the policy-making body of the Administration. The Council shall, for each of its sessions, select one of its members to preside at the session.
2. The Council shall be convened in normal session not less than twice a year by the Policy Committee. It may be convened in special session whenever the Policy Committee shall deem necessary, and shall be convened within thirty days after request therefor by a majority of the members of the Council.
3. The Policy Committee of the Council shall consist of the representatives of China, the Union of Soviet Socialist Republics, the United Kingdom, and the United States of America, with the Director General presiding. Between sessions of the Council it shall exercise all the powers and functions thereof. It shall invite the participation of the representative of any member government at those of its meetings

-7-

meetings at which action of special interest to such government is discussed.

4. The Council may establish such standing committees as it considers desirable to advise it, and, in intervals between sessions of the Council, to advise the Policy Committee. The members of such committees shall be appointed by the Policy Committee, with the approval of the Council if it be in session, and otherwise subject to its ratification, from members of the Council or alternates nominated for the purpose. Among these committees, the Council ~~shall~~ ^{may} establish regional committees to advise it on the making of plans and formulation of policy for the relief and rehabilitation of Europe, the Far East and of any other areas where such committees may be found desirable. The regional committees shall normally meet within the area and shall include members of the Council, or their ^{or with others} alternates, representing the member governments ^{directly} concerned with the problems of relief and rehabilitation in that area. The Regional Committee on European

Relief

-8-

Relief when so constituted shall take over and carry on the work of the Inter-Allied Committee on European Post War Relief established in London on September 24, 1941. For such technical standing committees as may be established, in respect of particular problems such as nutrition, health, agriculture, transport, materials and supplies, repatriation and finance, the members may be members of the Council or alternates nominated because of special competence in their respective fields of work. Should a regional committee so desire, sub-committees of these technical standing committees shall be established to advise the regional committees.

5. The travel and other expenses of members of the Council and its committees shall be borne by the governments whom they represent

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Article IV

The Director General

1. The executive authority of the United Nations Relief and Rehabilitation Administration shall be in the Director General, who shall be appointed by the Council on the nomination of the Policy Committee.

2. The Director General shall have full power and authority for carrying out relief operations contemplated by Article I, section 2(a), within the limits of available resources and the broad policies determined by the Council or its Policy Committee. Immediately upon taking office he shall in conjunction with the military and other appropriate authorities of the United Nations prepare plans for the emergency relief of the civilian population upon the ~~occupation~~ ^{on} ^{occupied} of any area by the armed forces of any of the United Nations, arrange for the procurement and assembly of the necessary supplies and create or select the emergency organization required for this purpose. In arranging for the procurement, transportation, and distribution of supplies and services, he and his representatives

-10-

representatives shall consult and collaborate with the appropriate authorities of the United Nations and shall, wherever practicable, use the facilities made available by such authorities. Foreign voluntary relief agencies may not engage in activity in any area receiving relief from the Administration without the consent and unless subject to the regulation of the Director General.

3. The Director General shall also be responsible for the organization and direction of the functions contemplated by Article I, sections 2(b) and 2(c).

4. The Director General shall appoint such Deputy Directors, other officers, expert personnel, and staff, at his headquarters or elsewhere, including the staff of field missions and secretarial and other necessary staff for the Council and its committees, and may delegate to them such of his powers as he may deem appropriate.

Reports of 5
Director General
to Council
postponed until
after war.

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Article V

Supplies and Resources

1. Each member government pledges its full support to the Administration, within the limits of its available resources and subject to the requirements of its constitutional procedure, through contributions of funds, materials, equipment, supplies and services, for use in its own, adjacent or other areas in need, in order to accomplish the purposes of Article I, section 2(a). All such contributions received by the Administration shall be accounted for.

2. The supplies and resources made available by the member governments shall be kept in review in relation to prospective requirements by the Director General, who shall initiate action with the member governments with a view to assuring additional supplies and resources as may be required.

3. All purchases by any of the member governments, made outside their own territories during the war for post-war relief or rehabilitation purposes, shall be made

made only after consultation with the Director General, and shall, so far as practicable, be carried out through the appropriate United Nations agency.

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Article VI

Administrative Expenses

The general administrative expenses shall be borne by the member governments in proportion to be determined by the Council. The governmental authority of any territory receiving aid from the Relief and Rehabilitation Administration shall in addition place at the disposal of the Administration any sums required in the currency of that territory for local expenditure in the administration or distribution of such aid.

