

DIARY

Book 520

April 23 - 26, 1942

- A -

	Book	Page
Advertising Council		
See Financing, Government: War Savings Bonds (Payroll Savings Plan)		
Airplanes		
Aircraft despatched - British Air Commission report - 4/24/42.....	520	251
Alien Property Custodian		
See Foreign Funds Control: General Aniline and Film Corporation		
American Bankers Association		
Executive Council meeting - report on - 4/24/42....		261
Aurand, Evan - Lieutenant		
McCloy suggests to HMJr as participant on a War Bond broadcast - 4/24/42.....		245
Australia		
See Gold		
Automobiles, Treasury		
HMJr asks Thompson to investigate car-sharing plans of employees and use of cars by Treasury officials - 4/27/42.....		369
a) Thompson memorandum - 4/27/42: See Book 521, pages 101 and 203		
b) FDR's letter - 4/28/42: Book 521, page 218		
c) First report to FDR - 5/29/42: Book 534, page 29		

- B -

Barth, Alan		
"Editorial Opinion on the War": Reports suspended - 4/23/42.....		98
a) MacLeish offers HMJr successor report: Book 522, page 121		
Budget, Bureau of		
Revised budget figures - 4/24/42.....		258

- C -

Campobello, New Brunswick, Canada		
Automobile ferry correspondence - 4/23/42..... (See also Book 524, page 66 - 5/5/42)		91
Censorship, Office of		
Films and other photographic material entering and leaving United States: Customs cooperation extended - 4/23/42.....		95
China		
Stabilization Board: Chinese Treasury notes instead of fapi and circumstances governing inclusion of that portion of United States \$50 million which has been secured by purchase of yuan by Secretary of Treasury discussed in cable from Adler at Chungking - 4/23/42..		137
Chinese assistance to British Army in Burma: General Stillwell's telegram to Generalissimo - 4/24/42.....		278
Hong Kong and Shanghai Banking Corporation: Establishment of branch at Chungking discussed by Hall Patch and Gause - 4/25/42.....		396

- G - (Continued)

	Book	Page
Correspondence		
Mrs. Forbush's resumé - 4/24/42.....	520	222
a) Sales tax opposition still great		
b) Lotteries advocated extensively		

- E -

Exchange Market		
Resumés - 4/23/42, etc.....		153,295,403

- F -

Federal Reserve Bank of New York		
See Stabilization Fund		
Financing, Government		
War Savings Bonds:		
For War-Navy-War Production Board-Treasury talk, see		
Speeches by HMJr		
West Los Angeles Post Office: Lack of stamps discussed		
in correspondence with Post Office Department -		
4/23/42.....		83
Payroll Savings Plan:		
5000 or more employees - Federal Reserve System letter		
to all Federal Reserve Banks urging support of		
program - 4/23/42.....		86
Operations of in March - 4/24/42.....		214,217
Advertising Council offers assistance - 4/25/42....		326
Conference of staff - 4/24/42.....		165
a) Issuing agents, Payroll Savings Plan, etc.,		
discussed		
Phelps-Dodge Corporation: Qualifying as issuing agent -		
4/24/42.....		199
Work Projects Administration worker in Illinois dismissed		
because of purchasing of War Savings Bonds; reinstated		
later - 4/24/42.....		200
(See also Book 521, page 316)		
Progress report - 4/24/42.....		203
Comparative statement of sales during first 20 business		
days of February, March, and April, 1942 - 4/24/42...		220
Godwin, Earl: To be provided with kind of material he		
wishes for broadcasts - 4/25/42.....		325
Foreign Funds Control		
General Aniline and Film Corporation: Crowley asks for		
release of all control to Alien Property Custodian and		
transfer of all records and files - 4/24/42.....		266
a) Treasury transfer.....		270
France		
Review of situation by John Wiley upon advent of Laval		
to power (April 21, 1942).....		122

- G -

	Book	Page
General Aniline and Film Corporation		
See Foreign Funds Control		
Glass, Carter		
For "Glass Plan," see Revenue Revision		
Godwin, Earl		
See Financing, Government: War Savings Bonds		
Gold		
Java: Shipment arrives in New Orleans with bullion value of \$2,539,000 to be placed with Federal Reserve Bank of New York earmarked for account of De Javasche Bank, Batavia - 4/25/42.....	520	376
a) Shipment delivered in Australia also reported		
Government Bond Market		
Recent Changes in Prices and Yields of Government Securities: Haas memorandum - 4/24/42.....		264

- H -

Hawaii		
Bearer securities discussed by Ickes and HMJr in view of possible Japanese invasion - 4/23/42.....		24

- I -

Ickes, Harold L.		
See Oil		
Inflation		
See also Silver		
Interest Rates: FDR to be urged in message to Congress to announce that interest rates will be held at present levels for duration - Bell memorandum - 4/23/42.....		18
Office of Facts and Figures offers support in voluntary savings program - 4/23/42.....		20
Interest Rate		
See Inflation		

- J -

Japan		
Atrocity Stories: HMJr asks Kuhn to check for use on Treasury broadcasts - 4/25/42.....		374
Java		
See Gold		

- L -

LAFAYETTE, USS		
See Ships		
Lend-Lease		
Report on purchases for week ending April 25, 1942....		385
U.S.S.R.: Shipment of planes and tanks to - Kamarek report - 4/25/42.....		392

- M -

	Book	Page
McCarran, Pat (Senator, Nevada)		
See Silver		
Merillat, Herbert		
Editorial Opinion on Taxes: Waiting for Guidance - 4/24/42.....	520	254
Military Reports		
British operations - 4/23/42, etc.....		154,155,297, 404,429
Coordinator of Information reports:		
The War This Week, April 16-23, 1942.....		158
British Home Intelligence Report, week ending April 22, 1942 - 4/25/42.....		405
British Ministry of Warfare Weekly Propaganda Digest - 4/25/42.....		407
Kamarck summary - 4/23/42.....		159

- N -

New Zealand		
Dollar telegraphic transfers, etc.: Procedure for negotiation with British Government outlined in cable to American Consulate General, Wellington - 4/23/42.....		148
(See also Book 521, page 190)		
United States paper currency and official drafts: Plan of procedure for disposal of - 5/8/42: See Book 526, page 319		

- O -

Office of Facts and Figures		
See also Inflation		
"Editorial Opinion on the War": Barth (Alan) reports suspended - 4/23/42.....		98
a) MacLeish offers HMJr successor report: Book 522, page 121		
O11		
Conversion to Coal: Ickes asks about deduction on income taxes - 4/23/42.....		25
a) Ickes-Treasury correspondence - 5/12/42: Book 527, page 341		

- P -

Phelps-Dodge Corporation		
See Financing, Government: War Savings Bonds		

- R -

Revenue Revision		
Glass (Carter) Plan: Sullivan memorandum describing - 4/25/42.....		371
Tax-exempt Securities: See Roosevelt, Franklin D. (Message to Congress)		

*b) Ickes-HMJr further correspondence - 5/29/42: Book 534, p. 128

	Book	Page
Roosevelt, Franklin D.		
Message to Congress:		
Rosenman-HMJr conversation - 4/25/42.....	520	298
Draft 2.....		301
Treasury suggestions.....		314
Draft 4.....		410
a) No net income over \$25,000 a year after payment of taxes		
b) Interest from State and local securities should at least be subject to surtaxes		
c) HMJr's letter to FDR (not sent) advising against taxing directly or indirectly outstanding <u>Federal</u> obligations wholly or partially tax-exempt on any basis violating present exemptions		
1) HMJr sends FDR copy of press conference on - 4/27/42: Book <u>521</u> , page 56		
- S -		
Securities, Government		
See Government Bond Market		
Shipping		
Port of New York: Daily report on vessels - 4/23/42...		103
a) Transmitted to Douglas (Lewis), United States Maritime Commission - 4/23/42.....		109
Ships		
USS LAFAYETTE (formerly NORMANDIE): Congressional report on capsizing - 4/25/42.....		382
Silver		
Possible rise in price discussed in Henderson-Treasury correspondence - 4/25/42.....		377
Legislation: Senator McCarran (Nevada) consults Treasury about possible recommendations for repeal - 4/25/42... (See also Book <u>521</u> , page 206 - 4/27/42)		379
a) White memorandum - 4/27/42: Book <u>521</u> , page 112		
b) Conference: present: HMJr, HM III, White, Foley, B. Bernstein, and E. M. Bernstein - 4/28/42: Book <u>521</u> , page 273		
Speeches by HMJr		
Nation-wide War Savings Bonds broadcast May 4: Stimson, Knox, and Nelson asked to participate - 4/23/42.....		72
a) Nelson accepts - 4/24/42.....		198
b) Knox: unavoidable engagement - King will substitute: Book <u>521</u> , pages 86 and 295		
c) Stimson-HMJr conversations - 4/28-29/42: (Book <u>521</u> , page 288		
d) Talk postponed	(" <u>522</u> , "	38
	(" <u>521</u> , "	296
	(" <u>522</u> , "	40
Army's Payroll Savings Plan for Civilian Employees:		
HMJr's talk with Stimson for the newreels - 4/24/42...		196
Stabilization Fund		
Federal Reserve Bank of New York: Services rendered - resume' of - 4/24/42.....		276

- T -

	Book	Page
Tanks		
Production goals reviewed by Kamarck - 4/23/42.....	520	89

- U -

U.S.S.R.		
See also Lend-Lease		
Purchasing Commission thanks HMJr for courtesies -		
4/23/42.....		128

- W -

War Savings Bonds
See Financing, Government
Work Projects Administration
See Financing, Government: War Savings Bonds

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

MM

1

DATE April 23, 1942.

TO Mr. Morgenthau

FROM Mr. Gamble *MM*

Answering your memorandum of today's date, we have a War Bonds Speakers' Bureau in every State organization and in every local community handling most of the speaking requirements. Occasionally, the Field Director's Office here in Washington is contacted for an outside or national speaker; such requests are channeled through Mr. Sloan's office.

TREASURY DEPARTMENT

2

INTER OFFICE COMMUNICATION

DATE April 23, 1942.

TO Ted Gamble
FROM Secretary Morgenthau^{as}

Who handles requests for men and women speakers
for War Savings Bonds? Please let me know today.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

m 3-
DATE April 23, 1942.

TO Mrs. Klotz

FROM Mr. Gambla *RG*

The Secretary has asked me to give you a memorandum of various and sundry pieces of work which he assigns to me from time to time so that you will be able to follow up on such activities.

There is attached a copy of a memo regarding information for handling War Savings Bonds speakers (the original has already gone to Mrs. McHugh).

finished
{ I am checking on future appropriate speaking engagements for Mrs. Morgenthau. Also, I'm checking on capable people to relieve Mr. Kuhn of some of the work in preparing speeches. .

Attachment.

*Completed - on rather
in operation
7/8/42*

April 25, 1942.

Mr. Morgenthau

Mr. Gamble

Answering your memorandum of today's date, we have a War Bonds Speakers' Bureau in every State organization and in every local community handling most of the speaking requirements. Occasionally, the Field Director's Office here in Washington is contacted for an outside or national speaker; such requests are channeled through Mr. Sloan's office.

Disposed of
1. PB

April 23, 1942.

Mr. Harold Graves
Secretary Morgenthau

Be sure and talk to me today about Keith Morgan.

See Graves' memo of 4/25/42.

April 23, 1942.

Mr. John Sullivan
Secretary Morgenthau

This will confirm my telephone conversation with you last night. I want to go after the companies, like the Jacks & Heintz Company in Cleveland, who are paying excessive salaries, and let's settle the question once and for all if we have the power to disallow those salaries. I think it's outrageous in companies with war contracts to pay these high salaries, and it will make for bad feeling in the country. I think it is up to the Treasury to take the leadership to either disallow them or go after legislation which will make it impossible. In any event, I would like you to start this at once. Please inform Mr. Helvering, who in turn should inform his people, that I mean business. I want an answer on this Cleveland Company by Friday if possible.

*See Sullivan's memo of 4/25 - See Hays's testimony
Sullivan talked to Hays about 5/28/42
this 4/25.*

*See memo submitted
by Sullivan 5/8/42.*

MEMORANDUM

April 23, 1942.

TO: The Secretary
FROM: Mr. Sullivan

JHS

The Bureau of Internal Revenue has talked with Cleveland and we expect a preliminary report on the salaries and bonuses of officers and employees of the Jacks & Heints Company tomorrow morning, Friday, April 24th.

April 23, 1942
8:30 a.m.

Vincent
Callahan: Good morning.

HMJr: How are you?

C: Fine.

HMJr: Are you at your office?

C: Yes, sir.

HMJr: Bright and early. Vince, I sent you over a memo that ought to get there in a little time.....

C: All right.

HMJr:suggesting that we send around to the home of every Congressman a notice of this broadcast.

C: Good.

HMJr: Tonight.

C: All right.

HMJr: You'll get it, and you can work it out somehow or other.

C: Well, we can get the post office up there to deliver it or something.

HMJr: Somebody. Now, the thought I had is, I saw the notice, for instance, you sent Mrs. Morgenthau. That's all right, but the envelope isn't. You ought to have some kind of an envelope that they know that - from the outside - it's a broadcast.

C: Well, we can find something.

HMJr: What?

C: We can find something. I don't know offhand.

- 2 -

HMJr: Well, if you can't get anything else, use my own personal envelopes.

C: The Secretary's? All rightie, fine.

HMJr: And then mark it - couldn't they do it in longhand?

C: Well, let's see - well, what we got - I'll tell you another mark that would be better - "By Special Messenger".

HMJr: Well, something so that it will catch their eye.

C: Yeah, something distinctive.

HMJr: See?

C: Yes, sir.

HMJr: I just thought we'd give this thing a little distribution.

C: Fine.

HMJr: And you'll be getting it shortly.

C: All right, sir. It's going to be a grand broadcast tonight.

HMJr: Do you think so?

C: Oh, I know so. The men who are doing the writing.....

HMJr: Yeah.

C:they came back from Mr. Kuhn, who had been talking with you, and they were very enthusiastic.

HMJr: Good.

C: They had to re-write it, of course, and they said they didn't mind it in the least, that it was so much better and had so much human interest in it. They were thrilled.

- 3 -

HMJr: Well, that's a nice spirit.

C: Yeah, it's grand spirit. Well, you started it yesterday when you dictated it, and they all got a great kick out of it.

HMJr: Okay.

C: Okay, sir.

HMJr: All right.

C: Good-bye.

April 23, 1942
10:10 a.m.

PRESIDENT'S SPEECH

Present: Mr. Sullivan
Mr. Kuhn
Mrs. Klotz

H.M.JR: These two memos that you gave me of which I have no copies, the one I call the political speech, and the one on profits, please give copies to Mrs. Klotz for my file, because the President kept them both; and the part at the end where it said about, "If you freeze salaries," or something like that, "it would have a bad psychological effect." He says, "That is nothing but clap-trap." He says, "That is living twenty years ago."

see 4/23/42

MR. SULLIVAN: That was in the memo, I think.

H.M.JR: Whatever it was, he said, "That is just clap-trap."

MR. SULLIVAN: That is the memo you want a copy of?

H.M.JR: Now, it was lucky I went over. In the first place, I think he entirely forgot that he promised me he would back me up on the War Bonds. When I reminded him, he said, "Of course, of course." He is only talking thirty minutes, but he said he was going to do very little taxes. This is what the President dictated. He said, "Give me something like this." Then we will have to give Mr. Kuhn a copy. "The Volunteer tax plan is working so well that it is believed not essential to change at this time to compulsory savings until we have had a chance to step up the volunteer plan to try to make it include practically everybody in the country."

- 2 -

MR. KUHN: In other words, he is holding the club of compulsory savings over their heads.

H.M.JR: Well, that is what he dictated, it is not essential at this time.

MR. KUHN: That implies that--

H.M.JR: What is the matter with that?

MR. KUHN: It is going to discourage buying and enthusiasm. It is the worst possible way to help the volunteer thing. It is better not to speak of it at all, in my opinion, than to make that kind of statement about it. I would rather have him neglect it altogether.

H.M.JR: Well, leave out - you see, this doesn't check, because when he told me that I should go out Wednesday and Thursday night - I want to get away from the controversial question of compulsory and volunteer.

MR. KUHN: And there is the controversy right off.

H.M.JR: Listen, is Peter in town today?

MR. KUHN: I don't know. I haven't seen him. We have that material that went over to Rosenman.

H.M.JR: Anyway, Ferdie, if we clear our script this morning - we will, won't we?

MR. KUHN: I hope so.

H.M.JR: We have got to. Then right after that, go on to this, will you?

MR. KUHN: Surely. I would like to go back to the stuff that was sent over to Rosenman, which can be shortened.

H.M.JR: But he is only talking thirty minutes, and I gather that twenty minutes will be on prices. He is going to say - I understood him to say he will say

Nothing on taxes. He said, "Well, Henry, if I say anything - this is all very nice, but I have got to talk twenty minutes on the prices and then ten minutes about the war." He says, "I haven't got any time to talk about your taxes." Well, now, what I don't get is this, and as I say - but he did tell me - he now wants to go back and I told him I didn't remember it. I didn't want to give it. The reason I am so nervous, you know these fellows work and try to pump this into me in thirty minutes and this tax thing, I can't get it that fast. The Carter Glass plan of '33 or '34, he says, as he remembers it, left out any normal tax on Government bonds and you compute your income from the Government tax exempts and then apply a surtax. Well, you know what he is talking about.

MR. SULLIVAN: That is right.

H.M.JR: Now brush it off, will you? I said, "Do you want it for this speech?" He said, "No." But he says, "We have got to do something about the unusual cases of the corporation or the man who escapes, you see." Now, I read this stuff and he says it is all good, and John, if the old elbow ever was right, I was right last night when I told you fellows to go after these - the Jack and Reintz cases, and the Diamond T cases, and the rest of them, you see. We have got to do something sensational along those lines. If we don't we will get something that nobody likes, see. Now, we have got an organization over there. Let's go to it, see. I told the President - I mean, I am looking up to see whether he can use any of this stuff. But, certainly, I am personally going to go up and present it to the Joint Committee on Taxation. Now, I don't have to say it is an executive meeting. I will just give it to them and let them do the rest. Let them find out why the Diamond T employs three men at two hundred fifty thousand dollars a year here when I am ninety percent sure they can't take an order and they are most likely loaded up to here now. Now, he has told me unhesitatingly that I can see his speech

where it affected the Treasury. I have got a call in a for Grace Tully, so pending that--

MR. SULLIVAN: Has it been written?

H.M.JR: I don't think so, but he said he was going to work on it today and tomorrow. but I am here this weekend, but until I see it, I am not satisfied. The way he talked to me was as though he was surprised to think that I thought he was going to talk about taxes.

MR. SULLIVAN: Well, I think the reason we are surprised is that all of the newspaper publicity has indicated that it was an over-all speech.

H.M.JR: Well, I don't want - my guess is, you see, from what he told me about not asking for legislation, that he has taken my advice. My advice to Rosenman was, "Appeal to the hundred and thirty-five million people that they should do their part on prices, etc., etc. Use what you have and don't ask for any legislation. Instead of doing what the other fellows--" They wanted him to go with a message to Congress which was written. Now, I said, "I wouldn't do it that way. I would go to the country rather than the Congress, because you will get licked if you go to the Congress and I think you will win if you go to the people. Now, it looks as though he is going to do it my way." Now, the other day when Henderson told his man Gilbert who told Harry White - Gilbert told him - that they completely wiped me off the slate this week. I didn't have a leg to stand on. Now, it looks as though the President is going to take my advice, but I don't believe until I see the thing in print and then hear it on the radio - I don't know, so I don't want to get too excited.

MR. SULLIVAN: I am not too much disappointed about leaving taxes alone because unless he was going to be with us--

H.M.JR: Well, really there is nothing more for you (Sullivan) to do until I get the copy from Grace

Tully.

MR. SULLIVAN: Except Jack and Heintz.

H.M.JR: Well, and--

MR. SULLIVAN: And you want a memo to bring you up to date on Carter Glass. *See Mr. Sullivan's memo 4/25/42*

H.M.JR: Yes.

MR. SULLIVAN: The Glass plan.

H.M.JR: Yes, but John, old man, Jack and Heintz is one.

MR. SULLIVAN: Well, I was using it just as a symbol.

H.M.JR: Now, the way I would do, if I may make a suggestion, there are three hundred fifty companies, roughly, who have got eighty-five percent of the contracts, and I would take that list of three hundred fifty and say to your boys, "Of these which have made returns, I want to go after those first," see. You can get that list from Nelson, the three hundred fifty. And there is no use fussing around with those that haven't made returns, but those who have, check them off.

MR. SULLIVAN: That is right.

H.M.JR: And then just as soon as we have got a dozen good ones that we have done, then we will go up on the Hill and say, we want a joint committee, and we will say it. We will leave it to these fellows to spread the word. What?

MR. SULLIVAN: That is right.

H.M.JR: And - but if we don't do that - I mean, we will never get this bill through unless - on our basis. We will get something terrible. You tell them

that it is orders from me and I think these corporations should know it now, no more extensions after the fifteenth of May unless it goes across my desk, and I won't give it to them. These companies with war contracts, no more extensions, see. But let's go after the boys that have filed. There are three hundred fifty companies who have got eighty-five percent of the business. It would be awful if the Utah Construction Company doubled the salary of the chairman of their board. (facetiously) Listen, John, put yourself in the frame of mind of a fellow, you are going to run from your district and you want some of this stuff, see.

MR. SULLIVAN: Sure.

H.M.JR: Blood and meat. Go up there on the thing and say, "By God, we took this thing. Sure this company did this thing, but did it benefit them? No, we disallowed it. What happened to the girl that got forty thousand dollars? Well, we got twenty-five thousand of it. We can't control that, but did the company benefit? No, it was disallowed and added to their taxes." We have got to get a little political on this stuff.

MR. SULLIVAN: I am for it.

H.M.JR: Now, Ferdie, there may be a meeting. If I hear, I will let you know. On this - there is supposed to be one between eleven and twelve on the Economic Board. If I hear of it I will let you know, but otherwise, we will do the radio script at eleven.

MR. KUHN: Yes. Now, I have got those Lord and Thomas people. Do you want them in here at eleven or later on sometime? They are not interested in radio script primarily. They have got a bunch of ads that they have made that they want to show us. Our little group is meeting at two-thirty, Mrs. Morgenthau and Gaston--

- 7 -

H.M.JR: At two-thirty?

MR. KUHN: Yes. And we will go over those ads.

H.M.JR: O.K.

MR. KUHN: I can present your apologies to them for this morning.

H.M.JR: Now, what are we going to do - this other man, what's his name?

MR. KUHN: Masius?

H.M.JR: Yes. I have got a job I want him to do.

MR. KUHN: He is here.

H.M.JR: Well, I can take him off your hands, but what about Weir?

MR. KUHN: Well, Weir will stick with me. I want him to look at that script, too.

H.M.JR: Well, you can use Weir?

MR. KUHN: Yes.

18

Treasury Department
Office of the Under Secretary

Date: 4/23

To: *The Secretary*

From:

*Here is memo
about which I spoke
over 'phone.*

swb

Interest Rates and Price Freezing

According to the press, President Roosevelt will send a message to Congress next Monday and speak to the people of the country on the radio the same evening on the subject of inflation. In this message he is expected to advocate a freezing of prices and costs, including, perhaps — at least to some extent — wages.

This naturally brings up the question of whether some mention should be made of interest rates. The President's message would seem an ideal occasion to announce that interest rates will be held at around present levels for the duration of the war. Such a declaration, if incorporated in the President's message and talk, should probably be brief and non-specific.

Such a declaration would appear to be opportune from two points of view:

- (1) It would be helpful to public morale if the country were assured that interest receivers will get no more favorable treatment than wage earners, business men, and landlords.
- (2) It should aid in steadying interest rates at a time when the volume of Federal financing is expanding very rapidly, and assist in bringing to the market funds which have been waiting for higher rates.

SWB
BA
Nem

April 23, 1942
10:11 a.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Yes.

Jesse
Jones: Henry?

HMJr: Yes, Jesse.

J: How are you?

HMJr: Okay.

J: Are you going to that BEW meeting at eleven?

HMJr: I haven't got any notice yet. Well, I tell you, I've been over at the White House, and I don't know what my appointments are. Why?

J: Well.....

HMJr: Well, wait, let me ask my man, will you?

J: Okay.

HMJr: Just a minute, please.

J: Yeah.

HMJr: (Talks aside) Have I any notice on the White House at eleven?

They told us yesterday it would be between eleven and twelve, Jesse, but I haven't had any confirmation.

J: I see. Well, but you're - are you going to the meeting?

HMJr: At the White House? Sure.

J: Will you take somebody with you?

HMJr: No.

- 2 -

J: It's - I didn't know - it's BEW business, you know, and I didn't know whether you took some of the boys with you or not.

HMJr: Well, if I get the notice, I'd go alone.

J: I see. Okay.

HMJr: It's this - see if we're talking about the same - it's this Economic.....

J: Board of Economic Warfare.

HMJr: Yes. They said it would be sometime between eleven and twelve.

J: I see.

HMJr: Why, do you mean about - you're thinking about yourself?

J: Yes. I was going, of course, and I was wondering if - I'd like to take Clayton along because he's been doing most of that work.

HMJr: Yeah.

J: And I just wondered whether or not.....

HMJr: Well, if I go, I'm going alone.

J: Okay. Thanks.

HMJr: You're welcome.

April 23, 1942
10:28 a.m.

HMJr: Randolph, are you where you can listen?

Randolph
Paul: Yeah, I'm in a pay station.

HMJr: Well, I don't want to raise your hopes too much nor mine, but I think we're all right.

P: Oh, good.

HMJr: I think we're all right, and we're.....

P: You've come back from there, have you?

HMJr: Yeah. We're going to see the copy that affects the Treasury.....

P: Oh, swell.

HMJr: and he seemed to be surprised to think that I thought he was going to write anything on taxes. How did I get that way?

P: Hmm.

HMJr: He didn't have time to fool around with taxes.

P: Hmm. Well, that's kind of baffling though, isn't it?

HMJr: What?

P: That's baffling, isn't it?

HMJr: Yeah.

P: Well, I'm glad to hear that.

HMJr: But anyway we're going to see whatever he says.

P: Yeah. Well, that's.....

HMJr: And, as I say, he seemed - his attitude was, well, what makes me think that - he's only

- 2 -

got thirty minutes. He hasn't got time to go into all this stuff.

P: Yeah.

HMJr: So that was his attitude. *

P: Yeah.

HMJr: I thought I'd cheer you up.

P: Thanks very much for calling me.

HMJr: And that's just very, very much between us.

P: Okay.

HMJr: But we are going to see the speech.

P: Well, that's swell.

HMJr: So - but he seemed to think, well, where did I get those funny ideas from.

P: (Laughs) Well, that's curious.

HMJr: Yeah.

P: Curious and kind of baffling, but I feel encouraged.

HMJr: Okay.

P: Thanks for letting me know.

HMJr: Thank you. Good-bye.

First half of this sent to D. W. Bell; second half to Mr. Paul. ✓

24

April 23, 1942
11:04 a.m.

HMJr: Yes. Harold?

Harold
Ickes: Henry, two things.

HMJr: Yes.

I: A fellow from - went over to Hawaii - Hossack
of RFC.

HMJr: Cossack?

I: H-o-s-s-a-c-k.

HMJr: Yeah.

I: He tells me that there are an enormous lot of
bearer securities over there, and that if the
Japs should swoop down there, all they have to
do is to pick them up.

HMJr: Oh, oh.

I: And he said that so far, all they've ever done,
the Army has invited those who owned Government
securities to deposit them.....

HMJr: Yeah.

I:with them, but nothing is done about these
general securities.

HMJr: Well, I'll be glad to have it looked into. We
did a good job in the Philippines.

I: You did a wonderful job, and we don't - God,
they - there's - I think he said there's two
hundred million over there.

HMJr: Really?

I: And we certainly don't want to be caught - we
don't want a financial Pearl Harbor.

HMJr: No. Well, I'll have it looked into right away.

- 2 -

I: And, of course, we'll be willing - I - you know I've got a damn good man over there, and - Ben Torron.

HMJr: Oh, Torron.

I: Torron's over there.....

HMJr: Well, then, if.....

I:as a special representative of the Secretary of the Interior.

HMJr: Right.

I: And he's a damn good man. You know that Ed Foley's worked with him for years.

HMJr: Good.

I: And we'll give you all the help that we can.

HMJr: Well, I'll have the boys look into it right away.

I: Now, another thing.

HMJr: Yeah.

I: In cases where it's going to be necessary to turn - to convert from oil heating to coal heating.....

HMJr: Yeah.

I:it's going to throw - now, just in my own case, I'm checking up on the thing because I'm getting ready to convert - it's going to cost me at least a thousand dollars.

HMJr: Yeah.

I: Now, wouldn't it be worth considering allowing that as a deduction on income taxes?

HMJr: (Laughs) I don't know, Harold.

- 3 -

I: Well, now, here. Just consider this.

HMJr: Yeah.

I: There's only one section of the country affected - the East Coast.

HMJr: Yeah.

I: It's a general war cost.

HMJr: Yeah.

I: Not only that, but they'll probably have to pay more for oil and gasoline here.

HMJr: Yeah.

I: It seems to me that it throws an inequitable burden.

HMJr: Yeah.

I: Think it over, anyhow.

HMJr: Sure. Harold.....

I: Yeah.

HMJr:let me ask you. Did you make a joint statement with Nelson on either Friday or Saturday?

I: On oil?

HMJr: Yes.

I: Yes.

HMJr: Well, now, what day was it, because I didn't see it. Was it Friday or Saturday?

I: I didn't see it either, as a matter of fact, but I think it was Friday.

HMJr: Yeah. Well, I.....

- 4 -

I: I know it wasn't Saturday.

HMJr: Somebody asked me about it, and I said, "I didn't see it."

I: I think it was Friday.

HMJr: Friday.

I: Yeah.

HMJr: Could you - would you mind telling your man to send me a.....

I: I'll send you a release.

HMJr: Would you have somebody send me over a copy of it?

I: Sure, I'll be glad to.

HMJr: And on the other thing, I'll look into it.

I: All right.

HMJr: I thank you.

I: Good-bye.

April 23, 1942
11:13 a.m.

HMJr: Hello.

John J.
McCloy: I just wondered whether you're up to date on this - on these take-overs. Have you been talking to - has White kept you informed about it?

HMJr: The only thing that I knew, he said he thought you were about ready to do something.

Mc: Yes. We're going to give you a check, but it turns out that the cost of those planes - the entire cost of them, which, as I understand, is being approved by the President today, only runs to about sixty-seven million dollars instead of the eighty.

HMJr: I see.

Mc: So that figure is somewhat reduced. The other figure, the ordnance figure, we're putting through a directive today on it.....

HMJr: Yeah.

Mc:subject only to clearing up with - between White and Phillips as to how the operation ought to take place. I have a clearance now from the Secretary, and we're all set.

HMJr: Wonderful.

Mc: Now, but that is going to reduce it - it's going to make it necessary to pick up other money.....

HMJr: That's all right.

Mc:some place else.

HMJr: I suggest that the nicer way to do it would be to have you come over here to my office with a letter or check, and have Sir Frederick Phillips here, and have the thing done right here.

Mc: Okay.

- 2 -

HMJr: I thought that would be a nice way to do it.

Mc: Okay. I'll bring that old letter with me and you can re-deliver it.

HMJr: (Laughs) I'll.....

Mc: How'd you make out with Brink and Cleer?

HMJr: All right, but to be perfectly frank, it would have been better if I'd have had them separately.

Mc: Yeah.

HMJr: I think it kind of held back a little bit.

Mc: One waiting for the other to talk.

HMJr: Yeah.

Mc: Well.....

HMJr: Who was the man who was a full Colonel?

Mc: The full Colonel was.....

HMJr: The man who was not in Bataan.

Mc: That was Brink.

HMJr: Brink.

Mc: Brink.

HMJr: He made a particularly good impression.

Mc: He's very good. The other fellow is a little emotional. He had quite an experience out there. I didn't think he was quite as good as the other chap.

HMJr: Well, I tell you, I didn't ask him about Bataan or the details, because I imagine that so many people have.

Mc: Yes.

- 3 -

HMJr: But I appreciate very much your sending them over, and I did get a lot out of it.

Mc: If you want to talk to any one of them - either one of them individually again, why we can arrange it, but it's up to you.

HMJr: What I would like you to keep in mind is this. We're starting something new tonight on the radio - we're having as our guest star, so to speak, Lieutenant Commander O'Hare.

Mc: Oh, yes.

HMJr: And with us - working it in - and I'm going on the air for the War Bond sale, you see.

Mc: Yeah.

HMJr: Now, if you bring back any fellow that - who's made some outstanding accomplishment for the war.....

Mc: All right.

HMJr:I wish you'd let me know; we'd like to use him on the air and to help us.

Mc: Right. Right. They're coming back all the time.

HMJr: Well, the first one that comes back who has done some outstanding thing, will you let me know?

Mc: All right, I will.

HMJr: Fine.

Mc: Okay.

HMJr: And then, I take it, when you're ready, you'll come over, and we'll have Phillips and we'll - I'll provide the liquor.

Mc: (Laughs) Okay. What is White's first name?

HMJr: Wait?

- 4 -

Mc: White, your.....
HMJr: Harry.
Mc: Harry?
HMJr: Harry.
Mc: Okay.
HMJr: Yeah.
Mc: Thank you very much.
HMJr: Thank you.

April 23, 1942
11:34 a.m.

HMJr: Hello.

Operator: Secretary Morgenthau is ready.

HMJr: Hello.

Grace
Tully: Good morning, Mr. Secretary.

HMJr: How are you?

T: All right, sir. How are you?

HMJr: Okay. I saw His Highness this morning.

T: Yes, sir.

HMJr: (Laughs) And he said that I could see that part of the speech, as it went along in draft form, that in any way affected us.

T: I see. All right, fine. I'll tell them to send you a copy of it.

HMJr: So will you do that for me?

T: I will, indeed.

HMJr: And yea sooner yea better.

T: Well, look, I tried to get Mrs. Klotz yesterday too, Mr. Secretary. While I have you on the wire would you be good enough to ask her - she was busy with you - but now that I have you, will you let me know much we owe you on Missy's bonds.

HMJr: Oh.

T: I want to send you a check for it.

HMJr: Really?

T: Yeah.

HMJr: Really?

- 2 -

T: So if you'd just ask her to let me have a written memorandum, you see, of the bill for Baby Bonds for Miss LeHand, you see, and the amount.

HMJr: Yeah. I'll do that.

T: So that I'll have it for the record.

HMJr: Right. Did you leave word you called for her?

T: Well, yesterday I called, and they said, I think, "She's in with the Secretary."

HMJr: Oh.

T: And so I said, "All right, I'll try again this morning."

HMJr: Righto. I'll tell her that, and then you'll see that as the speech progresses, that I'm kept furnished with copies - just the part that affects the Treasury.

T: That affects the Treasury, right.

HMJr: Righto.

T: All right, sir.

HMJr: Thank you.

T: Right. Good-bye.

April 23, 1942
3:30 p.m.

HMJr: Hello.

Operator: Mr. Mack is at home ill, but he can come to the phone.

HMJr: Who's there in Procurement?

Operator: I have his secretary on the wire.

HMJr: Let me talk to her.

Operator: Right.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Clifton
Mack's
Secretary: Yes, Mr. Morgenthau.

HMJr: Mr. Mack is ill?

S: Yes, he has a sore throat, so he decided he'd better stay out. I think he's some better today, and.....

HMJr: How long has he been sick?

S: Yesterday and today.

HMJr: Oh, just yesterday.

S: Yes.

HMJr: But he's better.

S: Yes, he's some better today, and expects to be here tomorrow.

HMJr: Will you tell him that Mr. John Martin is here from South Africa to represent them in purchasing. Hello.

- 2 -

S: Yes.

HMJr: And he's heading up the South African Purchasing Commission.

S: Yes, sir.

HMJr: And he'll be calling you for an appointment, and I'd like Mr. Mack to see him and to help him in every way that he can.

S: Yes, sir. I'll give him that message.

HMJr: John Martin.

S: Yes, sir.

HMJr: Thank you. Tell Mr. Mack I hope he'll be better soon.

S: Yes, sir. I'll tell him that.

HMJr: Thank you.

S: Thank you.

April 23, 1942
4:10 p.m.

HMJr: This is only a little thing, but I'd like you to pass the word. The copying of this release for tonight.....

Harold Graves: Yes.

HMJr:if they'd done it over here in the Treasury, we'd have had Multilith.....

G: Yes.

HMJr:which is a nice job. I've been crying for that for two years.

G: Yes.

HMJr: We have a Multilith here.

G: Yes.

HMJr: Now, over - they did it over in War Savings.....

G: Yes.

HMJr:And they used the old Mimeograph, and it's a.....

G: Bad job, I know.

HMJr: Well, you know - a bad job. And see that they have a Multilith put in there from now on.

G: I'll do it right away.

HMJr: Because it makes such a difference in presenting it.

G: Yes.

HMJr: And as a result of it - if it had been Multilith, each man could have used that; now they've got to re-type one copy for each person.

G: Yes, I see. I'll take care of it.

- 2 -

HMJr: You agree with me on that.

G: I do, I do.

HMJr: Is that what you call it?

G: That's right - Multilith.

HMJr: Well, I've fought for that for two years, so I think now we have it, and have them put it in over at War Savings.

G: Yes, sir. I'll do it.

HMJr: It - don't you agree with me?

G: I do agree.

HMJr: Can I forget about it?

G: You can, yes, sir.

HMJr: Thank you.

G: I'll see that it's taken care of, you bet.

HMJr: Right.



DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT

WASHINGTON

38

April 23, 1942

MEMORANDUM

TO: Mr. Fitzgerald

FROM: Mr. Gilchrest *LDH*

Herewith a list of the people who will be at the broadcast tonight from the Secretary's office:

- Mrs. Morgenthau*
- ✓ Secretary Claude R. Wickard
- ✓ William Green, President of A.F. of L. ✓
- ✓ William P. Witherow, President of the National Ass'n. of Mfgs. ✓
- ✓ Thomas C. Cashen, Chairman, Railway Labor Executives Ass'n. ✓
- ✓ Mr. J. G. Leuherssen, Executive Secretary, Railway Labor Executives Ass'n. ✓
- ✓ John W. O'Leary, Chairman, Executive Committee of the United States Chamber of Commerce ✓
- ✓ Colonel and Mrs. E. W. Timberlake (with Mr. O'Leary) ✓
- ✓ Mr. Philip Pearl (with Mr. Green) ✓
- ✓ Lt. Comdr. H. B. Miller ✓
- ~~Mrs. H. B. Miller~~
- ✓ Lt. Comdr. Ed. H. O'Hare ✓
- ✓ Mrs. Ed. H. O'Hare ✓
- ✓ Mr. Gerald P. Flood, Asst. Director of Press & Radio ✓
- ✓ Mr. Vincent F. Callahan, Director of Press and Radio ✓
- ✓ Mr. Charles J. Gilchrest, Chief, Radio Section ✓
- Mr. John Greene, Special writer
- Bryson Rasch, NBC - Announcer ✓
- Jack Roney NBC " ✓
- ~~Donald Fisher, Marine Barracks~~
- Don Hunter - Engineer - NBC ✓
- Andrew J. Dunn, Asst. to Sec. of the Treasury* ✓

(Miss or Mrs.) B. Gibson, O'Leary's Secretary

Harold Graves

Ted Gandy

Chick Schwarz

Mr & Mrs Ray Blough

Ferdinand Kuhn

Sis Nyath (Houghtaling's Office)

W. Elmer Dorel (Houghtaling's Office)

Photographed: Cassin, Davis, Harris, O'Leary, Treasury

Secretary's
Reading Copy.

39

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DOLLARS IN THE WAR

Thursday, April 23, 1942

10:00 to 10:30 PM, EWT, Blue Network

Launching of the Treasury Department's War Bond Quota and
10% Pay Roll Savings Campaign in which Labor, Management
and Agriculture Pledge Support.

LIEUTENANT COMMANDER O'HARE - RECENTLY AWARDED
CONGRESSIONAL MEDAL OF HONOR
SPECIAL GUEST

The Program

Henry Morgenthau, Jr., Secretary of the Treasury, will speak
and preside

Claude R. Wickard, Secretary of Agriculture
William Green, President, American Federation of Labor
Philip Murray, President, Congress of Industrial Organizations
W. P. Witherow, President, National Association of Manufacturers
John W. O'Leary, Chairman, Executive Committee,
U. S. Chamber of Commerce
T. C. Cashen, Chairman, Railway Labor Executive Committee

Music by the United States Marine Band

(ANNOUNCER:

Ladies and Gentlemen, this is (announcer)
speaking from the Office of the Secretary
of the Treasury of the United States.

Present in Secretary Morgenthau's office
are representatives of Agriculture, Labor,
Management, and the armed forces in the
person of the crack Navy combat pilot,
Lieutenant Commander O'Hare. In just a
few minutes you will hear from Lieutenant
Commander O'Hare, and these leaders of
the nation's basic activities, but first
we switch you to the Marine Barracks
where the United States Marine Band plays
"The Stars and Stripes Forever".

(BAND:

STARS AND STRIPES (TWO MINUTES)

ANNOUNCER:

And now, Ladies and Gentlemen, Henry Morgenthau, Junior, Secretary of the Treasury. Mr. Morgenthau.

SEC. MORGENTHAU:

Good evening. Last Tuesday, at the White House, the President awarded the Congressional Medal of Honor to an outstanding American hero, a young naval aviator who fought alone against nine Japanese bombers. I should like to read what the President said about him:

SEC. MORGENTHAU:
(CONTINUED)

"Without hesitation, alone and unaided, he repeatedly attacked this enemy formation at close range in the face of their intense combined machine-gun and cannon fire, and despite this concentrated opposition, he, by his gallant and courageous action, his extremely skillful marksmanship, making the most of every shot of his limited amount of ammunition, shot down five enemy bombers and severely damaged a sixth... As a result of his gallant action, one of the most daring if not the most daring single action in the history of combat aviation, he undoubtedly saved his carrier from serious damage."

SEC. MORGENTHAU: That man, Ladies and Gentlemen, is with
(CONTINUED)

me in my office at the Treasury tonight.

I am happy to introduce him to you:

Lieutenant Commander Edward H. O'Hare.

O'HARE: Thank you, Mr. Secretary.

SEC. MORGENTHAU: Commander O'Hare, I wish you'd tell us a
little something more about your
experience with those Japanese bombers.
Perhaps something that wasn't in the
citation.

O'HARE: Well, Mr. Morgenthau, it wasn't anything
so very special. It might have happened
to any other pilot on my ship. Those
Japs just came along when I was in the air.

(HARE:
(CONTINUED)

A few minutes sooner and it might have been one of the other pilots. I just got the breaks.

SEC. MORGENTHAU: You're very modest about it, Commander.

O'HARE:

There wasn't much more to it, Sir.

After I closed in on the bombers, I was too busy to think about anything except shooting down as many of them as I could.

SEC. MORGENTHAU: And the result was highly satisfactory --- You were telling me a few minutes ago, Commander, that a good many of the men on your ship are buying War Bonds. The shore establishments of the Navy have rolled up a total of nearly twelve million dollars to help their country and help themselves.

O'HARE: Well, I don't believe they were thinking about their investment, Mr. Morgenthau. We just want to do everything we can to beat those Japanese.

SEC. MORGENTHAU: You don't like them much, do you, Commander?

O'HARE: I sure don't! And from what I've seen of the Japanese, Mr. Secretary, I'd say that if we can meet them on anything like even terms, we can beat them! Just give us enough trained men, enough ships and planes to approach even terms, and we'll come out on top!

SEC. MORGENTHAU: Thank you so much for coming here,
Commander. I'd like to shake you by
the hand.

MUSIC: (COLD) "OVER THERE"

ANNOUNCER: And now a message to the nation from the
Secretary of the Treasury. Mr. Morgenthau.

SEC. MORGENTHAU: Ladies and Gentlemen: I have invited
Lieutenant Commander O'Hare to be here
tonight, with the leaders of American
labor, agriculture and industry, because
this one man has proved that Americans have
what it takes. He has proved that the
American soldier or sailor of today is
still just as good as the men who fought
and won in 1918 "over there".

SEC. MORGENTHAU: He has proved that we Americans can win
(CONTINUED)

every time if we get anything like an even break.

Lieutenant Commander O'Hare didn't have an even break. He was up there alone, one man against nine bombers. He dared to do the unbelievable, and he won. Every day men like O'Hare are doing the unbelievable on far-off fronts, holding the battle line of freedom until we can overcome the head-start of our enemies.

In Lincoln's time, at the start of the War Between the States, they sang this song: "We are coming, Father Abraham, a hundred thousand strong."...

SEC. MORGENTHAU:
(CONTINUED)

This time we are coming millions strong. We are coming with machines and men in overwhelming numbers, but in the meantime we can thank God for all the O'Hares, in all our fighting forces, who are keeping the flame of freedom alive.

You and I, as civilians, are just as deeply involved in this war as Lieutenant Commander O'Hare when he fought those Japanese bombers. It is now high time for us civilians, as individuals, to make our own declaration of war against the enemy -- to fight, to work, to save with all our heart and soul.

SEC. MORGENTHAU:
(CONTINUED)

In a nation at war "spending as usual" is as dangerous as "business as usual". We can't have all we want for ourselves and still give Lieutenant Commander O'Hare and his millions of comrades-in-arms the weapons they need. Nearly ten million Americans are now cutting down spending and buying War Savings Bonds instead, but with the war costing 120 million dollars every day, ten million savers are not enough. All of us have got to save and buy bonds on a vastly greater scale.

All of us have got to think war and act war in our personal lives.

SEC. MORGENTHAU:
(CONTINUED)

All of us who get a regular income should set aside at least ten percent of it every pay day for War Savings Bonds, and those who have been earning especially high pay in the war industries are going to set aside even more.

The most convenient way to do this is through the Payroll Savings Plan, under which an employee authorizes his employer to set aside a certain percentage of his pay for bonds. If you are not doing this already, one of your first jobs in the war is to sign up tomorrow; if you have signed up already, then one of your first jobs in the war is to increase the amount of your savings every pay day.

SEC. MORGENTHAU:
(CONTINUED)

We on the home front have got to do our part as well as O'Hare did his.

We have got to reach our goal of a billion dollars a month in savings by July, and every State and every county has got to do its share.

We have got to enlist an army of 50 million War Bond buyers.

Some people say it can't be done. Well, here in my office tonight is a man who last year announced a production program so big that some people said it couldn't be done. He called upon the farmers of America to produce vast new quantities of food for freedom.

SEC. MORGENTHAU: The farmers answered his call and they are reaching his goals. He is here to tell us what he thinks of our new War Savings goal: my friend and Cabinet colleague, the Secretary of Agriculture, Claude Wickard.

SEC. WICKARD: As you said, Mr. Secretary, this country can count on its farmers to produce all the food that is needed for victory. I know it also can count on farmers to buy their full share of the War Savings Bonds that are needed for victory.

I am confident that I am speaking for all American farmers when I tell the rest of the nation that farmers are ready to do everything they can -- to make every possible sacrifice -- in the fight to preserve our democratic way of life.

SEC. WICKARD: They are going right ahead, in spite of scarcities of materials and of labor.

Our country needs dollars to win the war and War Savings Bonds are one of the ways of raising that money. Already farmers are buying those bonds out of their larger incomes this year. I want to urge every one of you, as strongly as I can, to buy as many more bonds as you possibly can. Some farmers, especially those with debts to pay, may not be able to meet the goal of using ten per cent of their net incomes for bonds. But others, I am sure, can do much better than ten per cent.

SEC. WICKARD:
(CONTINUED)

Farmers are hit hard when inflation gets out of hand. Buying War Savings Bonds is a way to check ~~inflation~~ inflation. Farmers may need nest eggs if the present period of good prices ends. Bonds will provide that nest egg.

Those are two very practical reasons for joining in the plan for systematically buying War Savings Bonds. But I know that the real reason why farmers will do their share is because the country needs their help. If that means going without things they would like to have, farmers will make that sacrifice gladly. They are producing for victory and they will save for victory.

SECOND ANNOUNCER: A few minutes ago, Mr. Morgenthau, you called on us all to double our purchases of War Bonds. In the traditional American way, the way of democracy, you put the problem before us...the people. Here are spokesmen for millions of people.

ANNOUNCER: William Green, President of the American Federation of Labor.

MR. GREEN: The cost of living directly concerns every American. When it gets out of control and shoots sky-high we have inflation...an economic disaster which America must prevent by every practical means. It shrinks the dollar of the workingman by raising the prices of necessities he must buy for himself and his family.

GREEN:
(CONTINUED)

It forces the Government to pay much more for the war supplies for our armed forces.

Labor has consistently urged action to keep the cost of living within reasonable bounds and has supported to the fullest extent every measure taken by the Government in this direction.

Among these measures, the War Savings Program holds a major place. That is why the American Federation of Labor, just two months ago, launched its billion-dollar drive for War Bonds. We called upon our five million members to buy War Bonds -- and buy them every week out of their pay. Our members are responding in a wonderful way. More than \$300,000,000 already has been subscribed.

MR. GREEN:
(CONTINUED)

Have no doubt that labor will do its part in the War Bond Campaign. Secretary Morgenthau has just said that ten per cent of the national income must go into War Bonds. Every worker will, I am sure, keep up with this quota. This is a voluntary program. It is thoroughly American. The whole American people have their hearts and souls in this war and will not hold back with their money.

To every member of the American Federation of Labor I say -- "Put yourself on this ten per cent War Bond quota AT LEAST and stick to it for the duration."

ANNOUNCER:

William P. Witherow, President of the
National Association of Manufacturers.

MR. WITHEROW:

The majority of the officers and employees
of the eight thousand firms we represent
in our organization, the National Association
of Manufacturers, already are investing
heavily in War Bonds. I am asking tonight
that they invest more, much more than ten
per cent of income in the Bonds which buy
our fighting men the planes, tanks and
torpedoes they must have.

But our job, as executives of
manufacturing concerns throughout the
country, is more than the job of ourselves
investing ten percent of our income in
Bonds.

MR. WITHEROW:
(CONTINUED)

It is our responsibility to cooperate with our employees and their labor representatives by establishing a Payroll Savings Plan through which they may invest at least ten per cent of their pay in Bonds every pay day. Already more than eighty percent of our members have put these Payroll Savings Plans in operation. And I believe you can count on every firm ... every factory ... every one of the eight thousand firms we represent, to move immediately to make this wonderful voluntary plan available to every employee.

Our efforts must know no waste. This war for survival permits no squandering of assets.

MR. WITHEROW:
(CONTINUED)

It is a struggle in which the idle or hoarded dollar is a soldier asleep at his post. The man who dissipates his income, the woman who insists on having what she can easily do without - they are betraying their country as if they were furnishing military information to the enemy. We heartily approve of this American way of financing our war: The voluntary way and we will voluntarily do more than we are asked to do, week after week, month after month, until the war is won.

ANNOUNCER:

Thomas C. Cashen, Chairman of the Railway Labor Executives Association.

MR. CASHEN:

Employees operating the Rail Transportation System of our country are on their toes to speed up the movement of raw materials to factories, and finished materials of war to waiting ships.

We have also established committees of our unions and the management urging every employee to purchase United States War Bonds under the Payroll Savings Plan.

Most employees have already signed up. Within the next few days, the others will be called on again.

Our members realize that every possible dollar of their earnings must go into War Bonds.

(CASHEN:
(CONTINUED))

Speaking for the railroad employees of this country, I can assure our Government that we will do our share and more than our share. And I make this further pledge: We are going to invest to the fullest extent of our ability by purchasing U. S. War Bonds for the purpose of assisting our country to win this war. I am confident we will exceed ten per cent of our total income.

I repeat, the one million, two hundred and fifty thousand railroad employees will not only keep men and munitions rolling and arriving on time, but we will buy the Bonds to help pay the bill.

(NOUNCER: John W. O'Leary, Chairman of the Executive Committee of the United States Chamber of Commerce.

MR. O'LEARY: Voluntary action of the people is fundamental in representative democracy. Because your plan, Mr. Secretary, is based on voluntary action, it presents a challenge which the million business men comprising the underlying membership of the Chamber of Commerce of the United States will do their utmost to meet.

Within the year business and industry has been called upon to increase production at what seemed an impossible rate. The goals then set are now either reached or in sight.

C. O'LEARY:
(CONTINUED)

The achievement has given us courage that we can also reach the goal which you have set in this essential campaign to provide the funds for war. So, Mr. Secretary, you may be assured of the spirit and temper of the vast membership of the Chamber of Commerce of the United States expressed in the determination to do everything humanly possible to double monthly investments in War Bonds and to accomplish this goal to promote investment of ten percent of income in these securities regularly, through Payroll Savings Plans.

We recognize the need for speedy action. To attain that end we give our full support to your voluntary plan of investment.

ANNOUNCER: Philip Murray, President of the Congress of Industrial Organizations.

MR. MURRAY: As President of the C.I.O. I am proud of the record our affiliated organizations have already made in the purchase of War Savings Bonds.

 Their response has been generous, wholehearted and practical. Members of the C.I.O. responded to the attack on Pearl Harbor when the United Automobile Workers, one of the great bodies affiliated with the C.I.O., pledged \$50,000,000 worth of bonds to help finance the replacement of the U.S.S. Arizona which was sunk in that attack. They raised \$50,000,000, and pledged a second \$50,000,000.

(C. MURRAY:
(CONTINUED)

Many other unions in the C.I.O. have set themselves tremendous goals which have been a spur to all workers, and not alone those organized in the trade union movement.

Now we have set ourselves the task of increasing our purchases, so that we may make our contribution toward the Treasury goal of a billion dollars a month.

But, we must remember, some workers cannot, under their present earnings, maintain their well-being in health and decency and lay aside any of their meager earnings in savings, either under the present voluntary system or under a compulsory program which has been proposed.

C. MURRAY:
(CONTINUED)

That is one reason why the present voluntary system, with real participation in its administration by labor as well as management, can provide that flexibility which makes it possible to distinguish between those who can and those who cannot participate in the program.

However, we are not setting ourselves a goal of only ten per cent. Those of our workers who have a high level of earnings have set themselves higher goals. We feel that the voluntary nature of the present program is best designed to build the enthusiastic support for both the War Savings Program and the war effort as a whole.

C. MURRAY:
(CONTINUED)

Organized labor is doing its share to set the pace for the community as a whole to follow. Only full participation by every segment of our community will make this program a success. We pledge, Mr. Secretary, that we will do our share.

SEC. MORGENTHAU: Gentlemen. I know that I can count on you all. Thank you, very much.

ANNOUNCER: On this program you have heard Henry Morgenthau, Junior, Secretary of the Treasury, call on this nation to double previous purchases of United States War Bonds and War Stamps.

ANNOUNCER:
(CONTINUED)

You have heard the leading representatives of Agriculture, Labor, and Management pledge whole-hearted support: The Honorable Claude R. Wickard, Secretary of Agriculture, Mr. William Green, President of the American Federation of Labor, Mr. William P. Witherow, President of the National Association of Manufacturers, Mr. Thomas C. Cashen, Chairman of the Railway Labor Executives Association, Mr. John W. O'Leary, Chairman of the Executive Committee of the United States Chamber of Commerce, Mr. Philip Murray, President of the Congress of Industrial Organizations -- and Lieutenant Commander Edward H. O'Hare of the United States Navy.

ANNOUNCER:
(CONTINUED)

Ladies and Gentlemen -- The National Anthem!

MUSIC:

"THE STAR SPANGLED BANNER"

==

April 23, 1942

Dear Henry:

I am writing to ask whether you would be willing to appear with me on a nationwide War Savings broadcast from my office on the evening of May 4th.