Article VII

Amendment

The provisions of this agreement may be amended by unanimous vote of the Policy Committee and two-thirds vote of the Council.

STRICTLY CONFIDENTIAL

August 13, 1942

Relief and Rehabilitation AdministrationDraft No. 2

The Governments whose duly-authorized representatives have subscribed hereto,

Having subscribed to a common program of purposes and principles embodied in the Declaration of January 1, 1942, known as the United Nations Declaration and the Joint Declaration of the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland dated August 14, 1941, known as the Atlantic Charter,

Being determined that immediately upon the liberation of any area by their armed forces the population thereof shall receive aid and relief from their sufferings, food, clothing and shelter, aid in the prevention of pestilence and in the recovery of the health of the people, and that preparation and arrangements shall be made for the return of prisoners and exiles to their homes, for the resumption of agricultural and industrial production and the restoration

of

-2-

of essential services, to the end that peoples once freed
may be preserved and restored to health and strength for
the tasks and opportunities of building anew,

Have agreed as follows:

-3-

Article I

There is hereby established the United Nations Relief and Rehabilitation Administration.

1. The Administration shall have power to acquire, hold and convey property, to enter into contracts and undertake obligations, to designate or create agencies and to review the activities of agencies so created, to manage undertakings and in general to perform any legal act appropriate to its objects and purposes.

2. The purposes and functions of the Administration shall be as follows:

(a) To plan, coordinate, administer or arrange for the administration of measures for the relief of victims of war in any area under the control of any of the United Nations through the provision of food, fuel, clothing and other basic necessities, housing facilities, medical and other essential services; and to facilitate in areas receiving relief the production and transportation of these articles and the furnishing of

these

these services so far as necessary to the adequate provision of relief.

(b) To formulate and recommend measures for individual or joint action by any or all of the member governments for the coordination of purchasing, the chartering of ships and other procurement activities in the period following the cessation of hostilities, with a view to integrating the plans and activities of the Administration with the total movement of supplies, and for the purpose of achieving an equitable distribution of available supplies. The Administration may administer such coordination measures as the member governments authorize.

(c) To formulate and recommend for individual or joint action by the United Nations measures with respect to such related matters, arising out of its experience in planning and performing the work of relief and rehabilitation, as may be proposed by any of the member governments and approved by unanimous vote of the Policy Committee.

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Article II

Membership

The members of the United Nations Relief and Rehabilitation Administration shall be the governments or authorities signatory hereto and such other governments or authorities as may upon application for membership be admitted thereto by action of the Council or the Policy Committee thereof.

Article III

The Council

1. Each member government shall name one representative, and such alternates as may be necessary, upon the Council of the United Nations Relief and Rehabilitation Administration, which shall be the policy-making body of the Administration. The Council shall, for each of its sessions, select one of its members to preside at the session.
2. The Council shall be convened in normal session not less than twice a year by the Policy Committee. It may be convened in special session whenever the Policy Committee shall deem necessary, and shall be convened within thirty days after request therefor by a majority of the members of the Council.
3. The Policy Committee of the Council shall consist of the representatives of China, the Union of Soviet Socialist Republics, the United Kingdom, and the United States of America, with the Director General presiding. Between sessions of the Council it shall exercise all the powers and functions thereof. It shall invite the participation of the representative of any member government at those of its meetings

-7-

meetings at which action of special interest to such government is discussed.

4. The Council may establish such standing committees as it considers desirable to advise it, and, in intervals between sessions of the Council, to advise ~~the~~ Policy Committee. The members of such committees shall be appointed by the Policy Committee, with the approval of the Council if it be in session, and otherwise subject to its ratification, from members of the Council or alternates nominated for the purpose. Among these committees, the Council may establish regional committees to advise it on the making of plans and formulation of policy for the relief and rehabilitation of Europe, the Far East and of any other areas where such committees may be found desirable. The regional committees shall normally meet within the area and shall include members of the Council, or their alternates, representing the member governments directly concerned with the problems of relief and rehabilitation in that area. The Regional Committee on European

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5. The travel and other expenses of members of the Council and its committees shall be borne by the governments which they represent.