As you know, we are out to get ten per cent of the nation's income invested regularly in War Savings Bonds, and we have developed definite quotas for every state and county. This particular program, to be called "What Happens to our Money?" is designed to show the nation how War Savings money is being spent in the war effort.

The program will be broadcast from 9:30 to 10:00 P.M. Washington time over both the Blue and Mutual networks. I sincerely hope you will be able to participate. May I hear from you soon?

Sincerely,

(Signed) Henry

Honorable Henry L. Stimson
Secretary of War
Washington, D. C.

FK:blb

h m c
copy to Stimson
by [unclear] Dixon 5.2

April 23, 1942

Dear Frank:

I am writing to ask whether you would be willing to appear with me on a nationwide War Savings broadcast from my office on the evening of May 4th.

As you know, we are out to get ten per cent of the nation's income invested regularly in War Savings Bonds, and we have developed definite quotas for every state and county. This particular program, to be called "What Happens to our Money?" is designed to show the nation how War Savings money is being spent in the war effort.

The program will be broadcast from 9:30 to 10:00 P.M. Washington time over both the blue and Mutual networks. I sincerely hope you will be able to participate. May I hear from you soon?

Sincerely,

(signed) Hearst

Honorable Frank Knox
Secretary of the Navy
Washington, D. C.

FK:blb

n.m.c.
Copy to Hearst
By Memorandum Dixon 5-28

April 23, 1942

Dear Donald:

I am writing to ask whether you would be willing to appear with me on a nationwide War Savings broadcast from my office on the evening of May 4th.

As you know, we are out to get ten per cent of the nation's income invested regularly in War Savings Bonds, and we have developed definite quotas for every state and county. This particular program, to be called "What Happens to our Money?" is designed to show the nation how War Savings money is being spent in the war effort.

The program will be broadcast from 9:30 to 10:00 P.M. Washington time over both the Blue and Mutual networks. I sincerely hope you will be able to participate. May I hear from you soon?

Sincerely,

Franklin D. Roosevelt

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

FK:blb

cc. M. M. C.
Copies to Thompson
By M. M. C. Dixon 5:20

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

Mr. H. W. Anderson
Vice President
General Motors Corporation
Detroit, Michigan

I was very much interested to have your report on the splendid employee participation achieved in the first four days of your War Bond Drive. The goal you have all set for yourselves to be reached by May first is indicative of the results which can be attained when employees and employers work as one mind for the interest of our country.

H. M. J.

Henry Morgenthau, Jr.
Secretary of the Treasury

75
TREASURY DEPARTMENT
WASHINGTON

CHARGE TREASURY DEPARTMENT, APPROPRIATION FOR

Expenses of Loans—War Savings Staff

(The appropriation from which payable must be stated on above line)

U. S. GOVERNMENT PRINTING OFFICE

D-24117

April 23, 1942

WU E 41 80/75 GM

DETROIT MICH APR 22 1222P

1512 103 42 DM 1 18

HENRY MORGENTHAU JR

SECRETARY OF THE TREASURY WASHDC

I KNOW YOU WILL BE INTERESTED IN PRELIMINARY RESULTS OF
GENERAL MOTORS EMPLOYEES WAR BOND DRIVE FOR VICTORY.

WITH INCOMPLETE REPORTS IN FOR FIRST FOUR DAYS OF CAMPAIGN:
36 PLANTS OR DIVISIONS ARE 100PERCENT; 41 PLANTS OR DIVISION
ARE 90 TO 100PERCENT; THE REMAINING 17 ARE BETWEEN 60 AND 90PERCENT;
NONE BELOW 60PERCENT. GENERAL MOTORS EMPLOYEE FAMILY AS A WHOLE
OVER 90PERCENT PARTICIPATION. BY MAY 1ST EXPECT ALL PLANTS WILL
BE ELIGIBLE FOR TREASURY FLAG

H W ANDERSON.

116P

77

Treasury Department
Office of the Under Secretary

Date: 7/23

To:

The Secretary

From:

Comptroller's
letter to War Dept
on Detroit situation
SWB

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON

78

C O P Y

April 23, 1942

B-23388

The Honorable,

The Secretary of War.

My dear Mr. Secretary:

There has been informally presented to me this date by the Office of the Undersecretary of War a proposed directive amplifying the procedure approved by my letter of February 20, 1942, B-23388, relating to the reimbursement of contractors for amounts deducted from salaries and wages for the purchase of War Savings Bonds. The proposed directive is as follows:

"1. The procedure proposed by the Secretary of War and approved by the Comptroller General of the United States in his decision of February 20, 1942, B-23388, is for application, except that in the case of a manufacturing establishment the contracting officer may approve a modification of the procedure as outlined herein. Under either procedure, reimbursement for salaries and wages may include payroll deductions made for the purchase of War Savings Bonds.

"2. The contractor will withhold from each pay roll the amounts authorized in writing by the respective employees. The total amount withheld will be deposited immediately with a bank insured by the Federal Deposit Insurance Corporation in a separate account or accounts, but it is unnecessary to use a separate account for each contract. Such special bank account or accounts shall be so designated as to indicate clearly their special character and purpose and withdrawals from such accounts shall be only for the purpose of purchasing War Savings Bonds for delivery to employees, or for refunding employees' payments on subscriptions. Refunds by the employer of employees' deductions may be made by checks drawn on the special account or out of the employer's funds, in which latter event the employer may withdraw an equivalent amount from the special account.

- 2 -

"3. The employer will maintain appropriate records of all transactions involving employees' subscriptions including a periodic reconciliation of the total amount of employees' payments on unissued bonds with the balance in the special bank accounts. The transactions in the special bank account or accounts and the subscription ledgers showing the individual employees' accounts are to be subject to audit by authorized representatives of the Government. Upon termination of the pay-roll deduction plan, the contractor will furnish to the contracting officer a summary of the transactions and lists of undelivered bonds and unclaimed account balances."

The procedure proposed appears to be satisfactory, and will meet the requirements of this Office.

Sincerely yours,

(Signed) Lindsay C. Warren

Comptroller General
of the United States.

APR 23 1942

April 17, 1942

Dear Archie:

This is just to thank you for your letter of April 11th in which you tell me about the views of your Board regarding compulsory savings.

As your letter indicates, the Board did not have the benefit of an actual survey of public opinion before reaching its decision. If you should decide to have such a survey made, I should be very much interested to hear of the results.

Incidentally, I should like you to know how much I appreciate the offer of help and cooperation which you gave me at luncheon yesterday. I know that the Office of Facts and Figures can be of immense help in making our voluntary savings program a success.

Sincerely,

(Signed) Henry

Hon. Archibald MacLeish,
Director, Office of Facts and Figures,
Washington, D. C.

FK/cgk

*Photo file M.M.C.
File to Thompson*

OFFICE OF FACTS AND FIGURES

WASHINGTON

April 11, 1942

Dear Mr. Secretary:

Your department has asked for the views of the Board of the Office of Facts and Figures on the question of public morale involved in a compulsory savings plan.

I take it that there are two main questions involved:

- (1) Whether the public at large would resent compulsion in this matter.
- (2) Whether compulsory savings would destroy a feeling of voluntary participation which the bond purchasing program stimulates.

Although this Office has not undertaken a specific test of public reaction on this question, we believe that we have enough background information to be able to make a judgment.

On the first question, it is the view of the Board that the public would not resent compulsion in this matter any more than it resents compulsion in the payment of heavy taxes, or compulsion in being drafted for the armed service. Our indicia of public opinion have pointed again and again to the fact that the country is ahead of the Government in its desire to accept restriction and sacrifice if necessary for winning the war.

On the second question, it is the view of the Board that, although the bond program has made a valuable contribution in stimulating a sense of voluntary participation, our entry into the war and the increasing opportunities for direct participation in war industries and in civilian defense have diminished the necessity for the stimulus which the bond program has given. Indeed, there may be some question as to whether the fact that the purchase of bonds involves no risk and carries with it a profit in the form of interest does not divert the sense of sacrifice which the war has called forth.

The Secretary of the Treasury - 2 -

4/11/42

It would seem to me that a good deal of whatever public resentment might result would be diminished if a compulsory savings plan were based on a principle of graduation according to ability to pay, in the light of income tax schedules.

If I may, I should also like to point out what you have, of course, considered, that a compulsory savings program could be put before the country as a positive contribution to post-war reconstruction, in that it would provide a fund of purchasing power to stem a possible post-war recession.

Faithfully yours,

Archibald MacLeish
Archibald MacLeish
The Director

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 23, 1942.

TO The Secretary
FROM Harold Graves

I am attaching a letter from the Third Assistant Postmaster General, enclosing to Mr. Mahan a report from the postmaster at Los Angeles regarding the alleged lack of facilities at the West Los Angeles post office for the purchase of Defense Savings Stamps, about which Mrs. Elizabeth Hill of West Los Angeles complained to you.

Mr. Graves

Post Office Department

THIRD ASSISTANT POSTMASTER GENERAL

Washington

84

IN YOUR REPLY REFER TO:

LKB
A

April 20, 1942

Mr. Sydney D. Mahan,
War Savings Staff,
Treasury Department,
Washington, D. C.

My dear Sir:

There is enclosed for your information a copy of a letter written by the postmaster at Los Angeles, California, to Miss Elizabeth Hill in reply to her letter of March 11 to the Secretary of the Treasury in which she made the statement that no bank or post office in West Los Angeles had savings stamps of the 10-cent and 25-cent denominations for sale.

Very truly yours,

Ramsay S. Black
Third Assistant Postmaster General.

Enclosure.

C O P Y

85

UNITED STATES POST OFFICE

Los Angeles, Calif.

Postal Savings Section

AJA

April 15, 1942.

Miss Elizabeth Hill,
634 S. Gramercy Pl.
Los Angeles, California

My dear Miss:

Your letter of March 11 addressed to the Secretary of the Treasury concerning the lack of facilities for obtaining Defense Stamps at West Los Angeles, has been referred to this office for reply. Your statement to the effect that the postmaster at West Los Angeles advises he cannot secure the stamps is not understood. The post office at West Los Angeles is operated as a regular station of this office and a sufficient supply of Defense Stamps is available at all times to meet the normal requirements. The address of the station is 1544 Purdus Ave.

You are also advised that banks are permitted to purchase Defense Stamps from the post office for resale to the public. Of course, you understand we cannot compel banks to carry Defense Stamps purchased from their own funds but insofar as we know every bank in California is cooperating.

Please advise me of any specific instance where there is a bank or post office not selling Defense Savings Stamps.

Very truly yours,

MARY D. BRIGGS, Postmaster

by Frank Huber
Money Order Cashier.

cc: 3rd Asst. P.M.G.
Postal Savings
REP/AJM

COPI

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

4/23/42 86

To the Liaison Officers of All Federal Reserve Banks

Dear Sir:

At the informal request of the Treasury Department, there is enclosed a photostat copy of a statement prepared by the Department's Division of Research and Statistics relating to the operation of pay roll savings plans (for the purchase of War Savings Bonds) by companies having 5,000 or more employees. The statement shows, for your District, the name and address of each company, the number of employees, whether company has a pay roll savings plan, and whether company is an issuing agent.

For the information of the Office of the Secretary of the Treasury, it will be appreciated if you will furnish us at your early convenience, the following information with respect to each company shown in the statement as having a pay roll savings plan that has not qualified as an issuing agent:

1. Whether your Bank has contacted the company, and, if so, whether by correspondence or by personal visit (or both).
2. Brief statement of the reasons given, if any, for not qualifying.
3. If the information is readily available, what agency is now issuing the bonds sold under the pay roll savings plan.
4. Any additional information or comments which you feel may be of interest to the Office of the Secretary in this connection.

It will be appreciated if you will furnish the above data in duplicate so that one copy may be turned over to the Office of the Secretary and the other retained in our files.

We have been advised informally that Mr. A. L. Mills, Jr., Technical Assistant, Office of the Secretary of the Treasury, has been designated by the Secretary as the Department's contact representative to cooperate with the Federal Reserve Banks in their efforts to increase the number of large corporations qualifying as issuing agents, and will be glad to furnish all possible assistance in this connection.

Very truly yours,

L. P. Betha,
Assistant Secretary.

UNITED STATES SAVINGS BONDS

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

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	April	March	February	April over March	March over February	April over March	March over February
	:	:	:	:	:	:	:
Series E - Post Offices	\$ 59,172	\$ 65,877	\$ 74,939	-\$ 6,705	-\$ 9,062	- 10.2%	- 12.1%
Series E - Banks	<u>169,969</u>	<u>195,418</u>	<u>269,925</u>	- <u>25,449</u>	- <u>74,507</u>	- <u>13.0</u>	- <u>27.6</u>
Series E - Total	229,140	261,294	344,863	- 32,154	- 83,569	- 12.3	- 24.2
Series F - Banks	27,659	30,731	43,917	- 3,072	- 13,186	- 10.0	- 30.0
Series G - Banks	<u>117,592</u>	<u>137,927</u>	<u>208,842</u>	- <u>20,335</u>	- <u>70,915</u>	- <u>14.7</u>	- <u>34.0</u>
Total	<u>\$374,391</u>	<u>\$429,952</u>	<u>\$597,622</u>	-\$ <u>55,561</u>	-\$ <u>167,670</u>	- <u>12.9%</u>	- <u>28.1%</u>

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

April 23, 1942.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - April, 1942

On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
April 1942									
1	\$ 2,476	\$ 10,517	\$ 2,380	\$ 9,608	\$ 22,504	\$ 12,993	\$ 2,380	\$ 9,608	\$ 24,980
2	2,999	8,264	2,119	7,570	17,953	11,263	2,119	7,570	20,953
3	3,222	7,572	1,185	6,235	14,992	10,794	1,185	6,235	18,214
4	2,778	9,292	1,387	5,334	16,013	12,070	1,387	5,334	18,790
6	4,961	13,035	2,329	8,027	23,391	17,996	2,329	8,027	28,352
7	2,958	5,722	834	8,983	15,539	8,680	834	8,983	18,497
8	2,309	9,610	1,142	6,562	17,314	11,919	1,142	6,562	19,623
9	2,906	9,304	955	5,715	15,974	12,210	955	5,715	18,880
10	2,730	8,052	1,573	5,261	14,885	10,782	1,573	5,261	17,615
11	2,150	5,224	668	2,720	8,613	7,374	668	2,720	10,762
13	4,619	17,572	2,432	8,604	28,609	22,192	2,432	8,604	33,228
14	2,513	6,152	1,076	3,333	10,561	8,665	1,076	3,333	13,074
15	2,584	5,102	1,251	5,374	11,728	7,686	1,251	5,374	14,312
16	3,472	10,008	1,400	7,773	19,180	13,480	1,400	7,773	22,652
17	2,690	8,076	850	3,695	12,621	10,766	850	3,695	15,311
18	3,111	7,175	948	3,303	11,426	10,286	948	3,303	14,537
20	5,252	13,334	2,227	9,001	24,562	18,586	2,227	9,001	29,814
21	2,517	6,845	977	3,703	11,525	9,362	977	3,703	14,042
22	2,925	9,112	1,925	6,793	17,830	12,037	1,925	6,793	20,755
Total	\$ 59,172	\$169,969	\$ 27,659	\$117,592	\$315,219	\$229,140	\$ 27,659	\$117,592	\$374,391

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

April 23, 1942.

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

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 23, 1942

TO Secretary Morgenthau

FROM Mr. Kamarch

Subject: Of Possible Interest: The New Tank Production Goals.

1. According to the figures which were made available to me by the War Production Board, the most important change in the new production program is in the tank goals. The over-all program is being slashed 15 percent and tanks 22 percent.

In March we were producing tanks at the rate of 12,000 a year. (The March production figures are in round numbers: no heavy tanks, 600 medium and 400 light, or a total of 1,000 tanks.) We were achieving this rate in spite of the fact that only 10 to 15 percent of the plants which could produce tanks were converted to war production.

The new production program, in round figures, is as follows:

<u>Tanks</u>	<u>Old</u>	<u>New</u>
Light	20,000	10,000
Medium	25,000	15,000
Heavy	<u>500</u>	<u>150</u>
Total	45,000	25,000

Other Fighting Vehicles

Armored cars	12,000
Run carriers (on light tank chassis carrying mostly 35 mm., with a few 57 mm. guns)	<u>8,000</u>
Total	20,000

2. The importance of the change in the tank production program cannot be under-estimated. Tanks are undoubtedly one of the most important armament items. From the standpoint of the 1942 campaigns, tanks probably out-rank planes and ships in importance. Both the British and the Russians

are not greatly inferior to the Germans in the air. The German successes in Russia and in Libya have been mainly due to German tank superiority: Stalin informed Beaverbrook and Harriman that tanks were the most vital Russian deficiency. In Libya, the British have been driven back because of their tank inferiority, in spite of their superiority in the air.

3. The 12,000 armored cars and 8,000 gun carriers which the new schedule calls for can not be regarded as substitutes for tanks. They do not even approach being a match for light tanks. The Germans do have a few armored cars in their panzer divisions which they use for reconnaissance work, but the serious fighting is done by the tanks. The organizational tables of our motorized divisions now call for tanks instead of armored cars to perform reconnaissance.

The 8,000 gun carriers will mount guns no larger than those mounted in a light tank, but will not have the armor protection of a light tank.

4. The crux of the tank program is the production of medium and heavy tanks. It is doubtful if the Germans have any light tanks left in their armored divisions. Over a year ago, they started replacing the light tanks in their armored divisions with medium and heavy tanks. Our new armored divisions likewise are being built around the medium tank. Our 1942 production goal of 15,000 medium tanks (cut down from the original goal of 25,000) is to be compared with our army's estimate that the Germans have 15,000 tanks on the Russian front now.

Conclusions

1. The new tank production goals represent a drastic retreat from the Victory Program.
2. In view of the requirements of our expanding army, it is more than probable that the reduced program means that the vital tank needs of our Allies will not be met.

APR 23 1942

My dear Mr. President:

I have your memorandum of April 21, 1942, transmitting a letter addressed to Mrs. Roosevelt on April 3, 1942, by Mr. C. L. Brown, President of the Lubec Chamber of Commerce, relative to a fee charged the Campobello Auto Ferry, apparently for overtime services of customs officers.

I have requested that a report be obtained from the collector of customs concerned and as soon as his report is received I shall advise you further in the matter.

Faithfully yours,

(Signed) W. H. Woodbury, Jr.

Secretary of the Treasury.

The President,
The White House.

SS. Apr. 25:55
N. M. C. Photo File
File to Thompson

THE WHITE HOUSE
WASHINGTON

April 21, 1942.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY

Will you let us know
about this?

T. L. H.

C O P Y

129.15

Lubec, Maine 4/3 1942

Mrs. Franklin D. Roosevelt

Dear Madam:-

The Campobello Auto Ferry will not be able to run this summer providing the customs fee are not changed. As at present the fee is \$13.00 on a Sunday one car or a dozen.

As you know there is no such charges on the Campobello side.

Thinking you might get some relief for us in this matter I am writing you in behalf of the Lubec Chamber of Commerce and the Campobello Board of Trade.

Yours very truly

(Signed) C. L. Brown
Pres. Lubec C. of C.

Dear Guy:

I am very much pleased with the work the Bureau of Internal Revenue has done during the last week in assembling the requested information on the list of fifty-three companies with large war contracts furnished to me by Mr. Donald W. Nelson, Chairman of the War Production Board.

Will you please convey to Deputy Commissioner Mooney, and those members of his unit who worked on this project, my thanks and my congratulations for a good job quickly done.

Sincerely yours,

Honorable Guy T. Helvering,

Commissioner of Internal Revenue.

JLS:kb

H.M.C.
Copies to Thompson

APR 23 1942

Mr. Byron Price,
Director, The Office of Censorship,
Washington, D. C.

Dear Mr. Price:

The receipt is acknowledged of your communication dated April 8, 1942, stating that Boards of Review will be established at Los Angeles, California, New York, New York, and Rochester, New York, to aid in the censorship of films and other photographic material entering and leaving the United States, and that provision will also be made at Miami, Florida, New Orleans, Louisiana, El Paso, Texas, San Francisco, California, and Seattle, Washington, and other postal censorship stations for examining photographic material not passed upon by the Boards of Review.

You request to be informed of the name of someone in this Department who would be available for consultation with the Boards at Los Angeles and New York. You also request that an alternate be designated. You ask if anyone will be available for consultation in the other cities mentioned.

Mr. Gregory W. O'Keefe, assistant collector of customs, has been designated as the primary consultant to the Board of Review at New York, and Mr. Irving Fishman has been appointed as an alternate.

Mr. Henry J. Nord, deputy collector of customs, has been designated as the primary consultant to the Board of Review at Los Angeles, and Mr. Hugo Wallenfels, Treasury representative, has been designated as an alternate.

Messrs. Frank Gallagher, Jr., and John E. Caufield, Bureau of Customs employees, will be available for consultation to representatives of the Office of Censorship at Rochester, New York.

- 2 -

All persons named above have been given full authority to present the viewpoint of this Department in connection with censorship problems.

After consultation with appropriate field officials, a further communication will be addressed to you informing you of representatives of the Treasury Department who will be available for consultation at other ports where postal censorship stations are located.

Sincerely yours,

(Signed) H. C. Sargent

Secretary of the Treasury.

Proper m.c.

My Microphone

Dixon 5:20

File to Garton

cc - Thompson

THE OFFICE OF CENSORSHIP
WASHINGTON

April 8, 1942.

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

My dear Mr. Secretary:

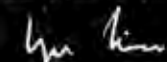
To aid in the censorship of films and other photographic material entering and leaving the United States, we soon will establish Boards of Review in Los Angeles, New York, and Rochester, N. Y. Provision also will be made at Miami, New Orleans, El Paso, San Francisco, Seattle, and other postal censorship stations for examining photographic material not passed upon by these Boards.

This work undoubtedly will raise questions in which various Government agencies will have a direct interest. It would be extremely helpful if the Boards could have opportunity to obtain advice on specific films from a representative of your Department whenever such consultation might be helpful.

Will you please give me the name of someone in your Department who would be available for consultation with the Boards at Los Angeles and New York? I shall appreciate it if you also will designate an alternate. Will anyone be available for consultation in the other cities mentioned? In every case, these representatives should have full authority to present the official viewpoint of your Department.

I am enclosing an outline of the film censorship program. If I can supply any further information, please do not hesitate to request it. Any suggestions will be welcomed.

Sincerely yours,



Byron Price,
Director.

Enclosure.

(COPY)

97-A

OFFICE OF CENSORSHIP

Washington

FOR RELEASE TO MORNING PAPERS
OF FRIDAY, MARCH 27, 1942.

A system for the examination of all kinds of films entering and leaving the United States was announced today by the Office of Censorship.

Boards of Review will be established at Los Angeles and New York to inspect motion picture productions and newsreels offered for export. Personnel of the boards has not been announced.

Facilities for examining pictures of many types are available also at other ports, and all material will be cleared as rapidly as possible, said the announcement by Byron Price, Director of Censorship. He explained that newsreels in particular would be handled so that views of happenings abroad would be available to the American people with a minimum of delay.

The Bureau of Customs is cooperating in the film censorship program, and other Government agencies will be asked for advice on individual films. Besides applying to commercial motion pictures and newsreels, the examination will include amateur movies, still photographs, and all other forms of photography intended for import or export.

Removal from the United States of exposed but undeveloped films is being prohibited, except to Canada, and such films will be returned to the sender. The same regulation covers unexposed raw film unless especially licensed. These provisions apply to travelers as well as to professional photographers and commercial organizations.

Exposed films coming into the country will be examined after being developed under Government supervision, but importation of unexposed films except from Canada is banned.

Following is a detailed outline of the program:

I. ADMINISTRATIVE MACHINERY

1. In order to review films produced in the United States for export and films imported into the United States, Boards of Review will be established at Los Angeles and New York. The Los Angeles Board will be concerned chiefly with commercial motion pictures at

the point of production (Hollywood and environs), while the New York Board will be concerned with newsreels, motion picture productions and other photographic material produced or processed in the East for export from the United States, as well as with newsreels and film dramatic productions offered for import into the United States which the Bureau of Customs may submit for review. The Boards will act in general as advisory bodies to the Office of Censorship and the Bureau of Customs and will be under the chairmanship and the administrative direction of the Office of Censorship.

The Boards will have opportunity to seek the advice of Federal agencies having a special interest in photographic problems. Among these agencies are: the State Department, the War Department, the Navy Department, the Board of Economic Warfare, the Office of Coordinator of Information, the Office of Coordinator of Inter-American Affairs, and the Office of Coordinator of Government Films. These agencies represent the various elements in problems posed by exportation of films - military security, Latin-American relations, external propaganda, and economic warfare.

2. Postal Censorship will provide facilities at appropriate points to review photographic material routed for export from or import into the United States. For material transmitted in the mails the Postal Censors in general will act without reference to any other agency. Postal Censorship offices will review material submitted by Collectors of Customs and give advice as to whether the shipment should be permitted to proceed, or they may recommend submission of the material to a Board of Review. Material received from Customs will be returned to the appropriate Customs officer with a recommendation.

3. Unless special provision has been made for examination elsewhere, Collectors of Customs at the points of exit or entry will examine all shipments of photographic films, plates and prints outside the mails and such material in mail packages requiring inspection for tariff purposes. Where no doubtful circumstances exist, they will license the export or permit the entry of the material. They will refer doubtful cases to Postal Censorship, which will return the material with appropriate advice.

II. FILMS AND PRINTS FOR EXPORT

1. The bulk of commercial films, including dramatic and newsreel films, will be reviewed during production by the Boards of Review. For that purpose the Boards will establish contacts with the Motion Picture Producers and Distributors' Association and with other representatives of producers and exporters for assistance in

working out review methods. On request of the producers or the Bureau of Customs, the Boards will review completed films offered for export. In concert with representatives of the producers and with the Customs Service means will be adopted for identifying true copies of films approved for export, and Customs representatives at the point of origin will license, mark and seal shipments so as to make any further examination unnecessary. This approval will obviate delays in the export of motion picture productions.

2. Collectors of Customs, where appropriate facilities for examination exist, will be authorized to examine at the point of origin, developed films, plates and prints and, if their export is to be permitted, to license and seal the packages so as to obviate examination at the point of exit. In doubtful cases, the nearest Postal Censorship office will be consulted.

3. Postal Censors will examine to the extent deemed desirable photographic materials passing through the mails. All films, plates and prints which have not been licensed for export or approved by Postal Censors will be examined by Collectors of Customs at the port of exit. Doubtful cases will be referred to Postal Censorship, which will return them with recommendation. Collectors of Customs may license such shipments, detain them or return them to the senders as circumstances warrant.

4. All exposed films or plates are to be regarded as communications. Since they cannot be examined without development, their export, except to Canada, will be prohibited. This will be done by declining to license, under the Trading with the Enemy Act, the export of any undeveloped negatives. Exposed and undeveloped film offered for export will be returned to the sender.

5. In view of the difficulty of determining in all cases whether film has been exposed, the export of any raw film to any destination other than Canada will be prohibited except under special Export Control license. Such licenses will be issued only to approved manufacturers, distributors and others who can supply adequate reasons for licensing a particular shipment.

III. IMPORTS

1. Developed films, apparently intended for general showing in theaters, should be sent to the Collector of Customs at New York or Los Angeles for examination by the Board of Review. Other developed commercial films, when imported outside the mails and consigned to points other than New York or Los Angeles, will be examined at the port of entry

-4-

if facilities are available; if no facilities are available, the films will be sent to the Collector of Customs in New York or Los Angeles for examination. If such films are imported in the mails, they will be examined by the appropriate office of Postal Censorship.

2. Exposed and undeveloped commercial motion pictures, except newsreels, whether imported in or outside the mails should be forwarded to the Collector of Customs at New York or Los Angeles for processing in approved laboratories and examination by the Board of Review. Exposed and undeveloped newsreel films should be sent to the Collector of Customs at New York, whether imported in or outside the mails, for similar processing and examination.

3. Importation of unexposed film, other than that coming from Canada, will be prohibited except under special license.

4. All exposed and undeveloped still or motion picture film and plates presented for importation outside the mails will be examined at the port of entry if facilities are available, and if not, will be forwarded to the nearest Collector of Customs having facilities for processing and examination. However, when the importer of such film (including such film in the mails) designates a specific laboratory for the development of his film, and the laboratory designated has been approved by the Office of Censorship, the film shall be forwarded to the Collector of Customs in whose district the designated laboratory is located for processing and examination. Collectors of Customs will consult the nearest offices of Postal Censorship in doubtful cases. Where the volume of business of a particular laboratory warrants, examination of such film will be made by a committee consisting of a representative of the Office of Censorship, as chairman, one or more representative from the Customs Service and representatives of any other agencies deemed desirable.

5. All developed non-commercial films, motion or still, including photographs and plates presented for importation outside the mail, will be examined at the port of entry if facilities are available; if not, it will be forwarded for examination to the nearest Customs house having facilities. In doubtful cases, Collectors of Customs will consult the nearest Postal Censorship office. Postal Censorship will examine all undeveloped and developed non-commercial film imported in the mails.

April 23, 1942

Dear Archie:

I am very sorry indeed to hear that you have decided to suspend distribution of the weekly analysis of Editorial Opinion. I had been missing it and wondered what had happened to it.

Personally, I feel that this little review gave me information which I could not get from any other source, inside or outside the Government. If you should reconsider your decision and resume publication, please be sure to put me on the mailing list.

Sincerely,

(Signed) EARLY

Honorable Archibald MacLish,
Director,
Office of Facts and Figures,
Washington, D. C.

FK:blb

*Photo file N. M. C.
File to Thompson*

By Messenger *Manuscript*
4/25/42

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
WASHINGTON, D. C.

April 30, 1942

Dear Mr. Secretary:

Because of the pressure of other work, it has been decided to suspend distribution of the weekly analysis of Editorial Opinion on The War which you have been receiving from this office. We hope that it has been of some interest and usefulness to you in the past.

Faithfully yours,



Archibald MacLeish
Director, Office of Facts and Figures

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



APR 23 1942

Dear Jesse:

I have your letter of April 21 and a copy of your letter to the President in regard to the use of silver as a substitute for copper in defense factories.

I am assuming that you have sent copies of this correspondence to Donald Nelson.

Sincerely yours,

(Signed) Henry

Honorable Jesse H. Jones,
Secretary of Commerce,
Washington, D. C.

BHF:mdm
4/22/42

*Photo filed m.c.
My Messeng Dixon 5:20
File to Thompson*



THE SECRETARY OF COMMERCE
WASHINGTON

April 21, 1942

Dear Henry:

I hope you agree with me that this is all Defense Plant Corporation should undertake to do in connection with the silver.

You will recall¹ that at Cabinet meeting the idea of any loss from abrasion or otherwise was pooh-poohed.

Sincerely yours,

A handwritten signature in ink, appearing to be "John D. Edgar", is written below the typed name. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

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

C
O
P
Y



THE SECRETARY OF COMMERCE
WASHINGTON

April 21, 1942

Dear Mr. President:

You will recall at Cabinet a week ago the question of Defense Plant Corporation using silver in lieu of copper in the construction of aluminum plants.

Defense Plant Corporation is prepared to bear the cost of transporting the silver to fabricating plants, the cost of fabricating this silver into bus bars and conduits, the restoration of the silver to bar form, and its return to the Treasury, less incidental weight lossage due to abrasion and fabrication, when requested by the President or the Secretary of the Treasury.

I think this is all that should be expected of Defense Plant Corporation.

If you concur, please advise the Secretary of the Treasury and me.

Sincerely yours,

(signed) Jesse H. Jones

Secretary of Commerce

The President
The White House

ASSISTANT SECRETARY OF THE TREASURY

April 23, 1942.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

The attached daily report of vessels in New York harbor, as of Monday of this week, is rather interesting. You will notice that of the 304 vessels in port 29 were discharging and 42 lading, a total of 71 actively working cargo. Of the remainder 36 were idle at dock, 87 were in the stream and 110 were undergoing repairs. The repair item, according to Durning, is the chief bottleneck. There are many alterations to be made, besides ordinary maintenance and repairs due to war damage. In addition, Harry says, the work proceeds very slowly at the shipyards and there is a great deal of loafing, probably due largely to green crews and lack of proper direction. The actual handling of cargoes is in general proceeding fairly well.

WJG

ROOM 125, CARGO DIVISION,
MONDAY, APRIL 20, 1942.

DAILY REPORT OF VESSELS IN THE PORT OF NEW YORK

Argentinian	5
Belgium	1
Brazilian	4
British	50
Cuban	1
Dutch	17
French	3
Greek	4
Honduran	2
Nicaraguan	1
Norwegian	39
Panamanian	25
Philippines	1
Polish	3
Portugese	2
Russian	6
Swedish	2
Swiss	2
United States	132
Yugo Slav	4
TOTAL	304

ACTION ON VESSELS

Discharging	29
Idle	36
Lading	42
Repairs	110
Stream	87
TOTAL	304

<u>STREAM</u>	<u>87</u>
Ballast	19
Coastwise	13
Enroute	25
Laden	30
TOTAL	87

FLAG	NAME OF VESSEL	ACT.	PIER	FLAG	NAME OF VESSEL	ACT.	PIER
<u>DISTRICT 1</u>				<u>DISTRICT 2</u>			
Det.*	Tjileboet	I	1 Bush	Pan.	Salvator	R	Robb. ID
Amer.	Constellation	I	49th St.	Amer.	C/S Koolmotor	R	"
Amer.	Santa Elisa	R	Morse ID	Br.*	Davila	R	"
Amer.	Joseph T. Dickman	R	"	Amer.	F.Q. Barstow	R	"
Amer.	West Lashawey	R	"	Det.*	Arundo	I	Brkwater
Amer.	Oregonian	R	"	Amer.	Pillory	I	"
Amer.	Columbian	R	"	Br.	Empire Widgson	R	Robb. ID
Amer.	Caribstar	R	"	Amer.	East Indian	R	"
Amer.	Parianize	R	"	Br.*	Silverash	L	State Pier
Amer.	Gulfdise	R	"	Nor.	Hoegh Silverelund	L	"
Amer.	Windrush	R	"	Amer.	Namarib	R	Cranes DD
Amer.	Coloradoan	R	"	Pan.	Norlys	R	"
Pol.*	Narvik	L	3 Bush	Amer.	Lone Star	R	/ "
Nor.*	Alaska	L	"	Nor.*	Noreg	R	"
Br.	Danalmia	D	"	Amer.	Silver Sword	L	2 Erie
Det.	Tanimbar	I	"	Amer.	Meantient	R	3 Erie
Arg.	Rio Chico	D	4 Bush	Pan.	Pontias	R	Beards ID
Br.	Livingston	R	"	Amer.	Rio Parana	R	44 Bklyn.
Br.	Stanbank	D	"	Amer.	Madison	R	"
Br.*	Flinston	I	5 Bush	Amer.	Cristobal	R	45 Bklyn.
Br.	Barrdale	L	"	Amer.	Gulfbird	R	Robb. ID
Nor.*	California Express	R	8 Bush	Amer.	Tydol	R	"
Nor.	Magnhild	R	"	Amer.	Nancy Lykes (Aks 4)	R	"
A.*	Yemassee	R	17th St.	Amer.	Coastwise	R	"
Pan.*	Norvik	R	"	Amer.	Panamosco	R	"
Swiss	St Gotthard	R	"	Br.	Request #183	R	"
Arg.	Norte	R	"	Amer.	Dorothy Luckenbach	R	"
Amer.	Norluna	R	23rd St.	Br.	Empire Ibox	R	"
Russ.	Azerbaidjan	R	"	Nor.	Seebeli	R	"
Amer.	Atlantic Trader	R	"	Port.	Gil Ranes	D	33 Bklyn.
Russ.	Michurin	R	27th St.	Nor.	Molda	L	34 Bklyn.
Nor.*	Mirle	R	"	Nor.*	Tamasis	L	36 Bklyn.
Det.	Hermes	R	"	Nor.*	Siranger	L	37 Bklyn.
Phil.	Dona Aurora	R	"	Nor.*	Polycastle	R	38 Bklyn.
Pan.	Hindoo	R	"	Amer.	Empire State	L	Com. Whf.
Amer.	Kentucky	R	"	Amer.	Hilton	L	22 Bklyn.
Nor.	Primero	R	"	Amer.	Beatrice	L	23 Bklyn.
Pan.	Alcedo	R	"	Br.*	Empire Raserbill	L	24 Bklyn.
Amer.	Nevada	R	"	Swiss	St Cergas	D	24 Bklyn.
Nor.*	Solitaire	R	"	Swed.	Astri	R	29 Bklyn.
Amer.	Millinocket	R	"	Amer.	Brooklyn Heights	I	30 Bklyn.
Braz.	Tiradentes	I	30th St.				
Braz.	Midosi	I	"				
Braz.	Mogy	I	"				
Braz.	Pocons	L	"				
Amer.	Vermont	L	31st St.				

NAME OF VESSEL	ACT.	PIER	FLAG	NAME OF VESSEL	ACT.	PIER
<u>DISTRICT 3</u>				<u>DISTRICT 7</u>		
Dut. Cottica	D	4 Bklyn.	Amer.	Perseverance	I	Edgewater
Dut. Tiberius	D	4 Bklyn.	Amer.	Alcoa Guard	L	"K" Whn.
Br.* Bradburn	L	5 Bklyn.	Nor.	Bajamar	L	"
Nor. Tarn	L	5 Bklyn.	Amer.	Narbo	D	9 WS RR
Belg.* Belgian Airman	L	8 Bklyn.	Amer.	Lafayette	R	Fletcher ID
Br.* Empire Laywing	L	8 Bklyn.	Amer.	Ipswich	R	"
Dut. Medea	L	10 Bklyn.	Amer.	Excellency	R	"
Dut. Crijnsen	L	11 Bklyn.	Amer.	Haglin F. McCormick	R	"
Grk. Constantinos H	I	16 Bklyn.	Amer.	Beauregard	R	"
Amer. Challenger	L	18 Bklyn.	Nor.	Brush	R	"
Nor.* Fernbrook	L	Oak St.	Br.*	Empire Jet	R	"
Br.* Empire Wagtail	D	Ruron St.	Amer.	Louise Lykes	R	"
<u>DISTRICT 4</u>			Pan.*	Elwood	R	"
Amer. Angelina	I	14 E.R.	Pan.*	Belgian Gulf	R	"
Fr. Ile de Noirmoutier	I	15 E.R.	Amer.	Robert E. Lee	R	"
Ye. Sveti Daja	R	28 E.R.	Pan.	Carmona	R	"
Hond. Howard	R	2 N.R.	Amer.	Siboney	R	"
Amer. Proctor	L	3 N.R.	Amer.	Shickshimny	R	"
Nor. Cadmus	R	9 N.R.	Pan.	Carbella	R	"
Grk. Ioannis P. Goulondris	R	9 N.R.	Amer.	F.W. Green	R	T & L DD
Br. George Washington	L	18 N.R.	Amer.	Rio de Janeiro	R	"
Fr. Ile de Ouessant	I	24 N.R.	Amer.	African Meteor	R	"
Fr. Mont Everest	I	26 N.R.	Amer.	Oklahoman	R	"
<u>DISTRICT 5</u>			Amer.	Seven Seas	R	"
Amer. Cherokee	D	34 N.R.	Pol.	Kentuckian	R	"
Amer. Medina	D	34 N.R.	Pol.	Rosewie	I	15 Hob.
Amer. Pamoo	I	37 N.R.	Br.*	Slack	D	"
Amer. Kahuku	R	37 N.R.	Br.*	Markland	L	6th St.
Amer. Lillian Luckenbach	D	42 N.R.	Amer.	Peter Kerr	I	1 Hob.
Br.* H.M.S. 149	I	54 N.R.	Pan.*	Lookout	R	2 Hob.
Amer. Alohiba	D	57 N.R.	Amer.	Tidewater Associated	R	"
Amer. Santa Teresa	D	57 N.R.	Russ.	Friedrich Engels	R	"
Amer.* Oldham	L	58 N.R.	Amer.	Gold Harbor	R	"
Pan.* El Lago	I	59 N.R.	Russ.	Tbilisi	R	"
Amer. Falcon	D	59 N.R.	Pan.	Vagrant	R	"
Amer. American Leader	L	61 N.R.	Amer.	West Nohno	R	"
<u>DISTRICT 6</u>			Amer.	Virginia Dare	D	3 Hob.
Br. Fortia	I	75 N.R.	Amer.	Gateway City	I	4 Hob.
Br.* Cairnsak	L	86 N.R.	Arg.	Rio Iguazu	I	6 Hob.
Br.* Empire Ibez	L	86 N.R.	Amer.	Aldebaran	R	6 Hob.
Amer. Lafayette	I	88 N.R.				
Br.* Sourabaya	I	90 N.R.				
Br. Lockhartine	L	95 N.R.				
Br. Jamaica Planter	I	96 N.R.				
Dut. Aruba	L	97 N.R.				
Nor.* Tai Shan	L	97 N.R.				

FLAG NAME OF VESSEL ACT. PIER

PERTH AMBOY

DISTRICT 8

Amer.	Potlatch	D	9 Erie
Pan.	Denny	I	Pt Newark
Nic.	Managua	D	"
Nor.	Askeladden	L	"
Amer.	Exceller	I	"W" J.C.
Amer.	Knemuth	D	"R" J.C.
Nor.	Pleasantville	I	"JW" J.C.
Amer.	Knorville City	D	"J" J.C.
Br.*	Port St. John	D	Clermont
Nor.	Riseaya	L	"
Amer.	Wolverine	D	7 G. RR

DISTRICT 9

Pan.	J.H. Senior	D	Con Hook
Amer.	Aleca Scout	R	Bayonne
Russ.	Donbas	R	"
Amer.	Eagle	R	"
Gk.	Maliakos	R	Pt Johnson
Br.	Ungava	R	"
Nor.*	Egda	R	Beth ID
Amer.	Java Arrow	R	"
Amer.	Standard Arrow	R	"
Amer.	Motorcarline	R	"
Amer.	Wallace E. Pratt	R	"
Amer.	Isao Charleston	R	"
Cub.	Caribe	R	Brewers DD
Amer.	Jean Lykes	R	"
Pan.*	El Almirante	R	"
Amer.	Gulfpride	I	Gulfport
Amer.	Graylock	D	2 S.I.
Port.	Guine	D	8 S.I.
Br.*	George Washington	I	9 S.I.
Amer.	Evelyn	R	9 S.I.
Dut.*	Kota Inten	L	10 S.I.
Dut.	Java	L	10 S.I.
Nor.	Danic	L	19 S.I.
Br.*	Imperial Monarch	L	19 S.I.
Br.*	Rhexenor	D	21 S.I.
Br.*	Calgarolite	R	23 S.I.
Pan.	Panam	R	24 S.I.

FOREIGN TRADE ZONE

Dut.*	Laertes	I	(Laden)
Dut.*	Themisto	I	(Laden)
Amer.	Rensen Heights	I	(Ballast)
Amer.	Dynastic	R	(Laden)

NEWARK, NEW JERSEY

Br.	Evita	L	
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Br.	Irene Myrtle	R	
Amer.	Broad Arrow	D	

ALBANY, NEW YORK

Amer.	Yacht G	I	
Br.	Western Head	D	

VESSELS AT ANCHORAGE AND IN THE STREAM

Pan.	Colin	L	F.A. 20-A
Pan.	Leida	B	F.A. 21-B
Pan.	Makona	L	F.A. 21-B
Pan.*	Peter Huril	B	F.A. 49-C
Pan.*	Touraine	B	F.A. 23
Swed.	Lima	L	F.A. 23
Ys.	Franka	B	F.A. 21-B
Ys.	Kupa	L	F.A. 19
Amer.	Altair	C	F.A. 21-B
Amer.	Carter Braxton	C	F.A. 23
Amer.	Arizpa	L	F.A. 24
Amer.*	Algic	L	F.A. 49-C
Br.*	Becheville	L	F.A. 20-A
Br.*	Charles F. Meyer	L	F.A. 23
Br.	Penhale	L	F.A. 23
Dut.*	Breedijk	L	F.A. 23
Dut.*	Woesaniwi	B	F.A. 23
Gk.	Tassia	B	F.A. 21-B
Nor.*	Hoegh Silverdawn	L	F.A. 49-C
Nor.*	Leiv Eriksson	L	F.A. 23
Nor.*	H.T. Nielson Alonso	L	F.A. 23
Nor.*	Prime	B	F.A. 21-B
Nor.*	Tortugas	L	F.A. 23
Amer.	Marina	L	32 Bklyn.
Nor.	Para	E	Stream
Br.	La Paz	E	Stream
Arg.	Ernesto Tornquist	L	Stream
Amer.	Jason	E	Stream
Amer.	Achilles	E	Stream
Amer.	Harry Bowen	E	Stream
Amer.	Kopperston	E	Stream
Amer.	Thomas P. Beal	C	Stream
Amer.	Wm. H. Machen	E	Stream
Amer.	Freeman	E	Stream
Amer.	Plymouth	E	Stream
Amer.	Christopher Newport	C	Stream
Amer.	Coronal	E	Stream
Amer.	Walter D. Noyes	C	Stream
Br.	Starstone	E	Stream
Amer.	Suffolk	C	Stream
Amer.	Berkshire	E	Stream
Amer.	Thomas Tracy	C	Stream
Amer.	Michael Tracy	C	Stream
Amer.	Winding Gulf	E	Stream

SHEET FIVESHIPS AT ANCHORAGE AND IN THE STREAM CONTINUED

Amer.	Maurice Trasy	O	Stream
Br.	Athelprince	E	Stream
Br.	Empire Lightning	E	Stream
Amer.	James L. Richards	E	Stream
Amer.	Tennessee	E	Stream
Ys.	Ante Mathovic	E	Stream
Amer.	Eastern Crown	E	Stream
Br.	Bulkoil	E	Stream
Amer.	Achilles	E	Stream
Amer.	Koro	C	Stream
Amer.	Alcoa Polaris	L	58 N.R.
Nor.	Vest	E	Stream
Nor.	Tabor	B	Stream
Dut.	Waterland	L	Stream
Br.	Port Buon	L	Stream
Br.	Empire Mahseer	B	Stream
Amer.	Yankee Sword	E	Stream
Amer.	Wallhart	C	Stream
Br.	Ville de Tematave	L	Stream
Br.	Empire Tamar	B	Stream
Nor.	Olaf Bergh	E	Stream
Br.	Banffshire	L	36 Rklyn.
Br.	Cymbula	B	Stream
Br.	Emma Bakke	L	Stream
Br.	Stad Vlaardingen	B	Stream
Br.	Empire Snow	B	Stream
Br.	War Admiral	B	Stream
Nor.	Kaia Knudsen	B	Stream
Amer.	Wm. McTernahan	C	Stream
Amer.	Wm. A. McKenny	C	Stream
Nor.	Kong Haakon VII	B	Stream
Nor.	Boreas	E	Stream
Russ.	Ashkhabada	L	Stream
Nor.	Siljestad	B	Stream
Arg.	Rio Gualaguay	L	Stream
Br.	Empire Zeal	E	Stream
Br.	James E. Hughes	B	Gravesend Bay
Amer.	H.R. Mallory	L	Stream
Br.*	Empire Drum	L	Gravesend Bay
Amer.*	Santa Cruz	L	Gravesend Bay
Hond.	Juniate	B	Stream
Amer.	West Kebar	L	Stream
Pan.	El Oceano	L	Gravesend Bay

Key to Stream List

B - Ballast
 C - Coastwise
 E - Enroute
 L - Laden

* ARMED.

April 23, 1942

Dear Lew:

For your confidential information and guidance, I am enclosing herewith a memorandum from Mr. Gaston on the situation in the port of New York.

To say that it is shocking is an understatement. Can you do anything about it?

Yours sincerely,

HS/ Henry

Mr. Lewis Douglas,
Chief Adviser, War Shipping Adm.,
U. S. Maritime Commission,
Washington, D. C.

File N.M.C.

By Messenger: Georgia / 12:00 noon

April 23, 1942

Dear Lew:

For your confidential information and guidance, I am enclosing herewith a memorandum from Mr. Gaston on the situation in the port of New York.

To say that it is shocking is an understatement. Can you do anything about it?

Yours sincerely,

PS/ Henry

Mr. Lewis Douglas,
Chief Adviser, War Shipping Adm.,
U. S. Maritime Commission,
Washington, D. C.

File N.M.C.

By Messenger: Georgia 12:00 noon

ASSISTANT SECRETARY OF THE TREASURY

April 27, 1942.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

The attached table lists the number of vessels, their nationalities and their action status, in the ports of Boston, Philadelphia, Baltimore, Norfolk, Charleston, Savannah, New Orleans, Galveston (including Houston and Corpus Christi), Los Angeles, San Francisco, Portland, and Seattle on April 24, 1942.

It will be noted that of the 358 vessels at the fourteen ports listed on Friday, April 24, the "action status" was as follows:

Total working cargo:		
Discharging	86	
Lading	89	145
Repairing		141
Idle		35
Total in stream:		
In ballast	19	
Laden	12	
Coastwise	1	
Enroute	5	37
		358

W

<u>Port</u>	<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
<u>San</u>	American	5	Discharging
		2	Repairing
	British	2	Discharging
		2	Lading
		1	Repairing
	Panamanian	1	Lading
		2	Repairing
	Norwegian	1	Lading
		3	Repairing
	Greek	1	Repairing
	Honduran	<u>1</u>	Lading
	TOTAL	21	

<u>Philadelphia</u>	American	6	Discharging
		4	Lading
		9	Repairing
		5	Idle
		1	In stream...Coastwise
	British	2	Discharging
		3	Lading
		3	Repairing
	Norwegian	1	Lading
		1	Idle
	Swedish	1	Discharging
	Panamanian	2	Repairing (loaded)
		1	In stream....Ballast
	Belgian	1	Lading
	Portugese	<u>1</u>	Discharging
	TOTAL	41	

<u>Baltimore</u>	American	2	Discharging
		2	Lading

<u>PORT</u>	<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
		28	Repairing
		3	Idle
		2	In stream....Ballast
	British	1	Discharging
		1	Lading
		3	Repairing
		1	Idle
		1	In stream....Laden
	Panamanian	1	Discharging
		1	Lading
		3	Repairing
	Norwegian	1	Repairing
	Yugoslav	1	Idle
	Brazilian	1	Idle
	Greek	1	Lading
	Cuban	1	Lading
	Belgian	1	In stream....Ballast
	TOTAL	55	

<u>Norfolk</u>	American	2	Discharging
		7	Lading
		7	Repairing
		1	Idle
		4	In stream....Ballast
		4	" "Laden
	British	1	Lading
		2	Repairing
	Panamanian	1	In stream....Laden
		1	" "Ballast
		1	Repairing
	Portuguese	1	In stream....Laden
	Yugoslav	1	Repairing
	TOTAL	33	

<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
<u>San Juan</u>	American	1 Discharging
		4 Repairing
		2 In stream....Ballast
	British	1 Lading
	Yugoslav	1 In stream....Laden
	Honduran	1 " "Ballast
	Panamanian	1 Repairing
		1 In stream....En route
TOTAL		12

<u>Panama</u>	American	1 Repairing
		3 Idle
	Panamanian	2 Repairing
TOTAL		6

<u>New Orleans</u>	American	9 Discharging
		5 Lading
		2 Repairing
		1 Idle
		1 In stream....En route
	British	2 Lading
		1 Repairing
	Norwegian	1 Discharging
		1 Lading
		6 Repairing
1 In stream.....Laden		
1 " "En route		
Honduran	3 Discharging	
	2 Lading	
	1 Repairing	
Panamanian	3 Lading	
	1 Repairing	

<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
Dutch	2	Discharging
Mexican	1	Lading
Canadian	1	Idle
French	1	Idle
Italian	1	Repairing (the ADA O)

TOTAL 47

PORT	NATIONALITY	NO. OF VESSELS	ACTION STATUS
Salvador (Including Boston and George Christi)	American	3	Discharging
		4	Lading
		7	Repairing
		6	In stream Ballast
		1	In stream Laden
	British	1	Discharging
		1	Lading
		1	Repairing
	Norwegian	1	Lading
		1	Repairing
		1	In stream Ballast
	Panamanian	1	Repairing
	Swedish	1	Lading
	Mexican	1	Repairing
	TOTAL	30	

Los Angeles	American	2	Lading
		4	Repairing
		3	Idle
		1	In stream Laden
	British	1	Lading
	Norwegian	1	Lading
		2	Repairing
	Dutch	1	Lading
	USSR	2	Repairing
	Mexican	2	Idle
	Argentinian	1	Repairing
	Honduran	1	Discharging
	TOTAL	21	

San Francisco	American	5	Discharging
		16	Lading
		14	Repairing
		4	Idle (coastwise schooners under 600 tons)
		3	Idle
	British	1	Idle

<u>PORT</u>	<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>	
<u>San Francisco</u> (Continued)	Dutch	2	Lading	
	Norwegian	1	Repairing	
	Panamanian	2	Lading	
	Swedish	1	Lading	
	Phillipine	1	Lading	
		1	Idle	
	USSR	5	Repairing	
		2	Idle	
	TOTAL	58		

<u>Portland, Ore.</u>	American	1	Lading	
		1	In stream Laden	
		1	In stream Enroute	
	USSR	3	Repairing	
	TOTAL	6		

	<u>Seattle</u>	American	5	Discharging
		9	Lading	
		5	Repairing	
USSR		4	Repairing	
		2	Idle	
		1	In stream Enroute	
Dutch		1	Idle	
Norwegian		1	Lading	
TOTAL		28		

RECAPITULATION

<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
American	40	Discharging
	52	Lading
	84	Repairing
	20	Idle
	<u>24</u>	In stream

TOTAL 220

British	6	Discharging
	12	Lading
	11	Repairing
	2	Idle
	<u>1</u>	In stream

TOTAL 32

Canadian	1	Idle
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U.S.S.R.	14	Repairing
	4	Idle
	<u>1</u>	In stream

TOTAL 19

Panamanian	1	Discharging
	7	Lading
	12	Repairing
	<u>4</u>	In stream

TOTAL 24

<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
Honduran	4	Discharging
	3	Lading
	1	Repairing
	<u>1</u>	In stream
TOTAL	9	

Norwegian	1	Discharging
	6	Lading
	14	Repairing
	1	Idle
	<u>3</u>	In stream
TOTAL	25	

Dutch	2	Discharging
	3	Lading
	<u>1</u>	Idle
TOTAL	6	

Swedish	1	Discharging
	<u>2</u>	Lading
TOTAL	3	

Greek	1	Lading
	<u>1</u>	Repairing
TOTAL	2	

Portuguese	1	Discharging
	<u>1</u>	In stream
TOTAL	2	

<u>NATIONALITY</u>	<u>NO. OF VESSELS</u>	<u>ACTION STATUS</u>
Yugoslav	1	Repairing
	1	Idle
	<u>1</u>	In stream
TOTAL	3	

Brazilian	1	Idle

Argentinian	1	Repairing

Cuban	1	Lading

Philippine	1	Lading
	<u>1</u>	Idle
TOTAL	2	

Mexican	1	Repairing
	<u>2</u>	Idle
TOTAL	3	

Belgian	1	Lading
	<u>1</u>	In stream
TOTAL	2	

French	1	Idle

Italian	1	Repairing

<u>TOTAL NUMBER OF VESSELS</u>	358	

April 24, 1942

Dear Admiral Land:

Anton's memo of 4/23/42 N.Y. Port
I am sending you herewith a
Treasury memorandum. I should be
glad to have any comment that you care
to make.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Rear Admiral Emory S. Land,
Chairman, U. S. Maritime Commission,
Washington, D.C.

File N. M. C.

By Messenger *Manuel*

10:30 am

4/25/42

April 24, 1942

Dear Admiral Land:

I am sending you herewith a Treasury memorandum. I should be glad to have any comment that you care to make.