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representatives shall consult and collaborate with the appropriate authorities of the United Nations and shall, wherever practicable, use the facilities made available by such authorities. Foreign voluntary relief agencies may not engage in activity in any area receiving relief from the Administration without the consent and unless subject to the regulation of the Director General.

3. The Director General shall also be responsible for the organization and direction of the functions contemplated by Article I, sections 2(b) and 2(c).

4. The Director General shall appoint such Deputy Directors, other officers, expert personnel, and staff, at his headquarters or elsewhere, including the staff of field missions and secretarial and other necessary staff for the Council and its committees, and may delegate to them such of his powers as he may deem appropriate.

5. The Director General shall make periodic reports to the Council covering the progress of the Administration's activities. These reports shall be made public except for such

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such portions as the Director General may consider
it necessary, in the interest of the United Nations,
to keep confidential until the end of the war.

Article V

Supplies and Resources

1. Each member government pledges its full support to the Administration, within the limits of its available resources and subject to the requirements of its constitutional procedure, through contributions of funds, materials, equipment, supplies and services, for use in its own, adjacent or other areas in need, in order to accomplish the purposes of Article I, section 2(a). All such contributions received by the Administration shall be accounted for.

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-13-

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Article VI

Administrative Expenses

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Article VII

Amendment

The provisions of this agreement may be amended
by unanimous vote of the Policy Committee and two-thirds
vote of the Council.



August 11, 1942.

My dear Mr. Woodrum:

Your letter of August 8 reached here just after the Secretary had left Washington. I am forwarding the letter to him as I know that he will appreciate what you said about his forthcoming visit to Roanoke.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Clifton A. Woodrum,

Roanoke, Virginia.

GEF/dbs

*File in Diary
copy of reply & orig incoming
sent to Secy 8/11/42*

CLIFTON A. WOODRUM

1111 Day, Virginia
Roanoke, Va.

DIANE TAYLOR
SECRETARY

THE COMMITTEE ON APPROPRIATIONS

Congress of the United States
House of Representatives
Washington, D. C.

Roanoke, Virginia,
August 8, 1942.

Mr. Henry Morgenthau, Jr.,
Washington,
D. C.

My dear Henry:

I want to tell you how delighted I am that you are coming to Roanoke on the 24th of August in connection with the War Bonds Campaign.

I am highly honored that my constituents are to have the pleasure of entertaining you for a little while, and we are going to give you a warm reception.

I also want to direct your attention to "Woodrum Field," the Roanoke Airport, where you are scheduled to land. We think it is one of the finest. 

Looking forward with great pleasure to your visit, I am

Sincerely, your friend,

Cliff
CLIFTON A. WOODRUM

August 11, 1942.

Dear Mr. Shafroth:

The Secretary is away from Washington for a few days' vacation, and as I am acknowledging your letter of August 6 in his absence.

Of course I shall bring it to his attention as soon as he is back, and I know that he will appreciate your writing him as you did.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. Morrison Shafroth,
c/o Grant, Shafroth and Tull,
Equitable Building,
Denver, Colorado.

GEF/dbs

*Shown to the Secy of War
for Miss Chalmers
File in Diary*

GRANT, SHAFROTH AND TOLL
COUNSELLORS AT LAW
EQUITABLE BUILDING
DENVER, COLORADO

August 6, 1942

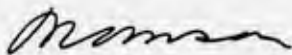
Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Henry,

I am delighted to see that Randolph Paul has been appointed General Counsel for the Treasury Department. He has in a marked degree the expert knowledge of revenue law and the fairness of mind which are so essential to the proper administration of the laws. The relations of the Treasury to the public are so important that a man of the mental attitude and expert knowledge of Paul will unquestionably be invaluable at this time.

With kindest personal regards,

Sincerely yours,



Morrison Shafroth

August 11, 1942

Memorandum

To: U. S. Department of Commerce,
Division of Foreign Trade Statistics,
Attention: Mr. Simpson.

Will you kindly include in your Weekly Statement of Gold and Silver Exports and Imports for the week ending August 12, 1942 an import into Denver, Colorado, of approximately 150,000 fine ounces of gold valued at \$5,600,000. This shipment came from Russia. It will not be covered by any other entry papers.