Yours sincerely,

(Signed) H. Morgenthau, *HJM*

Rear Admiral Emory S. Land,
Chairman, U. S. Maritime Commission,
Washington, D.C.

By Messenger

ROUGH DRAFT

~~Secret~~

Handed to ¹²² by Mr John Wiley
April 23, 1942

April 21, 1942

The advent of Pierre Laval to power in France suggests the urgent necessity of intensifying efforts to impede in every way possible the course of French collaboration with Germany. Points of strategic interest in these efforts are:

- (1) The French Navy; and
- (2) North Africa, Madagascar, and other strategic regions in the French colonial empire.

Since the middle ages, security to a Frenchman is represented in terms of money. With the extreme frugality of the French nation, economic considerations are believed to play an important role in the average Frenchman's attitude towards the war. There has already been friction, indeed considerable difficulty, between the Free French and the British over the question of pensions and family allocations for the naval and military forces under General de Gaulle (Source: Admiral Auboyneau). If means could be devised whereby the French Navy, the armed forces in North Africa and, perhaps, the Colonial Civil Service too, could be assured by the United Nations that -- come what may -- salaries,

- 2 -

pensions and family allocations would be guaranteed to all those who remained true to the cause of France and the United Nations, it might conceivably have an important propaganda value at this time. French contacts with the Foreign Nationalities Branch insist that the question of financial security among these categories of Frenchmen and their families could almost be the decisive factor in shaping their decisions in a moment of crisis.

We are now presumably going to urge the French Navy to beware of a coup on the part of collaborationists and Germans; to beware of convoy duty in the guise of legitimate service to France, which might lead into the transport of contraband for Germany and into conflict with the United Nations. Our propaganda to the armed forces and authorities in North Africa will probably follow much the same line. The question may now be posed: Cannot our propaganda be substantially fortified by a declaration with respect to the salaries, pensions and family allocations? Would not such a declaration overcome, in some measure, the pecuniary reluctance in the minds of otherwise patriotic Frenchmen to turn against Vichy in the approaching moment of crisis?

- 3 -

From a financial point of view, the obligation assumed would not be great; from a psychological point of view, the advantages to be derived from such a declaration might be substantial. In any event, we are in a period of the war where no opportunity to improve the situation should be overlooked.

Figures are extremely difficult to get -- at least without prolonged and detailed researches. The following are the best we have been able to obtain so far.

In so far as the appeal is addressed to the Navy, it could probably be addressed to so much of it as is now in commission. It might be possible to estimate the fleet now in North African waters, but these personnel figures represent estimates for the whole fleet for 1941.

Officers' salaries	\$3,600,000
Crews' salaries	\$10,000,000
Family allocations	\$1,500,000

(Note that all costs are estimated at the present rates of exchange - roughly 40 francs to the dollar. All are in round figures.)

Estimates for the "Colonial Army"(*) for 1942 allow:

Personnel	\$20,000,000
"Social expenses"	\$1,000,000

It is extremely difficult to get figures for colonial adminis-

(*) These figures may include West Africa - in which case the figure for North Africa should be a little more than half of those given.

- 4 -

tration. Algeria, Tunis and Morocco have separate budgets as well as different methods of administration, making comparisons difficult. Figures for the latest years are unavailable. The following figures are given subject to considerable qualifications.

For Tunis for 1939 we have lists of salaries for personnel - including the central administration and Ministers, the "mixed tribunal", the French Justice and Police - totaling about \$578,000. For Morocco for 1939 we have a list of personnel - including the civil list and central administration - totaling \$1,800,000. The administrative personnel of Algeria - including the personnel of the central government, the Departments and the Communes, total \$800,000. Various pensions, indemnities and allocations - difficult to classify or characterize - would probably total another million dollars in this budget.

These figures, rough and inadequate though they are, would seem to bear out the suggestion that the problem is not primarily one of economics. Indeed, a declaration on the subject belongs more to the realm of propaganda than to that of financial guaranties. When the United Nations

- 5 -

win the war, the French armed forces and civil authorities who are on the winning side will be taken care of anyway. If the United Nations should be so unfortunate as to lose the war, their commitments would have lost all importance.

An item of considerable significance in respect of any financial commitments with regard to France is that the United States is the custodian of frozen French gold reserves to the amount of \$501 millions.

From a psychological point of view, any propaganda based on such a declaration by the United Nations would have to be delicately shaped in order not to convey the impression that we were attempting to hire mercenaries; the emphasis should be on our complete readiness to see that French soldiers, sailors and civil authorities within specified areas received what was their due under French law. There might be an implication that those of the uniformed and civil services who might choose the wrong side in the conflict would not fare equally well.

An objection to the proposal, of course, is the fact that any guaranty made to elements of France might provoke pressure on the part of governments-in-exile to obtain similar commitments for themselves -- unless they could be dis-

- 6 -

suaded from a dog-in-the-manger attitude towards a maneuver that would be a purely strategic one.

JCW:BJ

Cable Address
"Sovpurchase Washington"

The Soviet Government Purchasing Commission
in the U. S. A.

April 23, 1942

3355 16th Street, N.W.
Washington, D. C.

Dear Mr. Morgenthau:

I wish to thank you for the courtesies extended to Admiral Akulin, Mr. Lukashev and me during our visit to your office yesterday, and to assure you of my appreciation of the cordial reception accorded us.

I look forward to a most pleasant and gratifying relationship with you and your associates.

Sincerely yours

A. I. Belyaev
Major General
Chairman



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

129

Treasury Department
Division of Monetary Research

Date...April 25,.....19 42

To: Miss Chauncey

From: Mr. Southard

For the Secretary's files.
Need not be brought to his attention.

MR. WHITE
Branch 2058 - Room 214½

NOTE

April 24, 1942

130

In the attached despatch, conflicting figures are reported for United States imports of U.S. currency from Argentina in January and February, 1942.

The Second Federal Reserve District's reported receipts of U. S. currency (which are collected and given to the press by the Federal Reserve Bank of New York) were as follows:

	<u>January</u>	<u>February</u>
Total Receipts from all countries	\$1,243,000	\$571,000
Of which from Argentina	505,000	253,000

F. D.

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131

DEPARTMENT OF STATE
Washington

In reply refer to
FF 840.51 Frozen Credits/6042

April 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits for the information of the Treasury Department a copy of a despatch from the American Embassy at Buenos Aires, no. 4696, April 10, 1942, concerning repatriation of United States currency from or through Argentina.

Enclosure:

From American Embassy,
Buenos Aires, no. 4696,
April 10, 1942.

eh:copy
4-24-42

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DUPLICATE

132

Buenos Aires, Argentina, April 10, 1942.

No. 4696

Subject: REPATRIATION OF UNITED STATES CURRENCY
FROM OR THROUGH ARGENTINA

The Honorable

The Secretary of State,

Washington.

Sir:

Referring to the Embassy's despatch No. 4396 of March 12, 1942, in regard to the repatriation of United States currency from or through Argentina, and with reference also to despatch No. 4647 of April 4, 1942, I have the honor to report that two conflicting news despatches were published here on March 12 under New York date lines. One of these, a United Press despatch published in La Prensa read, in translation, as follows:

"The shipments of United States currency made by Argentina in the month of February reached only 253,000,000 dollars, as contrasted with 505,000,000, which they amounted to in January, according to a compilation of the Treasury Department.

"Several financiers are of the opinion that this very pronounced reduction indicates that Germany has stopped its shipments to the United States, through Argentina, of dollar exchange appropriated in Europe."

On the other hand, the Associated Press despatch published in La Nacion, which purported to be based on information made available by the Federal Reserve Bank of New York, read as follows (also in translation):

"The Federal Reserve Bank of New York has reported that Argentina has been the country which sent the most United States currency to the United States in the last month. The shipments amounted to 571,000 dollars, or about half the United States money received in the United States in February.

"Argentina also had first place in the month of January with shipments totalling 505,000 dollars."

Respectfully yours,

For the Ambassador:

Edward L. Reed,
Counselor of Embassy

File No. 851
JWG:cec

April 23, 1942

Mr. D. W. Bell

Mr. Dietrich

With reference to my memorandum of April 20 regarding the acquisition of 1,200,000 ounces of silver for coinage purposes by the Federal Reserve Bank of New York for the Commonwealth Bank of Australia, the Federal today purchased an additional 500,000 ounces at $35\frac{1}{2}$ ¢ per ounce .999 fine for delivery seller's option April-May. This makes a total of 636,000 ounces purchased up to date.

FD:le:4/23/42

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134

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FD 811.51/4168

April 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of despatch No. 232, dated April 9, 1942, from the American Consulate General, Winnipeg, Canada, regarding proposed "Free Nations Victory Loan".

Enclosure:

Despatch No. 232, dated
April 9, 1942, from
Consulate General,
Winnipeg, Canada.

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

135

AMERICAN CONSULATE GENERAL

Winnipeg, Canada, April 9, 1942.

SUBJECT: Proposed "Free Nations Victory Loan".

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

As of possible interest to the Department, in particular the Treasury Department, I have the honor to report that in talking to the leaders of the many foreign racial groups of Western Canada, I gathered the distinct impression that a "Victory Loan" sponsored by the Free Nations (but actually by the United States), would be of considerable interest to them and similar groups in the United States, perhaps even more than a Canadian or an American loan. In discussing this matter with interested persons, I reached the conclusion that a "Free Nations Loan", of which the proceeds would be used exclusively for the purchase of war weapons for the armed units of each respective group, would be of practical benefit. In the Province of Manitoba, for instance, there are thousands of Ukrainians, of which at least ninety percent are anti-German, but whose participation in the recent Canadian Victory Loan was not in proportion to their numbers or financial capacity. They prefer to help the Ukraine in a direct way, and are not satisfied with indirect help given the Ukraine by a subscription to a Canadian Victory Loan. This is also true of the Poles, Dutch, Norwegians, and other racial groups.

As I am not a banker I am unable to discuss the detail operation of such a financial measure, but I am assured by my local banker friends that the

811.51/4168

PS/BA

-2-

proposed measure is not without merit.

Respectfully yours,

A. W. Klieforth
American Consul General

In triplicate; one copy sent to
the Legation at Ottawa.

711

AWK/lt

A true copy of
the signed original. (1) L.T.

Copy:bj:4-23-42

April 23, 1942

To: Adler, Chungking, China

From: The Secretary of the Treasury and Mr. Fox

Reference your cable of April 9, 1942, No. TF25.

1. Your paragraph No. 1 regarding Stabilization Board. According to the Agreement of April 1, 1941 the fund includes that portion of the US\$50 million which has been secured by purchase of yuan by the Secretary of the Treasury through the Federal Reserve Bank of New York at the request of the Central Bank of China. As yet there has not been any yuan purchased by the Treasury because the Federal Reserve^{Bank}/have not received from the Central Bank of China a request to that effect, and, therefore, the fund as yet does not include the US\$50 million or any part of it.

2. Your paragraph No. 2 advises us that Central Bank is opening an account for Federal Reserve Bank in New York for the Chinese currency equivalent of US\$5 million. The Secretary is, of course, prepared to purchase through the Federal Reserve Bank of New York the Chinese currency equivalent of US\$5 million in accordance with the procedure outlined above.

3. Your paragraph No. 2 also outlines proposal of Board to hold Chinese Treasury notes instead of fapi. Since we presume that a quorum of the Board was present when this decision was made this proposal would seem to be in accord with the Agreement of April 1.

4. Your Section 2 gives gist of memorandum Board proposes to submit to Dr. Kung. Mr. Fox is inclined to oppose the proposal and thinks that it would be unfortunate if such action was taken. Treasury officials here feel

-2-

that the Stabilization Board should take no steps which would weaken its long-run position as this proposal would seem to do. We believe that the proposed curtailment of the sphere of activities of the Board is not compatible with its effective functioning.

5. Your cable of February 3, TF17, paragraph 4, asks for information to be obtained for Fox. A visit by Fox to New York banks has confirmed previous impression that information is not available as to amount of fapi held in Shanghai on Board's account nor as to amount of set-offs on books of bank not yet credited to the Board. The Bank of China in New York has kindly furnished Fox with a record of all transactions with the Board which can be forwarded to Chungking, if such information is not available in the Bank of China's offices in Chungking. However, information contained in your cable of April 18, No. TF28, would seem to make this unnecessary.

ISF/efs
4/23/42

IM
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

London

Dated April 23, 1942

Rec'd 8:15 a.m.

Secretary of State,

Washington.

2086, April 23, 9 a.m.

FOR SECRETARY OF THE TREASURY FROM CASADAY

Department's 1511, April 10.

Figures for 1939 are not available without much extra labor. Because 1939 was a year of transition from peace to war, it was felt that comparisons with pre-war 1938 and the war years 1940 and 1941 would not be significant. Consequently the basic data were never prepared.

One. The figures for total United Kingdom direct tax liabilities for the calendar years 1938, 1940 and 1941 in millions of pounds are, respectively, 474, 896 and 1,306. These figures include national defense contributions and excess profits tax as well as income tax on the undistributed profits of companies. They are found by adding items two and four, table E, Page six of the new White Paper, command 6,347 and subtracting from that sum the death duties and property

-2- #2086, April 23, 9 a.m. from London

property transfer tax figures found in item 12, table 2, page 11 of the same document. It will be noted that the figures given above for 1938 and 1940 represent slight revisions of the figures shown in item 15, table B of last year's White Paper, command 60,261.

Two. The figures for total United Kingdom personal incomes after deduction of direct tax liabilities are found by subtracting the sum of items 11 and 13 of table 2, page 2 of command 6,347 from item 8, page 10 of the same document. The revised figure in millions of pounds for calendar 1938 is 4,256. The revised figure for calendar 1940 is 4,982, while the figure for calendar 1941 is 5,309.

*Command 6347 and other budget material requested in State Department's 1593, April 15, 7 p.m., was forwarded by air pouch April 17.

Three. No prepared data are available on the number of persons in the various income groups in the United Kingdom but the Board of Inland Revenue has agreed to furnish some material on this subject as soon as limited staff facilities will allow. When this has been done, the data will be forwarded by air pouch or by cable if the Treasury so instructs.

RR

MATTHEWS

April 23, 1932

Mr. Liversy

Mr. Dietrich

Will you please send the attached telegram to the American Embassy,
London, "For Cassing from the Secretary of the Treasury".

Rich

To Mr. L. V. Casaday,
American Embassy,
London, England

From the Secretary of the Treasury

Please send by air pouch the following reports listed in recent weekly summaries of reporting activities: (1) Administration of Consumer Rationing and Limitation of Supplies, (2) Consumer Rationing—Stocks of Consumer Goods and Consumer Needs.

RJH/grs -4/22/42

TELEGRAM SENT

DM

April 23, 1942

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

2 p.m.

AMEMBASSY,

LONDON, (ENGLAND).

1745

For Casaday from the Secretary of the Treasury

QUOTE. Please send by air pouch the following reports listed in recent weekly summaries of reporting activities: (1) Administration of Consumer Rationing and Limitation of Supplies, (2) Consumer Rationing--Stocks of Consumer Goods and Consumer Needs.

HULL
(FL)

FD:FL:BMcB

April 23, 1942

Mr. Livsey

Mr. D. W. Bell

In accordance with telephonic conversation, will you please send the following cable to the American Consul, Suva, Fiji Islands;

"From Treasury.

Reference your despatch No. 60, April 11, 1942.

1. For your information the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.63-1/2 per pound not in Great Britain and Northern Ireland and the ^{Treasury} understands that the British Government has asked the Dominion Central Bank respecting similar arrangements on the basis of \$4.63-1/2 per pound not in the sterling area.

2. In order to facilitate the negotiation of and improve the rate for the sale of United States currency and checks drawn on the Treasurer of the United States, the following procedure is suggested.

3. In the case of excess United States paper currency, instruct the Bank of New South Wales, Suva, to prepare list in quadruplicate showing the amount of each denomination of each kind of currency separately, and for Federal Reserve notes and for Federal Reserve Bank notes, the list must show separately the amount of each denomination of the issue of each bank, cut currency in half vertically and stamp or write name of bank on each half in ink. Then deliver both halves and list in quadruplicate to

- 2 -

American Consul, Duru.

4. Consular officer will verify amount of currency delivered to him against list prepared by bank and then he will telegraph Treasurer of United States through State Department the amount of currency delivered to him. When Treasury receives this advice, payment in corresponding amount will be made to the New York correspondent for the account of the Bank of New South Wales, Duru. Please include in your first telegram name of correspondent. Upon receipt and examination Treasury reserves right to claim reimbursement for any currency which is not genuine. Each set of halves should be forwarded by separate carrier accompanied by a copy of the list. The third copy of list should be forwarded by still another carrier. The American consular officer will retain fourth copy of list.

5. All United States dollar checks drawn on the Treasurer of the United States negotiated by the Bank of New South Wales, Duru, are to be delivered to the American Consul, Duru, accompanied by list in triplicate with complete description of each check as follows: Name of drawer; serial number; check number; amount; payee's name; date of check.

Consular officer will carefully verify checks against list and advise Treasury by telegram through State Department aggregate amount of checks delivered by bank. Upon receipt of this advice, Treasury will effect payment in corresponding amount to the New York correspondent of the Bank of New South Wales.

Consular officer should instruct Bank of New South Wales to use all possible diligence in identification of payee and determining validity of endorsements. Bank of New South Wales should endorse checks as follows:

- 3 -

inner quote. Pay to the order of the Treasurer of the United States for credit of our account with (name of bank). signed Bank of New South Wales, SURV. End inner quote. Treasury will look to Bank of New South Wales only for usual guarantee under laws applicable in the Fiji Islands.

Consular officer should forward checks accompanied by one copy of list to Treasurer of United States, Washington, as promptly as possible by safest means available. Second copy of list should follow by separate carrier at earliest possible date. Third copy should be retained by consular officer.

6. Consular officers should make no arrangements for insurance as shipments of both checks and currency will be covered by Government losses in Shipment Act.

7. The designation of the Bank of New South Wales as a depository of public monies of the United States, as outlined in the Treasury's letter to the Head Office of the Bank at Sydney, dated December 31, 1941, is hereby extended to carry out the procedure outlined in this telegram.

8. Please advise the Bank of New South Wales, SURV, the Bank of New Zealand, SURV, and other United States Government officials of appropriate parts hereof.

9. To minimize number of checks drawn on the Treasurer of the United States, suggest that you advise disbursing officers that they should cable through their respective departments their local currency requirements. Arrangements will then be made to advance dollar credits to the Bank of New South Wales, SURV.*

- 4 -

The Department approves the foregoing. Any expense incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. 7 - 43, Foreign Service Regulations.

FDIV: 6-23-42

April 23, 1942

Mr. Liversay

Mr. D. W. Bell

In accordance with telephonic conversation, will you please send the following cable to the American Consulate General, Wellington, New Zealand.

From Treasury.

1. For your information the British Government has agreed to the negotiation of dollar telegraphic transfers, checks drawn on the Treasurer of the United States and the sale of United States currency for official purposes at the rate of \$4.03-1/2 per pound not in Great Britain and Northern Ireland and ^{Treasury} the ~~understands~~ that the British Government has cabled the Dominion Central Banks respecting similar arrangements on the basis of \$4.03-1/2 per pound not in the sterling area.

2. In order to facilitate the negotiation of the sale of United States currency and checks drawn on the Treasurer of the United States, the following procedure is suggested.

3. In the case of excess United States paper currency, instruct the Bank of New Zealand, Wellington, to prepare list in quadruplicate showing the amount of each denomination of each kind of currency separately, and for Federal Reserve notes and for Federal Reserve Bank notes, the list must show separately the amount of each denomination of the issue of each bank, cut currency in half vertically and stamp or write name of bank on each half in ink. Then deliver both halves and list

- 2 -

in quadruplicate to American Consul, Wellington.

4. Consular officer will verify amount of currency delivered to him against list prepared by bank and then he will telegraph Treasurer of United States through State Department the amount of currency delivered to him. When Treasury receives this advice, payment in corresponding amount will be made to the New York correspondent for the account of the Bank of New Zealand, Wellington. Please include in your first telegram name of correspondent. Upon receipt and examination Treasury reserves right to claim reimbursement for any currency which is not genuine. Each set of halves should be forwarded by separate carrier accompanied by a copy of the list. The third copy of list should be forwarded by still another carrier. The American consular officer will retain fourth copy of list.

5. All United States dollar checks drawn on the Treasurer of the United States negotiated by the Bank of New Zealand, Wellington, are to be delivered to the American Consul, Wellington, accompanied by list in triplicate with complete description of each check as follows: Name of drawer; serial number; check number; amount; payee's name; date of check.

Consular officer will carefully verify checks against list and advise Treasury by telegraph through State Department aggregate amount of checks delivered by bank. Upon receipt of this advice, Treasury will effect payment in corresponding amount to the New York correspondent of the Bank of New Zealand, Wellington.

Consular officer should instruct Bank of New Zealand to use all

- 3 -

possible diligence in identification of payee and determining validity of endorsements. Bank of New Zealand should endorse checks as follows: Inner quote. Pay to the order of the Treasurer of the United States for credit of our account with (name of bank). Signed Bank of New Zealand-Wellington. End inner quote. Treasury will look to Bank of New Zealand only for usual guarantee under laws applicable in New Zealand.

Consular officer should forward checks accompanied by one copy of list to Treasurer of United States, Washington, as promptly as possible by safest means available. Second copy of list should follow by separate carrier at earliest possible date. Third copy should be retained by consular officer.

6. Consular officer should make no arrangements for insurance as shipments of both currency and checks will be covered by Government license in shipment /et.

7. The designation of the Bank of New Zealand, Wellington, as a depository of public monies of the United States, as outlined in Treasury's letter dated April 4, 1942, is hereby extended to carry out the procedure outlined in this telegram.

8. Please advise the Bank of New Zealand, Wellington, and other United States Government officials of appropriate parts hereof.

9. To minimize number of checks drawn on the Treasurer of the United States, suggest that you advise disbursing officers that they should cable through their respective departments their local currency requirements. Arrangements will then be made to advance dollar

- 4 -

credits to the Bank of New Zealand, Wellington."

The Department approves the foregoing. Any expense incurred in carrying out the instructions contained in this telegram should be included in regular accounts as separate item for billing Treasury in accordance with Sec. 7 - 45, Foreign Service Regulations.

Dive: 4-25-48

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152

April 23, 1942.

To: Mr. Bonsal
From: Mr. Southard

Below is the cable concerning which I spoke to you by phone this afternoon. Will you please send it to the American Embassy at Montevideo.

"The Federal Reserve Bank of New York informs us that they have received an inquiry from the Central Bank of Uruguay inquiring about shipment by air of \$5 million of gold bars. The Treasury Department is prepared, of course, to approve the shipment of gold to Uruguay whenever the Central Bank so requests. However, the Treasury is interested in ascertaining why it is regarded necessary to ship gold from New York to Uruguay at a time when the risks of shipment are so great and when the costs of shipping are so high.

Please make discreet inquiry and cable us at once as we would not wish to delay shipment if the Central Bank of Uruguay decides to have the shipment made."

HDW:FAS:dmh
4/23/42.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE April 23, 1942

TO Secretary *Miss Channon*
 FROM Mr. White

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£32,000
Purchased from commercial concerns	£10,000

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

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

Canadian dollar	12-1/2¢
Argentine peso (free)	.2372
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2860
Cuban peso	3/16¢ premium

There were no gold transactions consummated by us today.

No new gold engagements were reported.

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

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

In execution of an order from the Commonwealth Bank of Australia for the purchase of 1,200,000 ounces of silver, the Federal Reserve Bank of New York bought 500,000 ounces in New York today at 35-1/2¢ per ounce. It had previously purchased 156,000 ounces on April 20 at 35-3/8¢. This silver is to be used by the United States Mint to fulfill a coinage order for the Australian Government.

We made no purchases of silver today.

Copy No. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 133

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

1. COMBINED OPERATIONS

In the early hours of 22nd April a minor raid by two parties was carried out on the coast near BOULOGNE. The northern party landed without opposition and carried out a reconnaissance but failed to reach their objective, one slight casualty. The southern party was unable to land owing to enemy opposition. The naval escort engaged enemy armed trawlers one of which was damaged and another left on fire. No British ship was damaged and naval casualties were very slight.

2. NAVAL

21st/22nd. Off ORFORDNESS two motor gunboats engaged at least six E-boats one of which was set on fire. One motor gunboat was damaged. 22nd. An A/S patrol motor boat was attacked and damaged by enemy aircraft south of FOLKESTONE.

3. AIR OPERATIONS

WESTERN FRONT. 22nd. Beaufighters damaged a six hundred ton merchant vessel off the Norwegian coast. 22nd/23rd. Aircraft were despatched COLOGNE 69; HAVRE 23; Seaming (BALTIC KIEL and HELIGOLAND) 64; Leaflets (ROUEN) one. Four aircraft are missing and one crashed. About seven enemy aircraft crossed the coast between POOLE and WEYMOUTH. A few bombs were dropped near WAREHAM, causing neither damage nor casualties.

LIBYA. 20th/21st. Wellingtons one of which is missing bombed BENGAZI and laid sea mines in the harbour.

MALTA. Between 13.59 hours 21 and 13.49 hours 22, 166 enemy bombers with fighter escort attacked aerodrome. Five of our aircraft were destroyed on the ground and eight damaged. Ten Spitfires were damaged in combat but all pilots are safe. Fighters and anti-aircraft gunfire destroyed eight enemy aircraft, probably destroyed two and damaged nine.

COPY NO. 13

BRITISH WEST SECRET

(U.S. SECRET)

OPTCL No. 139

Following is supplementary resume of operational events covering period 16th - 23rd April, 1942.

1. NAVAL

It is reported that GNEISENAU was being towed from KIEL to Gdynia about 11th. 6 merchant ships totalling 39,000 tons arrived TRIPOLI (L) during the week and 4 totalling 5,600 tons are believed to have arrived at BENGOAZI probably from TRIPOLI (L). There are indications that the Japanese aircraft carriers recently operating in the INDIAN OCEAN and several cruisers have returned to Japanese waters. The main enemy submarine concentration was still in the West Atlantic several being on outward and homeward passage. Others were at work in the BARENTS SEA. 3 U-boats and a supply ship were reported in the South Atlantic on the 19th. Some were also operating off SYRIA. Shipping losses were lighter. Attacks on 11 ships were reported, 4 of which were sunk. During the week ending 22nd 936 ships were convoyed.

Imports into the U.K. by ships in convoy during the week ending 18th totalled 679,000 tons including 165,000 tons of oil. Non-tanker imports for March were 1,981,500 tons, slightly more than half was food. A French Naval tanker and an armed merchant cruiser with 2 submarines are reported to have arrived at DAKAR on 20th. The tanker is probably one which was due to leave DIEGO SUAREZ on 15th March with 9,000 tons of fuel oil, the armed merchant cruiser left TAMATAVE on 4th March. It is estimated that 250,000 tons of Japanese shipping has been sunk since JAPAN went to war.

2. MILITARY

In spite of the thaw fighting continues along almost the whole Russian front and is likely to increase as the ground dries. It still seems probable that the main German attack will be towards the DON accompanied by simultaneous subsidiary attacks further north to threaten MOSCOW and to pin down Russian troops which might be diverted to the southern front. A German attack in the CRIMEA as a prelude to the chief operation may soon be expected. Evidence is still lacking that the Germans at present contemplate any large scale operations elsewhere than against RUSSIA. The number of German divisions on the Russian front is 179, including 5 in Finland, there are also believed to be about 200,000 Rumanian troops (9 to 10 divisions) and about 30,000 - 40,000 Hungarians, the latter engaged only as forces of occupation. Between 14 and 16 Finnish and 3 to 4 Italian divisions complete the Axis array. In LIBYA Rommel is continuing to build up his strength especially as regards mechanical transport. The Japanese advance in BURMA continues while at the same time they appear to be regrouping their forces in the occupied territories. Their immediate strategy seems to be to isolate CHINA, consolidate their gains and be ready to seize any further opportunities. Their attitude towards RUSSIA is probably undecided and is likely to be formed by the turn of events.

3. AIR OPERATIONS

WESTERN FRONT. Although this period was noteworthy for 2 outstanding daylight operations, the Lancasters attack at AUGSBURG and the record number of fighters sent over Northern France in 1 day - 653 - night work was curtailed by unfavourable weather and only included 1 heavy attack on HAMBURG. Nevertheless Bomber Command carried out nearly twice the amount of sea-mining as in the previous period and laid 253 mines.

MALTA. The scale of attack averaged about 190 sorties per day and cost the enemy in destroyed and damaged 104 aircraft. Although our own losses in air fighting were only 4 Spitfires and 2 Hurricanes our losses on the ground were heavy bringing our total casualties to 22 fighters destroyed and at least 37 damaged. The stubborn defence by MALTA during the last 3 months has absorbed an important part of the German Air Force capacity (A) by containing about 300 - 400 aircraft and which might have been used elsewhere and (B) by causing wastage in aircraft and trained crews. It is estimated that since 1st January 228 German aircraft including 104 JU 88's have been destroyed over MALTA to which must be added normal active-service wastage.

Regraded Unclassified

- 2 -

The scale of effort by the German Force available shows that the utmost is being extracted from them and implies that 2 sorties per day by aircraft must be common and even 3 per day by no means rare particularly by fighters and dive bombers. This intensity over a small heavily defended area must be producing a high rate of wastage apart from aircraft actually destroyed and there are good grounds for thinking that the number of aircraft lost to the enemy exceeds MALTA's claims. It is not too much to say that with the renewal of full-scale operations in all theatres the wounds inflicted by the defenders of MALTA will be felt by the German Air Force for a long time.

4. EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF AIR ATTACKS ON ENEMY TERRITORY IN EUROPE

DORTMUND. From photographs 16th April, a group of factories to the east side of the town all engaged in constructional engineering work have been extensively damaged besides other buildings in the vicinity. 3 workshops, a warehouse and several sheds in the docks have been gutted.

DUISBURG. On the 9th/10th March a steelworks manufacturing chiefly plates for ships was very badly damaged.

REICHENBERG. From photographs 11th April, a factory which is thought to produce 10 percent of the total German output of sodium carbonate was badly damaged. The population of the RUHR is stated to be uneasy. There is a marked desire to move outside towns but it is forbidden for work people to live more than ten kilometres away from their work.

NORTHERN FRANCE. Photographs confirm that at ROUEN and CAEN hits were obtained on the power stations and at LE HAVRE part of the power station roof has been burnt.

5. OPERATIONAL AIRCRAFT BATTLE CASUALTIES

Metropolitan Area - British in the air, bombers 18, fighters 9, Coastal 8, Army Cooperation 1, Total 36. 4 pilots are safe.

Enemy

	<u>Destroyed</u>	<u>Probably Destroyed</u>	<u>Damaged</u>
Bombers	2	1	3
Fighters	7	4	6
Miscellaneous	2	1	Nil
Total	11	6	9

MIDDLE EAST including MALTA - British

	<u>In the Air</u>	<u>On the Ground</u>
Bombers	3	6
Fighters	16	8
Others	Nil	2
Total	19	16

11 pilots safe.

Enemy

	<u>Destroyed</u>	<u>Probably Destroyed</u>	<u>Damaged</u>
Bombers	35	10	34
Fighters	12	5	13
Miscellaneous	Nil	1	1
Total	47	16	48

Of the above totals, 30 were destroyed, 7 probably destroyed and 24 damaged by A.A.

For East British and Allied in the air, bombers 2, fighters 4, total 6.

- 3 -

Enemy

	<u>Destroyed</u>	<u>Probably Destroyed</u>	<u>Damaged</u>
Fighters	7	2	4
Miscellaneous	<u>1</u>	<u>Nil</u>	<u>Nil</u>
Total	8	2	4

NOTE: No account is taken of enemy aircraft destroyed on the ground in any theatre or of British naval aircraft casualties.

6. HOME SECURITY

Although some bombs were dropped on every night except 1 most of them fell in open country. Estimated casualties to 0600/23 killed 33, seriously wounded 74.

158

NUMBER 28

SECRET

COORDINATOR OF INFORMATION

THE WAR THIS WEEK

April 16-23, 1942



Printed for the Board of Analysts

Copy No. 6

The Secretary of the Treasury

APRIL 16-23, 1942

SECRET

Coordinator of Information

THE WAR THIS WEEK

With Pétain's acceptance of Laval and the creation of a frankly collaborationist government in France, the Germans have won a diplomatic victory of far-reaching implications. In the end it may involve the transfer to Axis control—in effect at least—of the French fleet and bases. Present indications, however, suggest that Laval will move slowly at first, attempting above all to consolidate his domestic position.

In the Far East, there is an enigmatic pause in the Battle of Bengal, and the Japanese are withdrawing from that area important elements of their fleet, including heavy units. This may reflect a decision that the costs of an assault on India would be too high, as suggested by the Japanese air losses over Ceylon. Or it may mean merely the withdrawal of carriers to obtain fresh complements of planes. Meanwhile the recent doubling of Japanese air strength in Manchuria and Japan suggests an increasing interest in the Siberian area. At the same time the Japanese have again been feeling out the North Australian defense zone, but here their heavy air losses—as compared with those of the Allies—would scarcely encourage a significant forward movement.

On the Russian front, the Soviets continue to claim gains, but the best evidence indicates that Russian attacks are aimed primarily at seriously hampering German preparations for the expected spring offensive. Military observers credit the Russians with no advances of importance for several weeks past.

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Pétain Yields to the Collaborationist Tide

On Sunday last Marshal Pétain asked the French people to follow him as it had on the occasion of the armistice of June 1940. With full knowledge that the assumption of power by Laval would be considered as nothing less than an unfriendly act by the United States, the Marshal declared:

"Pierre Laval will exercise under my authority the internal and external policy of our country. It was with him at the most tragic moment of our disaster that I founded the new order which must assure the resurrection of France.

"Today is a moment as decisive as that of June, 1940; I again find myself with him to resume the national task, and that of European organization for which we together have laid the bases."

The somewhat enigmatic nature of Pétain, and the vacillating character of his policy have given rise to justifiable differences of opinion as to his willingness and ability to resist the collaborationist demands of the Germans in the past. Now, however, his frank acceptance of Laval, who has promptly embarked on a candid program of cooperation with the Germans, has destroyed faith in the sincerity and usefulness of Pétain. The most striking index to this new attitude is quite obviously the recall for consultation of Admiral Leahy. In future the Marshal is apparently to be viewed as a political front for the Laval regime, of value merely in winning for that regime political adhesion among parts at least of the French public.

One close observer of the French scene points out that Pétain's present action accords with much in his past. When France in the summer of 1940 was faced with the decision whether she should surrender to the Germans or continue resistance in the colonies, the character and personality of Pétain played a decisive role. His great prestige in the first

SECRET

World War was enough to convince large numbers of people that his advice should be taken and that France should lay down her arms. His popularity and prestige, together with a fundamentally egotistic belief in his own political importance, permitted such traitors as Laval to gather about him and to support his political pretensions while seeking to foster their own personal ambitions. Pétain's lack of faith in the cause of French democracy and his defeatist tendencies, as recorded by Clémenceau and Foch from the last war, made it only too appropriate that he take advantage of France's prostrate condition in order to force upon her in 1940 his ideas of what a French government should be. This cast of mind has now made it perfectly possible for Pétain, despite his notorious personal enmity for Laval, to accept a regime pledged to full cooperation with the Germans.

Laval Maps a Collaborationist Course for France

Laval's formation of the new government obviously fulfills hopes which he has long cherished. It is even reported on high authority that some years ago (and long before the collapse of the French republic) Laval conceived an anti-democratic regime, to which Pétain had declared himself sympathetic, and of which he, Laval, would be the effective leader, covered by the cloak of the Marshal's popularity. Without the popularity of Pétain, Laval obviously realizes that in the present juncture he could do little, unless he were prepared to seek the full support of the German Army.

In his Monday broadcast to the French people Laval declared: "I have always affirmed that rapprochement between France and Germany was a condition of peace in Europe . . . Today no menace will prevent me from seeking entente and reconciliation with Germany."

SECRET

Only the future can reveal the precise form to be taken by the policy here described by Laval in unvarnished terms. He has reserved for himself the key posts of Foreign Affairs, Interior, and Information (propaganda). He has chosen as colleagues notorious collaborationists or men who are in any event fully expected to do his will in realizing the new policy.

It is true that Darlan has been named successor to Pétain and commander in chief of all the armed forces, responsible only to the Marshal. But observers point out that the extent of Laval's power, notably over the Ministries of War and the Navy, will enable him to exert significant control over the armed forces of France, and probably as a result to undermine rapidly the position of Darlan.

Laval's Apparent Intentions

It is believed that Laval will make no spectacular changes at once. According to Anthony Eden, he will lie low for a time to quiet apprehensions in America as well as in France. Laval probably hopes to mediate between Washington and Berlin and to acquire enough prestige in the New Order to feather his own nest and that of France. He will do nothing about Vichy warships for a time, Eden indicates, and neither contemplates nor desires allowing Berlin to have them. He might, however, use them to protect the trade of France with her dependencies. Laval would no doubt permit Nazi penetration in these areas, so that a naval clash with Allied forces might well result. He will foster the transfer to Germany of French workers, but is unlikely to embark on so ambitious a project as the conquest of territories held by the Free French. Eden concludes:

Certain changes are already in evidence, however. In French West Africa Rear Admiral Paul Collinet, who com-

SECRET

manded the *Strasbourg* in the British attack on Oran, has been given the naval command. In Tangier the Germans are planning to establish diplomatic or consular representation, and are attempting to establish a regime of extraterritoriality. A very recent report tells of the arrival in Tangier and North Africa of "an extraordinary number of Germans" who, it is claimed, are coming for espionage and counter-espionage purposes.

While Allied suspicions have been aroused over plans regarding the movement of French warships from North African ports, it is reported that the French are calling for more arms from the Germans to "protect" themselves against the British. In Dakar, the press and the radio, through directed propaganda efforts, are vehemently stressing loyalty to Pétain, while from Martinique Admiral Robert claims that his relationship with Pétain and Darlan has not changed.

Axial Naval Dispositions and the French Fleet

This week's map presents in diagrammatic form the locations of the naval units in Europe that the United Nations must watch—themselves heavily engaged in Atlantic, Pacific, and Far Eastern waters. Notable are the badly battered but still powerful Italian battle fleet at Taranto; the German naval concentration at Trondheim—threatening both the British Home Fleet and the Allied supply line to Russia, while guarding against an assault on Norway; and the scattering of the remaining Nazi fleet units among numerous ports of the North and Baltic Seas, cleverly guarding against a repetition by the British of surprise torpedo-plane successes such as those at Taranto and Pearl Harbor. Here the central question is, of course, what the future will bring when the damaged *Scharnhorst* and *Gneisenau* (perhaps along with the pocket battleship *Lützow* and the aircraft carrier

SECRET

Graf Zeppelin) are ready to join the *Tirpitz* and *Scheer* to form a formidable battle line.

With Laval again in power at Vichy, the immediate issue, however, is the French fleet. Here, one can distinguish four separate elements of the French navy, in ascending order of importance. First, there are the units already in Allied hands—or as good as in Allied hands—including the old battleships *Paris* and *Courbet* in British ports, the battleship *Lorraine* and three heavy cruisers demilitarized at Alexandria, and the aircraft carrier *Bearn* at Martinique.

Second are the ships at Dakar and Casablanca on the Atlantic Coast of Africa. Here are France's newest battleships, the *Jean Bart* and the *Richelieu*. The former, however, is incomplete (nor does Casablanca appear to offer adequate facilities for its completion); the latter, damaged by the British and with its bottom fouled, is probably of use only as a sort of floating shore battery. Furthermore, to join the main body of the French fleet naval units from Africa would be obliged to run the gauntlet of Gibraltar. Such a venture, hazardous at best, probably would have to be attempted without the formidable air protection that was in large measure responsible for the successful passage of the Straits of Dover by the *Scharnhorst* and *Gneisenau*.

Third in importance are the vessels in Mediterranean ports in North Africa. Lacking heavy naval strength, these units would be of real significance only if they joined the main French fleet at Toulon. It is barely possible that the resistance of local authorities might prevent their junction with the bulk of the Vichy navy in any frankly collaborationist gesture.

Fundamentally, however, it is the fourth group, the fleet at Toulon, including four heavy cruisers and perhaps three battleships fit for service—the old *Provence*, and the new, fast *Dunkerque* and *Strasbourg*—to which commentators

SECRET

refer when they speak of the "menace" of the French navy. Meantime, press reports of the presence of two British battleships, one of the new *King George V* class, in waters near Toulon, suggest that the United Nations will not be caught napping by any surprise move of the new Vichy regime.

French Alternatives

The present danger, however, is more complex than a mere "surrender" of the fleet would suggest. There is also the question of bases, notably Bizerte, in Tunisia. The use of Bizerte as a base for supplying Axis armies in Libya last winter caused a grave crisis in Franco-American relations. And if the new Vichy government were to turn over all its facilities to the Germans and Italians, the Axis naval and supply problem in the Mediterranean would be considerably simplified.

Yet the change would not be so great as some press commentators have suggested. There is considerable evidence that the British are no longer attempting to control the Western Mediterranean. The recent convoy to Malta, for instance, came not from Gibraltar, but from Alexandria. Gibraltar apparently remains as a sort of naval outpost. But to neutralize Gibraltar, as Malta has already been largely neutralized, would be of clear advantage to the Axis. For this purpose, the use of the French base at Mers-el-Kebir (Oran), less than 300 miles from Gibraltar, would be an almost indispensable prerequisite.

Laval's announced intention is eventually to reconquer the French colonies that have passed to De Gaulle. One observer suggests that an ultimate Vichy attack on Syria would not only be in line with this policy, but would also give Laval a splendid pretext for what would amount to a surrender of his Mediterranean fleet to the Axis. For an effort to reunite the

SECRET

French Empire, even though it meant joint action by the French and Italian navies against the British, would no doubt fire the imagination of at least one wing of patriotic Frenchmen. Certain naval officers in particular, outraged by the British attack at Oran, and their fomenting of "civil war" in Syria, are reported to be thirsting for vengeance on their traditional enemies.

Mediterranean Danger Spots

In Syria itself, a personal struggle between General Catroux, the chief of the Free French authorities, and General Spears, the British commander, is embittering relations between the two occupying forces. A report from Beirut suggests that Catroux, alarmed at the fact that the British are more popular with the natives than the French, is about to reorganize the government of the Lebanon in cooperation with the Maronite Patriarch, spiritual director of about a third of the Lebanese.

In Libya, sandstorms during the early part of the week completely stalled military operations. Although Malta, Britain's much-bombed island fortress, last week suffered somewhat less damage and fewer casualties than in the preceding period, its situation apparently remained as critical as before. In an unprecedented gesture, the King awarded the George Cross to Malta's entire civilian population.

Pause in the Bay of Bengal

It is difficult to interpret the present lull in Japanese operations against India. On the one hand, the report that the Japanese have withdrawn all the battleships and all but two of the aircraft carriers previously concentrated in the Bay of Bengal, might suggest that for the present at least they are

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content with the practical mastery of these waters which they have already obtained. On the other hand, the advice issued by the government of Madras for all non-essential civilians to leave the city, and the news of increased enemy merchant ship movements in the Bay of Bengal, would point to a continuing Japanese menace.

With the Indian peninsula on the alert, post-mortem statements on the failure of the Cripps mission were not lacking. The Chinese press reaction has in general been one of great disappointment, tempered by the feeling that the Indian problem is of such urgency that British and native leaders will perforce continue negotiations and reach a satisfactory settlement. British newspapers see a certain gain from the breakdown of negotiations: now the responsibility for India's future rests squarely with the Indians themselves. Furthermore, the British have won understanding and support from an initially hostile public opinion in the United States.

The Japanese Shift Fresh Strength to the North

While an unconfirmed report from Finland pictures German disappointment at Japanese failure to attack Siberia "as expected," a reallocation of plane strength indicates increasing Japanese interest in that area. The number of military planes in Manchuria and Korea was increased in the first half of this month from about 300 to 700, and in Northern China (including Chahar) from 60 to 200. In Japan the number was nearly doubled, rising from about 400 to more than 750.

At the same time seven divisions, which were supposed to have been in Japan proper, have dropped out of sight. Some of them are thought to be now in Manchuria, where there have recently been 18 divisions (12 on the border facing the Maritime Province). In addition, a convoy bearing a large

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number of Japanese troops recently left Singapore, bound northwards. It is believed that its destination may be Dairen.

Renewed Activity in Australasia

With General MacArthur's sphere of authority delimited at last, and with United Nations aviators taking the offensive against Japanese air bases at Kupang, Salamaua, and Rabaul, Allied optimism about Australia was on the increase. According to Lieutenant General Brett, United Nations Air Commander, his fliers are destroying six Japanese planes to every one of their own lost in action. At Rabaul, for instance, Allied airmen destroyed 40 Japanese planes on the ground. More recently, however, Japanese heavy bombers returned to the attack on Port Moresby (New Guinea). Coupled with reports of decreased activity in the Bay of Bengal, this new attack suggests that the Japanese for the moment at least have abandoned aggressive intentions against India, and are again feeling out the defenses of the north Australian zone.

Toward an Allied Initiative?

Thus far in the war, the Axis has held the initiative. Operating on interior lines, and able to concentrate its strength with speed and a reasonable degree of secrecy, it has forced the United Nations to scatter their own troops and naval units over the whole globe—to defend all points at once and none of them adequately. The result has been defeats, withdrawals, and defensive actions.

Last week there were signs that in some theaters at least the initiative was passing to the Allies. Apparently taking advantage of the fact that Japanese carrier strength was heavily engaged in the Bay of Bengal, American bombers

SECRET

were reported by Japanese sources to have struck at Tokyo. And on the European continent there was increasing evidence that the Germans were speculating with some anxiety as to just where Britain and the United States might conceivably be planning to open up a second European front.

Reichmarshal Goering and his staff since April 4 have been at Serqueux near Forges-les-Eaux (Seine-Inférieure) in Occupied France, according to a report from Vichy. The Belgian government in exile has stated that the Germans are evacuating civilians and laying land mines in the Sambre and Meuse region. And a Swiss report suggests that German press quotations of American and English newspaper predictions of a coming offensive represent a real endeavor to determine where such an attack might come. Here frank curiosity is a more convincing explanation than a claim, ostensibly from Berlin, of complete information on "Roosevelt's plan."

Wednesday's commando raid on Boulogne has revealed once again the vulnerability of the channel shores of Occupied France—presumably one of the areas which the Nazis are protecting most heavily. With an estimated 900,000 men to guard the whole European coast from Bordeaux to Trondheim, German forces for once are themselves spread dangerously thin.

The Japanese Radio Reacts to the "Bombing"

The still mysterious American "air attack" on Japanese cities elicited copious comment from the Japanese radio. Various broadcasts declared that the planes escaped in the direction of the China continent. A characteristic propaganda note was sounded in the story of the machine-gunning of a school and the death of a student. And finally a sombre chord was struck by Major General Takaso Hiraguchi,

SECRET

member of the Imperial Headquarters Information Board, who warned that such raids may be repeated on a large scale and that as for parachutists: "Such soldiers are different from ordinary prisoners of war. If I am to state my personal opinion very frankly, they should have their arms, legs, and heads lopped off."

The Chinese Take Over in Burma

After rescuing a large number of British encircled at Yenangyaung, Chinese forces in Burma, according to reports from Chungking, recaptured this oil center and took over the greater part of the Burma front. This development followed the destruction of the Yenangyaung oil wells, successfully executed by the British in the face of strong Japanese efforts to save the wells. Meantime, the former British defenders of the Irrawaddy sector have apparently retired to the north for a much-needed rest.

Despite the successful Chinese counter-attack, and Allied bombing of Rangoon and Port Blair in the Andaman Islands, observers pointed out that there was little reason for optimism about the Burma front. Chinese withdrawals in the Sittang area have paralleled those of the British on the Irrawaddy, where the invaders have now returned to the assault at Yenangyaung. And the Japanese are evidently adding to their attacks in these two sectors a third offensive northwest from Thailand in the Bawlake area. Press reports suggest that the recent Japanese naval concentration in the Bay of Bengal may have been for the protection of troop convoys going to Rangoon. When these reinforcements reach the fighting front, the Chinese defenders of Burma may well be seriously outnumbered, and may also find themselves in a still more disadvantageous position with respect to heavy war equipment.

SECRET

The Burma Road in Review

American observers recently returned from China and realistic Chinese army officers in Washington for some time have objected to the term "life-line" as descriptive of the Burma Road. They point out that the Road can provide certain priceless materials for Chinese arsenals and industries, but not the heavy supplies for an army in the field. Even with the loss of Rangoon and Southern Burma, however, the road will continue for some time to be a source of supply for China.

According to an American transport expert who inspected the Road last summer, it will require from a year to 18 months to move into China the materials collected at Lashio and in dumps along the lower part of the highway. Other reports confirm this estimate. An official survey conducted between November 30 and December 29, 1941, showed roughly 150,000 tons of goods of all categories in Burma en route to China. Of this total, almost half was already at Lashio or points north. A month later, 22,000 tons of specifically lend-lease goods were on hand at Rangoon, of which 10,000 to 12,000 tons were trucks able to move out under their own power. Officers engaged in the evacuation of Rangoon have reported that it was possible during February to move up-country the great bulk of the lend-lease goods which had accumulated there.

It is somewhat difficult to determine how much of this material has already arrived in China. Perhaps 15,000 tons a month would be a safe estimate. But of this total, three-fifths may be gasoline. Fundamentally, then, logistic difficulties on the Road remain as crucial as ever. In a China where every gallon of gasoline is precious, and where the current revival of stage transport indicates a supreme effort to utilize every available conveyance, however primitive, the

SECRET

shipment of lend-lease materials to their final destination must necessarily be slow.

The reverse side of the coin is the difficulty encountered in getting strategic materials out of China to the United States. As of mid-March, there were on hand for shipment from China more than 300 tons of bristles, 50,000 tons of tung oil, 200 tons of silk, 1,450 tons of tungsten, 1,850 tons of tin, and 5 tons of mercury. Air transport, for the present at least, would scarcely be adequate to move such large cargoes out of China.

German Spring Strategy

As the period draws near when climatic conditions will permit a German spring offensive, newspaper speculation on the direction and character of such a drive has become increasingly plentiful. Press commentators, apparently obsessed with Germany's supposed need of oil, have largely restricted themselves to predicting an attack in the extreme south directed at Rostov and the oil fields of the Caucasus area.

Informed military observers point out, however, that a drive for oil will doubtless be secondary to an effort to destroy the Russian southern armies. If the latter objective were attained, the former would naturally follow. Such an offensive of annihilation might very well come in the form of a pincer movement on Stalingrad—the southern attack from the direction of Rostov, the northern from Kharkov or even from Kursk. The eventual objective would most likely be the port of Astrakhan on the Caspian Sea, whose capture would isolate the Caucasus from the rest of Russia, except for somewhat roundabout routes using the Caspian Sea itself.

SECRET

Although by now the ground is dry in the Crimea, such an attack as that envisaged above is perhaps not to be anticipated until the first or second week in May. Furthermore, some military commentators believe that a war of nerves may go on until June, and that then the Germans may launch their main effort on Moscow, with only a holding attack to the south. Such a "northern" school of thought draws attention to Soroka and Murmansk as possible points of German interest in the very near future—as lend-lease shipments over the Arctic Sea route steadily increase in volume.

Germany Reduces Her Rations

The new German food rations effective April 6 involved average reductions of about seven per cent in bread and cereal products, 19 per cent in meats, and 17 per cent in fats and oils. For normal consumers, heavy workers, and long or night workers, the cuts were proportionately greater than average. For very heavy workers, however, the reduction was below the general average, with the result that their favored position became still more marked. Apparently these new rations will continue to provide an adequate diet for those in special working categories, but for normal consumers a diet only on the margin of adequacy.

Although these reductions are actually of a magnitude previously unparalleled for any of the commodities affected, they scarcely justify over-optimistic hopes. On the basis of a study prepared in the Economics Division of the Coordinator's Office, it appears that the changes do not reflect a critical situation in the food balance for the current crop year (ending July 31). This is true even for fats and oils, in which the German position is particularly tight. Rather, we must look elsewhere for the reasons that have dictated so drastic a step.

SECRET

Estimates of probable consumption requirements under the new rations suggest that bread grain supplies in the future should more than meet requirements; here the Germans may even accumulate some surpluses as emergency reserves. Adequate quantities of meats are in all probability also assured for the crop year 1942-43. Even fats and oils should be able to fill present ration requirements through the same period. The new reductions apparently represent an effort to adjust consumption to the long-run supply outlook. Conscious that the agricultural potentialities of the conquered lands cannot soon be realized, the rulers of Germany are probably anticipating a less favorable supply situation, particularly after the end of 1943. Essentially the rations reductions reflect, therefore, some preparation for the possibility that the war will not be won this year or even the year following.

In addition to the importance of these reductions in adjusting the food balance, they may also act as a positive morale factor: the new rations are more closely comparable with the prevailing rations in countries actively cooperating with Germany—Finland, Hungary, Rumania, and Italy. Moreover, the obvious Allied interpretation that the step reveals German weakness today may lead again to disappointed hopes—an item of no small value in the Nazi war of nerves.

Russo-Turkish Tension

The Turks are still keeping everyone guessing. Although a prominent British statesman has recently expressed himself, in confidence, as pretty well satisfied with the state of Anglo-Turkish relations, strong indications last week appeared to point in a different direction. The trial of the "Communists" accused in the recent assassination attempt on German Ambassador Franz von Papen has evidently aroused the wrath of the Russian government and press, convinced that

SECRET

the defendants are not being given a fair hearing. According to one story, the Turks have refused a direct request of the Russian ambassador that the defendants be allowed to return to the Soviet Union. In fact, Russo-Turkish tension has become so great that the Turkish ambassador to Moscow has felt obliged to leave for Ankara.

Thus far, the Turkish government has restrained its press. But according to a report from Ankara, the Turkish premier recently told a conference of editors that he would give them free rein if the Soviets continued their provocation. After the meeting, the report continues, the chief of the Turkish Press Bureau warned that if the dispute came to a showdown, Turkey would not hesitate to go to war with Russia. Moreover, diplomatic opinion in Ankara apparently views the present Soviet press offensive as an effort to induce the British to make a definite commitment respecting Turkey's post-war frontiers.

Furthermore, on his return to Berlin, the Turkish ambassador to Germany declared that after repairs to the Maritza bridge have been completed in June, traffic between Germany and Turkey will be resumed on a "vast scale." The ambassador added that he was returning to Germany with hope for the development of the traditional friendship and mutual confidence between Turkey and the Reich.

Plebiscite in Canada

Voters in Canada on Monday will decide whether to release the government of Prime Minister MacKenzie King from its pledges regarding conscription for overseas service. Competent observers are taking a gloomy view of the prospective repercussions, both for Canadian national unity and possibly for her war effort.

SECRET

It is considered likely that the government will obtain a large, but not necessarily overwhelming, majority in favor of release. Wide support is anticipated in the English-speaking provinces, but the French Canadians, who constitute one-third of Canada's 11,400,000 inhabitants, are expected to oppose the government's appeal by majorities of between 65 and 75 percent, according to authoritative estimates. Prime Minister King has made it plain, however, that an affirmative vote in the plebiscite will not decide the conscription issue definitively. The final decision can only be taken by the government and Parliament.

The apparent issue in the plebiscite, additional man power, could perhaps be more justly stated as controlled allocation of existing man power—a sufficient number of volunteers for overseas service (from 15,000 to 20,000 a month for all the services) are being regularly enrolled at the present time. But it is certain that the result of volunteer enlistment is a great inequality of sacrifice between English-speaking Canadians and French Canadians. This fact serves to exacerbate feeling between the two groups. Furthermore, voluntary enlistment does not enable the government to plan wisely the application of its man power as between service on the war and home fronts. Conservative industrial and mining interests in Toronto see the new law as a means of providing them with a more adequate labor supply. This implies not only that the factories and mines in Ontario are losing productive capacity as part of the price of their fighting zeal but also that their loss is Quebec's gain. Finally, it is reported, Canadians are anxious to remove any suspicions among their Allies—above all the United States—that they are not accepting equal sacrifices in the war effort.