(Signed) D. W. BELL

D. W. Bell,
Under Secretary of the Treasury.

Initialed: FD MB

FD:16:8/11/42

COPY

TREASURY DEPARTMENT

United States Mint Service

New York, New York

Office of
The Superintendent
U. S. Assay Office
32 Old Slip

August 11, 1942

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

Att: Mr. Frank Dietrich

Honorable Sir:

Referring to your letter of July 30 relative to 28 cases of gold to be deposited by the Federal Reserve Bank of New York for the account of the Secretary of the Treasury of the United States, Special Account, we herewith enclose 10 copies of Form 42-R, covering this deposit.

Respectfully,

Superintendent

SS/H
Encs.

COPY:lap-8/14/42

R

Form 42 A.
TREASURY DEPARTMENT,
U. S. MINT SERVICE.

FOREIGN

THIS RECEIPT IS FOR THE INFORMATION OF THE DEPOSITOR, AND IS OF NO OTHER VALUE.

MEMO. REPORT ON ^{GOLD}_(SILVER) BULLION deposited at the Assay Office of the United States at New York

August 3, 1942

193

FRIENDS. RESERVE BANK OF NEW YORK

BY order of Court of U.S.S.R.

Credit of Secy of the Treasury, Spec a/c

[illegible]

net value of the above deposit is payable as follows:

BEVERAGES	\$	55.00	Party chgs.
ENTERTAINMENT	\$	4,700.00	Small chgs.
RENTALS	\$	4,700.00	Total chgs.
BY CHECK	\$	1,000.00	

Geo. Smith

For the Superintendent

Fine Silver, ozs.

Proc

U.S. GOVERNMENT PRINTING OFFICE

9-0433

August 12, 1942

MEMORANDUM FOR THE FILES

Subject: Telephone conversation with Dr. Herrera of the Cuban Embassy,
August 12, 1942

I called Dr. Herrera of the Cuban Embassy regarding the message he had received from his Government on the purchase of gold.

The Cuban Embassy has been informed by its Government that Cuba wishes to undertake three gold purchases of \$5 million each, payment to be made in United States currency delivered in Havana. Dr. Herrera told me that it was clear to them that they are asking us to make these gold sales apart from the agreement of July 6, 1942.

I explained to Dr. Herrera that the first telegram from Havana asked us to sell \$5 million of gold against currency, which we agreed to do. The second telegram from Havana requested us to have \$1 million in gold earmarked to the account of Cuba. At the same time, we were asked whether we would agree to two further transactions of \$5 million each.

It appears from the exchange of telegrams and the conversation with Dr. Herrera that the Cuban Government regards the commitment to sell them \$5 million in gold for United States currency as partially filled by the \$1 million sale, and that two further sales of \$5 million each are requested so that total sales would be \$15 million. The Cuban Embassy is uncertain whether the \$15 million mentioned in their instructions from Havana is intended to include or exclude the recent purchase of \$1 million.

I informed Dr. Herrera that we would be prepared to proceed with the sale of the first \$5 million of gold for United States currency delivered in Havana, but that we should prefer to consider each transaction separately as the Cuban Government proposes it to us, without committing ourselves now to undertake further transactions of a similar character.

Dr. Herrera informed us that he expects to place the orders for the gold sales from the Embassy in Washington.

We have provided Dr. Herrera with the cables to and from Havana.

E. M. Bernstein

August 12, 1942

MEMORANDUM FOR THE FILES

Subject: Conference with Mr. Niemeyer in Mr. White's office,
August 12, 1942

In the absence of Under Secretary Bell, Mr. Niemeyer called on Mr. White to discuss the possibility of purchasing the 4 million ounces of ordinary silver held by the Treasury. Mr. Niemeyer stated that the silver was needed for war orders and that the shortage of silver was so great that they were considering closing down some of their operations.

Mr. White said that the Treasury is eager to see the silver put into use in the war effort but there are some steps that must be cleared before the silver can be sold, and that the Treasury would like to sell it through such channels as will assure its use in a manner that will contribute most to the war effort. He added that no definite decision had been made yet as to the method of sale, but if there appeared to be any immediate prospect that some could be sold to the trade, we would let Mr. Niemeyer know. Mr. Niemeyer agreed to the desirability of this procedure.

Mr. Niemeyer raised the question of how it would be possible to get the Treasury silver stock into use in the war effort. He said he realized that it was a difficult political question. Mr. White said that the principal interest of the Treasury was to see that nothing is withheld that could be useful in the war effort.