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Opposition in the Province of Quebec

French Canadian antipathy to conscription is not attributed by observers to pro-Axis sentiments, but rather to the inherent isolationism of the *habitant*, whose interests are described as resting solely in North America, and to the unfortunate experiences in 1917-1918, when thousands of young French Canadians fled to the backwoods to escape the draft officer.

Opposition to the plebiscite in the province of Quebec has been both vocal and turbulent. Student demonstrations have been widely organized and serious. The provincial government has avoided taking a collective stand, and its individual members have either avoided the issue or advocated a negative vote. The Catholic Church authorities have made no official pronouncement. While the hierarchy is said to be remaining within the strict bounds of loyalty to the government, priests in the back parishes are reported to be openly counselling their flocks to vote "no." The only important support from Quebec has come from that province's representatives in Parliament, a majority of whom have supported the government.

Observers feel that a negative majority in French Canada will mean a definite slowing of Quebec's war industry, which among other things supplies vital aluminum stocks for the Allied war effort. Passive resistance to the application of conscription is considered a certainty, along with considerable political turmoil. This will probably be accompanied by an increased interest in the "separatist" movement, whose ultra-nationalist supporters believe that Quebec should become a separate Catholic and French-speaking state on the banks of the St. Lawrence.

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The Significance of the New Role of General Ureta of Peru

The promotion of able General Eloy Ureta, who commanded and trained the northern Peruvian army which invaded Ecuador last July, to a post in which he can dominate Peruvian policy, has led to serious conjecture as to what his future attitude will be. His new role as commander of all Peruvian military, naval and air forces, coupled with his vast popularity with the masses and army and his outstanding military talents, make him one of the more strategic personalities of Latin America.

Observers differ as to whether Ureta has pro-totalitarian sympathies, and wonder what influence he may have upon the outwardly pro-United States attitude of the Prado Administration. It seems perfectly possible that, as a strong exponent of national expansion, he may sooner or later initiate a drive to wrest further territory from Peru's neighbors. In domestic affairs he may represent a stabilizing influence.

While Ureta undoubtedly wants to be Peru's next president, he appears at least outwardly loyal to President Prado, and seems willing to wait until he can succeed him legally at the next election, in December, 1945. Meanwhile Ureta's strong following among the Indian masses and the increased strength of Prado's administration resulting from the victory over Ecuador, should enable Prado to pursue a stronger internal policy henceforth.

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APPENDIX

THE JAPANESE IRON AND STEEL POSITION

Steel capacity provides perhaps the most basic indicator of a country's industrial potential for war. Japan's steel capacity of eight million tons, as compared with ninety million for the United States, sets a definite upper limit to her ability to replace losses in armaments and in naval and merchant tonnage. Moreover, it is difficult to expand steel capacity under present conditions. If losses are heavy, Japan's basic industrial limitations definitely restrict her ability to recuperate.

In the past decade, under the stimulus of rapid industrialization and military needs, the Japanese steel industry has made great strides. At the same time, the industry became increasingly dependent on foreign raw materials—a situation reflected chiefly in steeply mounting imports of scrap from the United States. Now she finds important sources of ferrous materials denied her just at the time when she needs to increase her steel production by about fifty per cent.

Japan's Steel Position in 1935

In 1935, when Japan was still at peace, her total supply of iron in all forms was nearly seven million tons, of which about two-thirds was from foreign sources. These imports were distributed in approximately the following percentages of the total supply: scrap—29, ore—28, pig iron—8, and steel—1¼ (see table). Most of the foreign scrap came from the United States, partly in the form of ships for dismantling.

SECRET

and undoubtedly much of the scrap recovered in Japan consisted of iron mined abroad. The imported ore came chiefly from British Malaya and China, with substantial amounts already from expanding exploitations in Australia and the Philippine Islands. The pig iron came from India, a normal source of supply, and exceptionally from Russia.

APPROXIMATE ORIGIN OF JAPANESE IRON RECEIVED IN 1935

	Percent of total	
<i>Japanese-empire origin</i>	33.1	
From ore (metal content).....	15.8	
Japan.....	3.0	
Korea.....	4.5	
Manchuria.....	8.3	
Scrap.....	17.3	
<i>Foreign Origin</i>	66.9	
From ore (metal content).....	28.2	
British Malaya.....	12.0	
China (excluding Manchuria).....	9.2	
Australia.....	3.5	
Philippine Islands.....	2.5	
Other countries.....	.1	
Pig iron (metal content).....	7.9	
India.....	4.6	
Russia (unusual).....	3.3	
Scrap.....	29.3	
Foreign ships dismantled in Japan.....	4.9	
Imports.....	24.4	
United States.....	19.4	
Other countries.....	5.0	
Steel (net imports).....	1.5	
	100.0	

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Japan's Iron Sources Shrink

As a result of Japan's aggressive policies, a number of the foreign sources of ferrous materials dried up, notably the scrap exports from the United States. In response to this situation, the Japanese steel industry drastically reduced the ratio of scrap to pig iron in steel-furnace charges and increased its pig-iron output so as to maintain the sharp upward trend in the production of steel. It is understood that pig-iron productive capacity has even outstripped steel, and is now estimated at 10 million tons per year for the empire against about 8 million tons for steel.

This situation probably indicates that steel producing facilities lag behind pig iron capacity. Unless Japan is to develop further steel capacity within the empire—a difficult and highly involved industrial problem—she would need to seek these much needed additional steel facilities elsewhere. Short of central Siberia, however, the only important steel centers open to potential Japanese conquest are the Calcutta region in India and the Newcastle region in New South Wales, Australia, neither of which has an annual capacity of much more than a million tons.

The Iron Ore Bottleneck

Even to find the resources required for her present pig-iron capacity of 10 million tons a year, Japan faces obstacles of unusual difficulty. To produce that ten million tons of pig iron, Japanese blast furnaces would require about 20 million tons of iron ore, nearly 15 million tons of coking coal, and three to four million tons of limestone. The limestone and coal are obtainable in Japan itself, except for about three million tons of high grade coking coal which must be imported from North China to blend with the low quality Japanese coking coal.

SECRET

Japan herself mines only about a million tons of iron ore per year; but, owing to rapid expansion of mining facilities in Manchuria and Korea, these countries may be able to produce not only the six or more million tons to meet the estimated capacity requirements of their own blast furnaces but also four million for export to Japan—not to mention one and a half million tons of pig iron. If one assumes another million tons of ore from China (Yangtze valley), Japan would still require about eight million tons of ore per year from other sources. The maximum reported production to date has been three million for British Malaya and the Philippines combined, and six million for India together with Australia. Other nearby sources are unimportant as yet.

Unless she achieves further spectacular military successes, Japan faces a serious mining problem. And to maintain her blast furnaces operating at capacity she must ship millions of tons of iron ore long distances over seas dangerously exposed to attack. Japan's steel furnaces, moreover—predominantly of the open-hearth type—are readily discernible from the air and are considered highly vulnerable. Except in Manchuria, all Japan's iron and steel plants are along the coasts. The principal works, which include nearly half the empire's productive capacity, lie in an exposed position at Yawata, opposite Korea and near the western end of the Inland sea.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 23, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Summary of Military Reports

Russo-German War

The British Army estimates that the expected German offensive against Russia will probably not occur before the latter part of May at the earliest. This conclusion is based on two factors. Owing to the rapid thaw of unusually deep snow, the rivers are rising and the roads are becoming unuseable. The continuous Russian pressure during the last three months must have greatly delayed the Germans in carrying out their plan to withdraw divisions for refit during the winter.

(U.K. Operations Report, April 9 - 16, 1942)

Supply Route to Russia

In answer to the German concentration of attacks on the northern Russian supply route, the British have increased their escorts by additional destroyers. The battleships of the Home Fleet are acting as cover for the convoys.

It is estimated that there are now twenty submarines operating against the Russian convoys. (This is slightly less than half the number which have been operating in recent weeks off the American coast.) The U-boats are not meeting with a great deal of success. The first report of a considerable loss was of the sinking of a British ship on April 16 while carrying twenty Hurricanes and twenty-five Matilda tanks (light tanks) to Russia.

(U.K. Operations Report, April 9 - 16; April 21, 1942)

Malta

The heavy air attack on Malta continues. During April 20, 240 bombers, escorted by fighters, attacked. On April 22, 175 bombers were used. In these two days, the British lost eight planes and 21 more were damaged. Twenty-three Axis planes were destroyed, nine more were probably destroyed, and 24 damaged.

Reinforcements of 47 Spitfires reached Malta on April 20.

(U.K. Operations Report, April 21, 22, 1942)

R.A.F. Activity

From reconnaissance photographs, information on the results of the heavy R.A.F. March raid on Lubeck is now available. Nearly half the city, as distinct from the suburbs, has been almost totally destroyed, principally by fire, although there are traces of destruction caused by the two-ton bombs. Severe damage has been caused to warehouses at the docks and the railroad station in the northwest.

(U.K. Operations Report, April 9 - 16, 1942)

Japan

British Military Intelligence states that there is still lacking any evidence of a complete joint plan between the German and Japanese General Staffs. It is still impossible to ascertain whether the Japanese intend to move against northeastern India or to stop and consolidate their present gains.

(U.K. Operations Report, April 9 - 16, 1942)

OF POSSIBLE INTEREST

The following analyses made by the British Political Warfare Executive might be of interest:

France

The wheat situation in France is becoming extremely serious.

With the return of Laval, the end of the Vichy regime, as we have known it, seems apparent. Laval will probably go slowly at first. His immediate job is to keep France quiet during the spring campaigns and to put French economic resources and manpower at Germany's service. Germany undoubtedly plans to use the French merchant fleet to provoke a major clash between the French and British fleets.

Laval will not want necessarily to sever diplomatic relations with America. He considers that he is popular in America and has family connections there. He lacks any sense of financial or political morality and he has great skill and experience in political maneuver and negotiation. Laval's principal weakness is that he has the conviction that he is more than a match for anybody. As a result, he is a bad judge of popular opinion.

The British policy to be followed is: "Toward the situation our attitude must to a large extent be governed by that of the American Government."

Germany

The first real evidences are appearing that the British bombings are having an effect on morale.

The major worry of the Germans appears to be the cut in rations and the potato shortage.

(C. O. I., April 20, 1942)

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE April 24, 1942.

TO Mrs. Klotz
FROM Secretary Morgenthau

I would like to have the first draft of my radio broadcast. Give it to me, please, today. I marked it myself.

Kept both drafts - filed 4/22/42

April 24, 1942

Harold Graves and Ted Gamble
Secretary Morgenthau

Please think over the following suggestion:

I would like to send a telegram to every State Chairman of War Bonds and ask him to consult each of his County Chairmen, and after consulting them, I'd like to get his promise to pledge that he will give me at least our May quota. Please draft this telegram. I want to make it a good, peppy sales talk to my State sales manager and let him consult each of his County sales managers. Please draft a telegram and after doing it, please talk to me. I would like to do this before lunch today.

Completed
JAG

April 24, 1942

At lunch I told Harry Hopkins that I had called up Miss Tully and told her I thought it was a mistake to put Mr. Brand in as head of the British Purchasing Commission because of his connection with Lazard Freres; that word came back that I should send for Lord Halifax and tell him, in no uncertain terms, how I felt. I mentioned this to Hopkins and asked him about it. He said, well, not to worry; that he knew Brand was not going to head it. I asked if he would assume the responsibility on the matter and he said he would and I could forget about it.

April 24, 1942
4:35 p.m.

DEFENSE SAVINGS BONDS

Present:

Mr. Graves
Mr. Gamble
Mr. Mills
Mr. Sloan
Mr. Bell
Mr. Gaston
Mr. Haas
Mr. Tickton
Mr. Kuhn
Mr. Houghteling
Mr. Callahan
Mr. Mahan
Mr. Coyne
Mrs. Klotz

H.M.JR: I asked so many of you because there are so many various things on this War Bonds that I wanted to check up. The first thing I wanted to ask about is, how often does the Federal Reserve Bank report on fiscal agencies, Tickton?

MR. TICKTON: Number of issuing agents?

H.M.JR: Yes.

MR. TICKTON: Every week I get a telegram from every Federal Reserve Bank giving me the number of issuing agents subdivided by classes so that I know the number of corporations, the number of banks. Every Saturday I get that. You get that on Tuesday.

H.M.JR: And this thing here?

MR. TICKTON: That we get every week. That comes

- 2 -

from the state administrators.

H.M.JR: That is the state administrators?

MR. TICKTON: Yes. They give us the name of every company that has the pay-roll savings plan. Once a week that is brought up to date.

H.M.JR: This is a different one?

MR. TICKTON: This is the state administrators.

H.M.JR: And the other thing is every Friday night?

MR. TICKTON: The other thing is every Saturday, and we get it put together on Monday and you have it on Tuesday morning. That is from the Federal Reserve banks.

H.M.JR: Well, then, on the fiscal agency thing, New York is in good shape. They have twelve or fifteen people working there, did you say?

MR. BELL: Ten, I think.

MR. GRAVES: Fifteen, Dan, they told me Wednesday.

H.M.JR: I thought it was ten.

MR. GRAVES: They have just added some additional men.

(Mr. Coyne entered the conference.)

H.M.JR: Well, let me ask this. Which is the second most important state after New York?

MR. GRAVES: Pennsylvania.

H.M.JR: Well, what is the fiscal agency situation there?

MR. BELL: Well, Pennsylvania is divided between two districts. One is Philadelphia and the other is Cleveland. I think Philadelphia is working rather hard on it, but I think Cleveland probably just started, because they took their men and trained them.

H.M.JR: Well, now--

MR. BELL: I should say that it is not as good in those two districts, certainly not as good in Cleveland as it is in New York.

H.M.JR: When should Mills go back to Detroit to follow up on Ford and those other people?

MR. MILLS: Mr. Bartelt - Mr. Secretary, Mr. Bell hasn't heard yet from the War Department. He was over there on other business and the Secretary thought that he would probably find out during the afternoon whether it had been cleared through the War Department.

MR. BELL: It has been cleared with everybody up to the Secretary of War. Now, they were trying to get that thing out tonight, as a directive to the War Department agencies. After that is done, we will send copies of it to the Navy and Maritime Commission and ask them if they won't adopt the same procedure.

H.M.JR: Well, if you approve, I would like Mills to start out and, say, go to Philadelphia Monday.

MR. BELL: All right.

H.M.JR: Cleveland Tuesday, and then Detroit, say, by Wednesday, if they are ready, keeping in touch with you.

MR. BELL: It is all right.

H.M.JR: And then he might go out to Chicago and then back.

- 4 -

MR. BELL: I wonder if it would be better for him to spend a day in New York and see what they are doing? They seem to be a little better organized on public relations than anybody else, don't you think, Harold?

MR. GRAVES: I do.

MR. BELL: And get that set up and then go around to the other banks.

H.M.JR: Well, then, why doesn't he do New York Monday--

MR. BELL: Philadelphia Tuesday.

H.M.JR: Philadelphia, then Cleveland.

MR. BELL: That is right. Then Detroit and then Chicago.

H.M.JR: Then Detroit and then Chicago, keeping in touch with Mr. Bell and me by phone, will you?

MR. MILLS: Yes, sir.

H.M.JR: New York, Philadelphia, Cleveland, Detroit and Chicago. But I would phone in each day.

MR. MILLS: All right, sir.

H.M.JR: Is that all right?

MR. GRAVES: I am just wondering whether it ought to be Chicago and then Detroit, Dan, in view of the fact that Detroit is a branch of Chicago.

MR. BELL: Well, that is all right. He is going to Detroit because of the particular situation that was created there as a result of this War Department directive, but I see no objection to reversing them, going to Chicago first and then Detroit. He would be on his way back home.

- 5 -

H.M.JR: Well, I would like to leave this so the minute the War Department directive is cleared, he can stop wherever he is and go to Detroit; and stay there long enough until you get those people. The minute that Mr. Bell says that War Department directive is clear, then I would like you to go to Detroit and get those big motor companies. Stay there until you get them. Is that all right?

MR. BELL: That is all right.

H.M.JR: After all, if you can get what's-his-name there - our State Administrator said he could get practically all these big companies in if we could get that War Department thing straightened out. That would be a lot of people.

MR. BELL: I think General Motors has indicated that they are coming in. You remember, I sent you a memorandum. They were very much pleased with the New York setup. They were going back to Detroit to see if they couldn't immediately set up the procedure.

H.M.JR: He will go to New York and he will make that trip, and when he hears this War Department stuff is cleared, we will send him to Detroit right away. Then this thing that I got word to you this morning, Tickton, about wanting a book for each state--

MR. TICKTON: Yes, sir.

H.M.JR: Do you understand what I want?

MR. TICKTON: I understand what you want. Do you really have to have them go down as low as five hundred? There are about five thousand firms that will have to be covered and checked. You want them all the way down?

H.M.JR: Oh, yes.

MR. TICKTON: It will take about fifteen people right straight through for a week in order to do it.

- 6 -

H.M.JR: That is very few people.

MR. TICKTON: Well, you can't use more than that if you want to check every one of these companies, especially--

H.M.JR: No, I want it because - I want it.

MR. TICKTON: O.K. (Laughter.)

Will a week be O.K.?

H.M.JR: Well, I don't have to wait for the ten states.

MR. TICKTON: No, we will give them to you as we get them.

H.M.JR: What is your deadline, Graves, to go to Chicago tonight?

MR. GRAVES: Five forty-five.

H.M.JR: What time do you have to leave the office?

MR. GRAVES: Oh, five twenty-five.

H.M.JR: Well, certainly he wants the New York first. This is a book now.

MR. GRAVES: Yes, I know what it is.

H.M.JR: And I want it from five hundred to five thousand.

MR. GRAVES: I think that while Mr. Tickton is at it, I hate to add to his job any, but he might as well go ahead and give us the forty-eight states. As a matter of fact, two-thirds of the job will be done when you have done ten states.

MR. TICKTON: That is right.

MR. GRAVES: And he might as well have all the rest of it while we are at it.

H.M.JR: O.K. Tickton, somebody told me you have a dark night shift now.

MR. TICKTON: That is right. I have got thirty girls, all colored, with a colored supervisor.

H.M.JR: I think that is wonderful. Somebody said they are graduates of Howard University.

MR. TICKTON: Yes, sir.

H.M.JR: All of them?

MR. TICKTON: Not all of them. I have got more college graduates on my night shift than on the day shift.

H.M.JR: And they are all colored girls?

MR. TICKTON: Yes. I may not have them next week, though. If we move these people out to Chicago, they may not want to move.

H.M.JR: You are not moving him to Chicago, are you Bell?

MR. TICKTON: The job these particular people are doing will go to Chicago. The job on pay-roll savings plans will not go if we can avoid it, because you can't keep the schedules in Chicago and have the information here at the same time; but on this job we are doing, it consists of getting a geographical breakdown by counties, and it will have to go to Chicago because it will be more convenient to have it there.

H.M.JR: Is that an Owens setup?

MR. TICKTON: No, that is a machine tabulating job that is being done aside from Owens.

H.M.JR: How are you going to supervise that?

MR. TICKTON: Well, that job is a self-contained unit which has ~~been~~ running for six months.

H.M.JR: Can't you use those colored girls on something else?

MR. TICKTON: Well, we probably will. Jobs like this will provide work for these colored girls.

H.M.JR: Well, I think it is most useful, because I don't know how other I could get hold of a State Administrator and tell him, "Now, either you are good or you are not good," and here is the book and we will keep sending it to him once a week, you see.

MR. GRAVES: Yes.

H.M.JR: I think it would be very useful to you, wouldn't it?

MR. GRAVES: Oh, yes.

H.M.JR: Do you want to ask anything on that, anything else?

MR. TICKTON: No, that - as long as I know that you want it for each state - and if I have a little time to get the thing going the first time, after that--

H.M.JR: I don't care so much. Just one little - who has got a pay-roll deduction plan, and who is a fiscal agent. The rest of the stuff is just decorative.

MR. TICKTON: All right, we won't have it.

H.M.JR: All right. Is that all right with you, George?

MR. HAAS: Yes, that is all right.

MR. GRAVES: I think when those things are ready, we ought to have it in mind to provide copies to the Feds.

MR. TICKTON: Once we get them, Mr. Graves, we can provide all the copies that you need.

MR. GRAVES: Because it will be very useful to them in analyzing their situation, about who is a fiscal agent and who isn't.

MR. TICKTON: The whole job is the first time you do it and after that keeping it up to date and dividing the copies is easy.

H.M.JR: Now, the next thing, did you decide to send this telegram? I will read it out loud. It is to be signed by me and to go to the state administrators.

"The whole country will be watching our quota drive in May. It is the first big chance of the War Savings Committee with a tangible objective to show their mettle. Full fulfillment of our May quota not only will stiffen the morale of the workers engaged in our own important task, but will give courage to all other parts of the war effort. Please convey this message to your key city and county chairmen, and after consultation with them wire me direct if we can count on your state for this accomplishment in May."

Well, the last sentence is all right. I wouldn't word it just that way, but I haven't got time to fool with it. Where is Ted Gamble?

MR. GAMBLE: Right here, sir.

MR. GRAVES: Well, I think that that telegram ought to go, but that it ought not to go until these county

quotas have been announced.

H.M.JR: When will that be?

MR. KUHN: Monday, isn't it, Harold?

MR. CALLAHAN: No, Friday, May 1.

H.M.JR: Oh, why not until Friday, May 1? What is the matter?

MR. CALLAHAN: Well, Mr. Secretary, we have the problem of covering the entire country in order to do an adequate and very sure job. That is the only way we can do it.

MR. GRAVES: Of course the - the state organizations have been informed. This is a matter of getting it down to the county, local organizations, and it is a terrific distribution job to get it into all the papers and what-not.

H.M.JR: Well, if that is the case, then this shouldn't go out until - I wouldn't send this out until--

MR. GRAVES: This time next week.

MR. GAMBLE: A week from today.

H.M.JR: Send it out on May 1.

MR. GRAVES: Yes, that is right.

H.M.JR: And take out some of the fifty-cent words.

MR. GAMBLE: All right, sir.

H.M.JR: Put in a few more Fuller Brush words, you know.

MR. GRAVES: If we have time, hold it until Peter is here. He can put in the Fuller Brush words.

- 11 -

H.M.JR: But you agreed to let it go?

MR. GRAVES: Yes, I think it should go, by all means.

H.M.JR: All right, good. Now, something is happening over in Virginia.

MR. GAMBLE: That is correct. They are having a pledge campaign.

H.M.JR: A pledge campaign?

MR. GAMBLE: Yes, sir.

H.M.JR: Well, the only other criticism I have got on that is that in New York you won't let me go for six weeks, but in Virginia they have received no instructions. Mrs. Eugene Duffield hasn't.

MR. GAMBLE: Well, in the rural areas we were going ahead with a campaign in Virginia, and they were so far along on the campaign that we didn't want to upset it; but in the heavily populated areas, such as Norfolk, they are going to change the campaign.

H.M.JR: Well, there doesn't seem to be any instructions, and she is actually going out and getting the money.

MR. GAMBLE: Well, there is no instructions to the people who are going to conduct the pledge to change it, because we didn't want to upset it.

H.M.JR: Well, in the first place, she has had no instructions and her interpretation is that she has been told to get so many dollars.

MR. GRAVES: She means get pledges for so many dollars.

H.M.JR: Why don't you ask her?

- 12 -

MR. GAMBLE: Well, I talked with the Administrator of Virginia--

H.M.JR: But ask Mrs. Duffield. Besides everything else, she is the head here for the League of Women Voters of Washington. Why not ask her?

MR. GAMBLE: I will do that.

H.M.JR: She is a smart girl and a New Dealer and ask her what she has been told to do. Her idea is, she was told to go out and get the money. She was given so many names. She says she has got to go out and get it, but nobody told her how. She is actually going out and getting the money.

MR. GRAVES: Well, I think there is something wrong there.

H.M.JR: I think it is wonderful. I don't think there is anything wrong. That is what I would like.

MR. GRAVES: I don't think she has any such instructions as that. We will find out.

H.M.JR: Will you?

MR. GRAVES: I might say, generally, about this pledge thing that we have taken steps to stop the pledge campaign in states where the thing has not been begun or scheduled to be begun within the next few days, and in the states where we stopped the thing we intend to convert it over into something more like an order taking campaign, such as we are attempting to work out in New York, and I hope in Chicago, but we are not upsetting the pledge campaign in states where it is already started or where it is scheduled to start within the next few days.

H.M.JR: Now, at the Cabinet the President brought up the question of a Speakers Bureau, and I have raised

- 13 -

that question twice in the last few days and I understand, Gene Sloan, you are the Speakers Bureau. Now don't look at anybody. Just look at me. They say if anybody wants a speaker you are the Speakers Bureau and will handle all speakers. Now don't anybody help him. Come on now, I won't say who told it. (Laughter) Do you? Ted Gamble had better crawl under the table.

MR. GAMBLE: Well, that isn't exactly what I said, sir. I said if any of the national departments have requests for speakers, they channel them through Mr. Sloan's office and get a clearance on the people who are sent to the field, but our speakers are supplied largely by our state organizations.

H.M.JR: You remember, I said if you wanted - who handles speakers and I asked you twice and you said Sloan.

MR. GAMBLE: I said they channel through Mr. Sloan's office, sir. We don't have a Speakers Bureau as such.

H.M.JR: Well, you admit that you are a channel?

MR. SLOAN: Well, I admit that I am a channel in so far as our field organization is concerned, if I understand you correctly. If somebody offers to make a speech in a certain locality or area for us, or wants to volunteer his services, we write to clear him with the State Administrator and let him know that he is available and inform him about it.

H.M.JR: In the reverse, supposing a state wants a national speaker. What I am trying to find out is, who do they go to? And I got the distinct impression from Ted Gamble that they went to you.

MR. SLOAN: They would come to our organization and in some instances we would supply one man, and in some another.

H.M.JR: That is correct, isn't it?

MR. GAMBLE: That is correct.

MR. SLOAN: We might supply it through Carlton Duffus, or Mr. Callahan, or Mr. Houghteling or somebody else in the organization who happened to know some one who was well qualified in that field.

H.M.JR: Well, look, I think there is a missing link. I suggest that somebody be pinned in this organization, some one man and some one woman, whose job it is that if--

MR. GRAVES: Well, Mr. Morgenthau--

H.M.JR: Just let me finish, please. That if a state calls in and they want a speaker that they have them. Go ahead.

MR. GRAVES: As Mr. Gamble has said, our speakers' panels are all attached to our state and local organizations. Now, when people want a speaker out of Washington they usually want Henry Morgenthau, Jr. We get letters and telegrams by the dozen asking for the Secretary of the Treasury to come out and speak. They are not interested in a speaker. They want the Secretary of the Treasury, and of course--

H.M.JR: Don't try to butter me, Harold. (Laughter)

MR. GRAVES: No, that is exactly the way it is.

MR. KUHN: That is true.

MR. GRAVES: Now, we usually, of course, stall those things off and say, "The Secretary is not available." Then it comes down to a question of the people who are interested saying, "Well, all right, get Bell or provide some other person." They are after a certain individual. I don't think we ever do have any requests from anybody for a speaker in an anonymous sense.

MR. KUHN: We do occasionally, Harold, get a request from some little community which wants a speaker and we refer that request to the State Administrator in his state, and it has worked out satisfactorily every time.

- 15 -

H.M.JR: Well, I had a suggestion to make which I learned. I think that if this thing is going to be a success - and incidentally, in the room you will all be very much amused that when the President in Cabinet came around to Mr. Landis he said, "What have you got to report today?" Landis said, "Well, I would just like you to know, Mr. President, your suggestion as to 'town meetings for war,' it is going extremely well." You wouldn't know the Treasury had a thing to do with it.