Mr. Niemeyer then said that he was to see Senator McCarran this afternoon and that he intended to tell the Senator that the long-run interests of the silver producers and silver fabricators were the same; that it was not to the advantage of the silver producers to have pressure put upon the fabricators of silver jewelry and silverware. Mr. Niemeyer said he intended to propose that Senator McCarran agree to a bill authorizing the Treasury to sell its silver stocks not used as a backing for currency at the average price at which the Treasury acquired it with the provision that the Treasury repurchase an equivalent amount of silver after the war at a price not in excess of this average price.

E. M. Bernstein

E.M.B.



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

August 11, 1942

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended August 8, 1942.

Preliminary steps are now being undertaken to obtain from the countries participating in the Lend-Lease program their estimated requirements for the calendar year 1943, which can be used as a basis for appropriation requests as the current allocations expire at the end of this year.

Clifton E. Mack
Clifton E. Mack
Director of Procurement



TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF AUGUST 8, 1942
(In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Undistributed & Miscellaneous</u>
Allocations	\$1771.7 (1775.7)	\$1032.4 (1024.1)	\$447.0 (449.0)	\$57.1 (57.1)	\$3.7 (3.7)	\$231.5 (241.8)
Purchase Authoriza- tions (Requisitions)	\$1416.1 (1354.9)	\$ 907.2 (896.0)	\$450.6 (403.5)	\$48.0 (48.0)	-	\$ 10.3 (7.4)
Requisitions Cleared for Purchase	\$1328.1 (1319.7)	\$ 882.4 (876.1)	\$388.2 (389.3)	\$47.7 (47.6)	-	\$ 9.8 (6.7)
Obligations (Pur- chases)	\$1269.8 (1260.4)	\$ 868.9 (862.9)	\$354.2 (351.3)	\$40.2 (40.2)	\$1.8 (1.7)	\$ 4.7 (4.3)
*Deliveries to For- eign Governments at U. S. Ports	\$ 509.4 (497.7)	\$ 406.3 (398.0)	\$ 81.2 (77.9)	\$20.0 (20.0)	-	\$ 1.9 (1.8)

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

Note: Figures in parentheses are those shown on report of August 1, 1942.

EXPLANATION OF DECREASE

The decline in total Allocations in the amount of \$4,000,000 was caused by the revocation of \$4,500,000 from Services & Expenses fund, which is included under Undistributed & Miscellaneous, and a net decrease of \$2,000,000 in Russian Allocations, as against the total amount of new allocations reported for the week.

BRITISH MOST SECRET
U.S. SECRET

OPTEL No. 274

Information received up to 7 A.M., 11th August, 1942.

1. MILITARY

RUSSIA. The Russians are making local attacks at several points in the northern and central sectors. The German advance on STALINGRAD has made no appreciable progress. In the CAUCASUS the Germans have advanced further. They have probably reached MAIKOP and are approaching KRASNODAR.

2. AIR OPERATIONS

WESTERN FRONT. 9th/10th. OSNABRUCK. 166 aircraft including 88 heavy dropped approximately 300 tons of H.E. and 150 tons of incendiaries besides flares. Although flares were rather scattered the attack developed well and certain known decoys helped crews in identifying the target rather than deceiving them. Several 4,000 lb. bombs were seen to fall in the old town and on the railway centre and some large fires were started.

10th/11th. 69 aircraft were despatched - sea mining off East DENMARK 52, anti-shipping 12, Intruders 5. 3 are missing. About 35 enemy aircraft operated chiefly over EAST ANGLIA.

EGYPT. 8th/9th. Our bombers attacked TOBRUK HARBOUR and in co-operation with Naval aircraft landing grounds at EL DABA. On the 9th EL DABA landing grounds were again attacked and other bombers operated against shipping in BENGHAZI HARBOUR where one vessel was hit.

MALTA. 10th. 3 JU 88's with fighter escort attacked TAKALI aerodrome and damaged 5 aircraft on the ground. 3 German fighters were destroyed. 1 Spitfire is missing.

3. HOME SECURITY

10th/11th. Scattered bombing over SUFFOLK and ESSEX chiefly with incendiaries. 7 persons killed and 50 buried under debris at a mental hospital.