MR. KUHN: Well--

H.M.JR: I know. This is the thought I would like to have you fellows think about. Somebody suggested a Lawyers Association, labor people. I think we ought to run a kind of a school for speakers and train them. Not pay them any salary, but pay their traveling expenses, and really drill them in this thing so that we don't have to use the extreme like Mrs. Floyd Odlum, which is an unusual case, and I think it is well worth considering, trying to train a dozen men or a dozen women and then have it grow in various areas, who are trained in what we want to get over. Take girls who graduate in economics from Vassar. Those girls have got a good education. They could be trained. Other girls - it doesn't have to be Vassar. OPA is doing just that, I think. They have given four Vassar girls jobs this summer. They are paying their expenses to go around and just speak. So this isn't original with me. But I wish you people would consider that.

MR. GRAVES: Well, we will consider that.

H.M.JR: Then they would know what we are trying to get over here and you could send them into various places, particularly where - there will be lots of places which won't pick up.

MR. GRAVES: Of course, I think that is not adequate for our setup. I - there are literally hundreds and hundreds and hundreds of meetings being held throughout this country about War Bonds and hundreds of people are speaking and they

are speaking under the auspices of our local committees and our local committees provide the speakers, and so far, I know of no particular difficulty in getting speakers who are entirely competent to do that. I don't know--

H.M.JR: I had in mind--

MR. GRAVES: We would do with a small list--

H.M.JR: I greatly doubt that. I will make a little bet with you that I can go into New York City and ask them to get their speakers together in a room and you and I will sit down and let them ask us some questions, and the questions that they ask us, you will prove to be wrong.

MR. GRAVES: I will take your bet. I will bet you as much as a package of Chesterfields, because as it happens in New York we have a very competent man in charge of our Speakers Bureau. I forget his name. At any rate, he is a professional at this business.

H.M.JR: I will take you on.

MR. GRAVES: A pack of Chesterfields.

H.M.JR: As a matter of fact, you people have got to sell me on the field organizations and you had better be thinking how to do it. I am not sold through lack of knowledge. I don't know.

MR. GRAVES: Yes.

H.M.JR: I don't know. I don't know how you are training these three hundred thousand people, see.

MR. GRAVES: But on this matter of speakers, I don't think that is any particular deficiency in our setup.

H.M.JR: Well, do you mind proving it to me by taking me into a state?

MR. GRAVES: No. You mean you would like to go to New York?

H.M.JR: I don't care.

MR. GRAVES: But that was our bet. Our bet was New York.
(Laughter)

- 17 -

H.M.JR: I will go to New York with you. You pick the state and I will pick the weapons. How is that?

MR. GRAVES: No, but as a matter of fact, I think New York is very well taken care of. Now, other states, I suppose--

H.M.JR: All right, we will go to New York together.

MR. GRAVES: All right. I would like to. I would like you to talk to the man who is in charge of speakers' bureau there. He is a very competent, able fellow and has done a fine job.

H.M.JR: Now, you won't be here tomorrow, and I am relying on Gamble to be here at 9:30 to explain to this advertising group what our job is and I would like Kuhn here and Houghteling and Callahan and Mahan and Gaston, if he has the time, please. I would like to start it at some other place than my office. I would like to get it going. Do you want to do it in the theater?

MR. KUHN: You can do it in room eighty-one where we have those conferences.

H.M.JR: Let's do it in room eighty-one.

MR. KUHN: I will try to get that room. That is a good place for it.

H.M.JR: Let's do it in room eighty-one. But the idea is to get over to them this thing, right?

MR. KUHN: Yes.

H.M.JR: Now, anybody that has anything to do with War Bonds can take a crack at me. Bell?

MR. BELL: No, I haven't any questions.

MR. KUHN: I have some advertisements for you to clear.

- 18 -

H.M.JR: Well, we can do those as we go home. Do you mind going home with me?

MR. KUHN: No, but they are great big things.

H.M.JR: I know. I want to live with them over night. Have you got your MacLeish thing tonight?

MR. KUHN: No.

H.M.JR: When is your next appointment?

MR. KUHN: I have nobody.

H.M.JR: I will put them in my bedroom; and if I sleep badly, I am against them. (Laughter) Have I ever told you my story about the lawyer and the elephant? There is the very famous Hindu woman lawyer, and she was retained as a lawyer for the elephant. This elephant - his master died. This is a true story, about a hundred years ago. He left the elephant his entire estate because he was so mad at his family. He left it to the elephant, and this estate grew very, very valuable, and after a hundred years the family tried to break the will, so they had a maharajah appointed, and this woman defended the interests of the elephant. The maharajah would receive all petitioners at the top of a high flight of marble stairs. At his feet was an English bull dog. The woman lawyer ascended the stairs; and as she got up to the top of the stairs, she leaned over and patted the bull dog on the head, and the bull dog wagged his tail, and the maharajah said, "Your petition is granted, Madam, but I want to explain. Madam, your petition is granted, and you are dismissed." She backed all the way down stairs; and when she got down stairs, the head of the court said, "How did you know the trick?" She said, "What is the trick?" He said, "If the bull dog wags his tail, your petition is granted; and if he barks, you are refused." That is the way he decided everything. So I will live with these things tonight; and if I have no nightmares, I will accept them.

- 19 -

MR. KUHN: Some of them you have seen. These are the things that have been cleared by Mr. Gaston, Mrs. Morgenthau, Mr. Gamble, and myself.

H.M.JR: In other words, you are daring me to go against you. (Laughter) All right, we ~~will~~ take them home in the car. Can you put them in the car downstairs?

MR. KUHN: Yes, sir.

MR. GRAVES: I would like to ask if Dano is going to have anything to do with this?

MR. KUHN: Sure, he will.

H.M.JR: Dano will look over in the back, and if he growls..... (Laughter)

MR. GASTON: I am afraid they will all be cleared if Dano has anything to do with it.

H.M.JR: You think his tail will keep wagging?

MR. GASTON: Yes.

MR. GAMBLE: I have nothing.

MR. HOUGHTELING: No, sir.

H.M.JR: Are you getting those AF of L men to work?

MR. HOUGHTELING: Yes. I talked to them on the long distance phone today, and I have got an appointment Monday morning. I have got a table of organization that I am going to put up to them, and my man Goodman went up to Philadelphia with Philip Murray, and Philip Murray says that he will go along on the same sort of a plan, and that he wants to get together with Mr. Green and you and talk the whole thing out just as soon as possible.

H.M.JR: Well, the sooner, the better.

- 20 -

MR. HOUGHTELING: All right, sir.

H.M.JR: I will give you either Monday or Tuesday to invite them for lunch.

MR. HOUGHTELING: All right, fine.

H.M.JR: Including yourself.

MR. HOUGHTELING: Thank you very much.

H.M.JR: I missed you last night.

MR. HOUGHTELING: I am sorry I couldn't be here.

H.M.JR: Well, you can have either Monday or Tuesday. You had better make it Tuesday. Let's say Tuesday. I will give you Tuesday.

MR. HOUGHTELING: I will try to get them both here.

H.M.JR: I am crazy to get them started, and I will have these plants to show them, which plants we have the pay-roll deduction thing in. I am crazy to get them going.

MR. HOUGHTELING: All right.

MR. CALLAHAN: Mr. Secretary, you have appointed an editorial board which has slowed me up.

H.M.JR: Slowed you up?

MR. CALLAHAN: That is right. I am trying to get a lot of things out for May 1 for the quota campaign, and I send them over to the Treasury Department, and I don't get them back for a day or two. It is not a complaint against Mr. Kuhn or Mr. Gaston or anybody else, but nothing happens.

MR. KUHN: What have you got in mind, Vincent.
(Laughter)

- 21 -

MR. CALLAHAN: Well, I am trying to put out a newspaper for May 1, and I have in mind a letter from the Secretary to be on the first page.

MR. KUHN: It was cleared this afternoon at four o'clock.

MR. CALLAHAN: We were to go to press day before yesterday. (Laughter)

H.M.JR: You had better run a time clock on them, both of you.

MR. CALLAHAN: I am not complaining, I am just--

H.M.JR: Well, you keep on complaining. It is all right to get results, but the editorial board stays, so you just put the pressure on the boys.

MR. CALLAHAN: I am not trying to eliminate the editorial board, I am--

H.M.JR: But they are ready to meet every morning at ten thirty; and everything that comes over at ten thirty will be cleared on the same day. Is that right, gentlemen? If you get it over by ten thirty, it will be cleared on the same day.

MR. GASTON: Or turned down. (Laughter)

H.M.JR: But you have got to get it to them by ten thirty, and they meet every morning, and they will give it to you - there is no reason if they meet at ten thirty why they couldn't give you an answer by noon.

MR. CALLAHAN: I am talking about forty-eight hours ago. I am not talking about today.

H.M.JR: Well, I don't know.

MR. CALLAHAN: You appointed the board, and it is hurting me, not helping me, and I am trying to move very fast, and I am losing out.

- 22 -

H.M.JR: Well, let me give you a little story. I went over to the Secretary of War this morning with a plan which was given me last night at nine o'clock to say to the soldiers in uniform that they must buy Defense Bonds, and I refused to say it. Now, if the editorial board had seen that, I never would have gotten it. As a result of that, I never left Mr. Stimson's office until five minutes of eleven this morning. I was there for an hour and fifty-five minutes. He kept four newsreels waiting an hour and three quarters while he rewrote the thing. Now, that was a question, if there had been somebody that had seen this thing, I am sure they would have caught it. I read this thing last night and this morning, and I said, "I won't say it." I get over there, and Mr. Stimson says, "I don't like it. I thought you wanted it." He sends for a man with two stars on his shoulder, in charge of War Department propaganda, and he looks at it, and he says, "No, Mr. Morgenthau is right." Well, Mr. Stimson took the time, and it took him one hour and three-quarters to write a hundred and fifty words. So, I am more interested right now with the thing being right, but like everything else, Vincent, it takes time to get it started. They are organized now; and if you will get your stuff into Kuhn's office by ten o'clock any morning, there is no reason in the world why by noon it shouldn't be back with a yes or no. It certainly can't hold you up very much.

MR. KUHN: They will get through most of the time. I wouldn't guarantee that.

MR. CALLAHAN: I still say that I don't like the idea of the editorial board.

H.M.JR: And I am saying - I am going to ask you, will you cooperate?

MR. CALLAHAN: I will.

H.M.JR: And I will get it. But there is no reason in the world why you shouldn't get a clearance every day; and if you don't get it, you know these gentlemen.

- 23 -

MR. CALLAHAN: No, I am not complaining about the gentlemen on the editorial board, I am complaining about the idea.

MR. KUHN: Mr. Secretary, sometimes--

H.M.JR: The idea is good.

MR. KUHN: Sometimes a job has to be rewritten. It isn't just a matter of yes or no. Today Mr. Gaston rewrote that letter for the newspapers and made it much better, but it takes time to rewrite. It isn't just a matter of yes or no.

H.M.JR: Well, Vince, the editorial board stays, so you will have to live with and like it. (Laughter) Give me your nice smile, see. When you smile, I always have to go against myself.

MR. GASTON: I want to say that it is like everything that is new, it will work better after a little while.

MR. CALLAHAN: Mr. Gaston, I think it will work better after a little while, but the Secretary of the Treasury has asked me to do some publicity by May 1. When May 1 comes and the stuff is not delivered, he asks Callahan, "Why," and he doesn't ask the editorial board. Right, Mr. Secretary?

H.M.JR: Well, the purpose of this meeting is to have an exchange so that everything will run smoothly, and it is a good point; and I am sure these gentlemen will do better by you in the future, but I suggest you put a time stamp on when it leaves your office. Anything else?

MR. CALLAHAN: No.

H.M.JR: You see, I don't trust myself, Vince. It isn't as though I was passing on it. I have got other people to do it. I don't want to do what a number of

- 24 -

Cabinet officers have done. I would be sick tonight if I had gone ahead and made that appeal to the men in uniform to buy bonds, because I think it is wrong. I want this board to catch the things. You and I are both human. You will be very glad some day if they catch something that will keep you from making a mistake.

MR. CALLAHAN: Mr. Secretary, may I ask that Mr. Callahan be invited to one of these meetings to see how they work?

H.M.JR: They don't want you.

MR. CALLAHAN: Well, we could see how quick they operate and how slow they operate and so on.

H.M.JR: The board makes its own rules, I am sorry. I am not the editorial board. I picked them up for their integrity, and they can make their own rules. I am not going to make any rules. Mahan?

MR. MAHAN: I was going to make that suggestion, that when there is a plan affecting a man, that he be allowed to be there to have his inning. I think if a thing is carefully thought out and planned, he has had reasons for doing it, and possibly should at that time be allowed to present his case, so to speak.

H.M.JR: Well, they can make their own rules. All I know is how the President works. He asks you for suggestions. Then try to reach him while he is making a speech. But the board - they are self-governing. I haven't told them how to work. I just said I want them to pass on every important piece of literature or anything that is trying to influence public opinion, I want that when it is new to be passed on by this board for me to keep me from doing something like - well, Mr. Knox came out and talked about the Germans being our enemies, and the Chinese have never gotten over it. But anyway, you know these people, and you will have to fight it out with them, but the board stays.

- 25 -

MR. MAHAN: That is all right.

H.M.JR: Sloan?

MR. SLOAN: Nothing.

H.M.JR: George?

MR. HAAS: I have nothing.

H.M.JR: Mills?

MR. MILLS: No, sir.

H.M.JR: Tickton?

MR. TICKTON: I have the memorandum you sent to Mr. Bell about the telegrams to the Federal Banks on issuing agents. Will our current stuff take care of that?

H.M.JR: Yes.

MR. TICKTON: O.K.

MR. BELL: This is apparently what you meant. That is going out to the Federal Reserve Board.

H.M.JR: This is what?

MR. BELL: This is going out to the Federal Reserve Board, I understand, today, about Mills' and McKee's talk.

H.M.JR: I will read this. I didn't know about the other. I don't want to double up. But that post card stuff is disappointing to me.

MR. BELL: We may get some more stuff on that later on.

H.M.JR: I wish Haas and Tickton would think of another postal card check.

- 26 -

MR. BELL: It is a little early after the pay-roll deduction plan, I think.

H.M.JR: Well, personally, I would like to do that - oh, I would like to do it once a week, George, for a while, that pay roll thing, sending postal cards to bond buyers.

MR. BELL: Well, that is a little often unless you pick a different group, I think.

H.M.JR: Well, I am willing to leave it to George, if you are. What?

MR. BELL: I wouldn't do it once a week unless you are going to change names.

H.M.JR: Oh yes, change names.

MR. BELL: Well, you might do it that way.

H.M.JR: Oh yes, take another bunch of names.

MR. HAAS: We will talk it over.

H.M.JR: All right. Herbert?

MR. GASTON: I have nothing.

H.M.JR: Harold?

MR. GRAVES: Nothing.

H.M.JR: O.K. Thank you all.

MR. BELL: I think on that letter to the Federal, it had probably better go, but I don't think any more ought to go from the Federal.

H.M.JR: Tonight?

MR. BELL: I told Mills I thought that one ought to go. It would be embarrassing to stop it, but I don't think any more ought to go from the Federal.

April 24, 1942.

Dan Bell

Secretary Morgenthau

Please give me the draft of the telegram going to the Presidents of the 12 Federal Reserve Banks asking each one of them to give me a report on what they have done this week, up to and including Friday night, to get various companies to become fiscal agents. I would like them to do this each week until further notice. - *Tinker is handling*

Whatever happened to those 12,000 postal cards that I asked each Federal Reserve Bank to send out - by now they ought to be back and be analyzed. I should have the report. Please let me have that by noon Friday.

See report Exell

4/24/42 - Discussed at Defense meeting 4/24 - Haas to think about sending out postal cards each Friday 4/29 - each to different names -

April 24, 1942

TO: Mr. Haas
Mr. Tickton

FROM: The Secretary

Please find out from Mr. Graves or Ted Gamble which are the ten States they have decided to concentrate on for our War Savings Bond drive. After you get those 10 States, I would like to have you prepare a book for me on each State showing what companies employ over 500 but less than 5000 employees and indicate whether they have or have not adopted the payroll plan and whether they have or have not become issuing agents. I want the book just the same as you have given me for companies with 5,000 or more employees, but only put in the last three columns in these new books if they are easy to get. If they are not easy to get, forget about it.

After you have read this memo, you had better clear it with me personally to make sure that you understand it.

I would like to get this into the works at once.

I want this book kept up-to-date once a week.

April 24, 1942.

Ted Gamble

Secretary Morgenthau

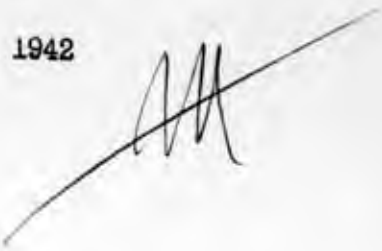
I understand that across the Potomac in Virginia they have already started the quota drive. My informant is Mrs. Eugene Duffield, who told Mrs. Morgenthau. Please find out what is going on over in Virginia, and have they started their quota drive. Please report to me.

See Gambles memo of 4/24-



TREASURY DEPARTMENT
WASHINGTON

April 24, 1942



MEMORANDUM FOR THE SECRETARY:

In answer to your memorandum inquiring as to whether or not a quota drive had been started in Virginia, please be advised that no such campaign is under way. In some of the rural areas, the pledge canvass is just now being started. In the urban areas, the pledge campaign has been stopped to permit us to accompany this operation with the firm pledge agreement.

Ted R. Gamble





TREASURY DEPARTMENT
WASHINGTON

April 24, 1942

MEMORANDUM FOR THE SECRETARY:

With reference to our State organizations taking advantage of the tour of Lt. Comdr. O'Hare, please be advised that Ensign Oliphant, Lt. Miller and Lt. Comdr. Paul E. Smith, in charge of the public relations activities of the Navy, are attempting to arrange for us a tie-in along the line of O'Hare's itinerary. I am to hear from them again later this afternoon and will report to you.

Ted R. Gamble



TO:

Mrs. McHugh

196

4/27/42

The Secretary went to the War Department April 24th to speak for the newsreels with Secretary Stimson. The occasion was the launching of the Army's Payroll Savings plan for civilian employees. This is the text of Secretary Morgenthau's talk.

F.K.

MR. KUHN

SECRETARY MORGENTHAU:

I am very glad to know that the 600,000 civilian workers in Army establishments are now able to join the millions of other civilians who are helping to finance the war with their savings. Nobody would ask the men in uniform to do any more for their country than they are doing now. All America is grateful to them and proud of them.

But the non-combatants in Army service can set an example to the whole country by saving every pay day for the purchase of War Bonds. As you know, the Treasury has begun a nationwide campaign in which every American who gets a regular income is being asked to set aside ten per cent of it for bonds and stamps. Whoever saves in this way will be helping his country now and himself tomorrow.

WAR PRODUCTION BOARD
WASHINGTON, D. C.

198

OFFICE OF
DONALD M. NELSON
CHAIRMAN

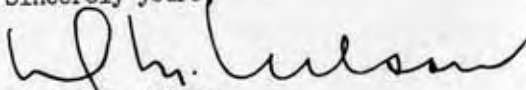
April 24, 1942

My dear Mr. Secretary:

I shall be delighted to appear with you on the nationwide War Savings broadcast from your office on the evening of May 4.

As you know, we are anxious to help in any way we can in the tremendous job you have of selling war production bonds.

Sincerely yours,


Donald M. Nelson

The Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury

RECEIVED
MAY 11 1942
U.S. DEPT. OF TREASURY



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

April 24, 1942

TO THE SECRETARY:

Mr. Jones of the Federal Reserve Bank of New York telephoned this afternoon that Phelps-Dodge Corporation qualified for its New York office as an issuing agent for War Savings bonds. This company also advised the Federal Reserve Bank that it wanted to qualify each of its branches as issuing agents, and the Federal Reserve Bank is securing applications from each of these branches through the various Federal Reserve Banks.

I was also advised that the Federal had had a further conference with representatives of U. S. Steel Corporation. The Treasurer of this Corporation is favorably inclined to have the Corporation become an issuing agent and says he will take the matter up with the Executive Committee the next time it meets, which will be the first part of May. It now looks as if U. S. Steel will become an issuing agent.

surB

DEFENSE

BUY
UNITED
STATES
SAVINGS
BONDS
STAMPS

TREASURY DEPARTMENT
Washington

April 24, 1942.

MEMO FOR THE PRESS:

The Treasury was informed by the Works Projects Administration today that the removal of a WPA worker from the payroll in Illinois because he purchased War Savings Bonds resulted from misinterpretation by local officers of the regulation concerning the continued employment of a worker "...upon determination that a family is no longer in need...". The discharged worker who had saved enough from his \$12 a week salary to buy two \$37.50 War Savings Bonds will be reinstated.

The Works Projects Administration said that in view of the incident a definite interpretation of the regulation with particular regard to the purchase of War Savings Bonds is being sent to all district managers. In substance, the interpretation will state that if a worker is able to invest in War Savings Bonds or Stamps out of the comparatively small salary which he earns, there will be no restriction against such investment.

-oOo-



TREASURY DEPARTMENT
FISCAL SERVICE
WASHINGTON

BUREAU OF ACCOUNTS
OF THE COMMISSIONER

April 21, 1942

TO MISS CHAUNCEY:

Referring to your inquiry this morning regarding the newspaper clipping captioned "WPA Worker Loses Job when he Buys War Bonds", Mr. W. H. Brummett, Assistant Commissioner of the Work Projects Administration, has advised by telephone that this case was a misinterpretation of the regulations issued by the Work Projects Administration regarding ineligibility for continued employment on Work Projects Administration projects, and that the employee will be reinstated.

The pertinent regulation reads as follows:

"Certification shall be cancelled upon determination that a family is no longer in need, that no person is employable, or that no person is otherwise eligible for employment in accordance with the regulations of the Work Projects Administration."

Mr. Brummett also advises that a definite interpretation of this regulation is being sent out with particular regard to the purchase of War Savings Bonds, and that a copy will be mailed to this office. Such new interpretation will state, in substance, that if a worker is able to invest in War Savings Bonds or Stamps out of the comparatively small salary which he earns, there will be no restriction against such investment.

R. W. Maxwell
R. W. Maxwell,

Acting Commissioner of Accounts

Attachment



Times Herald

APR 21 1942

He Did It on \$12 a Month:**WPA Worker Loses Job
When He Buys War Bonds**

CHESTER, Ill., April 20 (C.T., P.S.).—A WPA worker here has been fired from his job by the Government because he saved enough from his salary of \$12 a month to buy two \$37.50 war bonds, it was disclosed today.

The man is Robert L. Daniel, 40, bachelor, who for the last year has been working as a WPA employe in the Randolph county food stamp office at Sparta.

That Daniel was discharged on

the theory that a man able to buy war bonds does not need a WPA job, was admitted at the East St. Louis district WPA office by Earl Clark, acting district manager.

Clark said there is no differentiation between war savings bonds and any other kind of savings in present WPA regulations, and that he had no alternative in discharging Daniel after learning of his ownership of the bonds through the quarterly review which WPA makes of its employes.

Times Herald

APR 21 1942

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April 24, 1942

203

TO: MR. HAROLD N. GRAVES *HN*
SUBJECT: PROGRESS REPORT FROM WAR SAVINGS STAFF

QUOTA CAMPAIGN

Quota figures for every county in the nation are being serviced to all daily and weekly newspapers through arrangements made by the Press Section with the Associated Press, United Press, International News Service and Western Newspaper Union.

The figures were supplied to the Washington offices of the press associations for mailing to their regional and state bureaus. They will be carried on state wire services for release in afternoon newspapers of Thursday, April 30. Copy of news story on the quota campaign released along with the figures is attached.

In addition to this announcement of the figures by the press services, Western Newspaper Union is sending state maps, with the county quota figures written in, to all newspapers. Sample proofs of these maps are attached. Western Newspaper Union is also sending sets of editorial "ears", one column boxes, and a letter from the Secretary for publication in all papers. All of this material is being sent in the form of mats, and for papers which do not have metal casting facilities, in the form of metal plates.

*Butt
4/28*

The quota campaign made front page news in virtually all newspapers on two days last week, on Monday, April 20 and on Friday, April 24.

Special quota campaign publicity material for both press and radio is being mailed to all county chairmen, and state administrators. These kits include newspaper statements for release by mayors, county chairmen, presidents of county bar associations, medical associations, facts about bonds, radio addresses, spot announcements, interviews, suggestions for obtaining a maximum amount of publicity, and farm, club, labor, women's and sports page newspaper specialties.

PAYROLL SAVINGS

The Payroll War Savings Plan has now been installed by 63,747 concerns. A total of 19,874,893, or 65 per cent of the 30,400,000 employees of private concerns are now able to buy War Savings Bonds through Payroll Savings. An additional 1,420,007 employees of Federal, State and Local Governments, or 32 per cent of the 4,400,000 in this group, now have the Payroll Savings Plan available to them.

Executive Order No. 9135, signed by the President on April 16, established an Interdepartmental Committee for the furtherance of the voluntary Payroll Savings Plan among employees of the Federal Government.

This committee's functions will be to:

- (1) Formulate and present to the Departments a uniform Payroll War Savings Plan
- (2) Assist the Departments and Agencies in its adoption and operation.
- (3) Recommend improvements in the program adopted by each department.

Distribution is now being made of the General Electric booklet which outlines the campaign being conducted by that company. The plan enormously increased employee participation in Payroll Savings. Copies of this booklet have been sent to approximately 22,000 firms employing more than 100 persons where the Payroll Savings Plan has already been established. Copies are also being sent to all members of Congress, the Cabinet, and to all heads of the various independent agencies and establishments of the Government; to the presidents and directors of the Federal Reserve Banks, and to members of the Board of Governors of the Federal Reserve.

Distribution is now being made of duplicate copies of the Sales Reports on the progress of Payroll Savings Plan received from various companies throughout the country. These sales reports are photographed by the Eastman Kodak Company on microfilm and distributed to the State Administrators. The information contained in the reports keeps the Administrators advised about the percentage of participation and dollar investment in Bonds through Payroll Savings Plans in operation in

- 4 -

their respective states.

PLEDGE CAMPAIGN

Two states plan changes in the starting dates of the Pledge Campaign. In New Jersey, the campaign starts on June 1, while in Maine, the campaign opening date has not been set definitely.

In some states the house to house canvass method is being used. Others are carrying on the campaign along occupational lines. A few states are using specialized methods, as in North Carolina, where they have organized the work along the lines of their annual Community Chest drive, and workers from the Community Chest organization recruited. Georgia and Washington have set up their campaign as a military organization. The workers in Georgia are known as "Georgia's War Savings Army." Virginia's campaign is called "The Victory Pledge Canvass", while Indiana's will be called "MacArthur Week."

In Maryland and Michigan the sugar rationing program will be used as a means of contacting responsible citizens for pledges. War Savings Committeemen will then follow up with the regular house-to-house canvass.

NEWSPAPER CARRIER SALES

Sale of ten cent War Savings Stamps by the newspaper carrier boys of 864 newspapers now total 238,899,023. This is an increase of 12,370,283 ten cent Stamps, or their equivalent in Bonds or Stamps of larger denomination, since the report of April 16.

RADIO

A special broadcast over the Blue Network on April 23 featuring Secretary Morgenthau, Lt. Commander O'Hare and leaders of agriculture, labor and management highlighted the announcement of establishment of the county quota system.

Radio Station KVOO, Tulsa, Oklahoma, is using billboards to publicize stars of the "Treasury Star Parade." These billboards, photographs of which are attached, are placed in hotels, department stores and other vantage points.

Proctor and Gamble is sponsoring a \$51,000 Bond contest over NBC and CBS networks -- a total of 234 stations -- which brings Bond messages to 25,000,000 homes weekly. This contest is also being publicized in seven mass coverage magazines, totaling over 26,000,000 circulation.

A sponsor's kit containing material adapted for sale to local concerns has been sent to all radio stations. The National Association of Broadcasters has requested 200 of these kits for distribution at their annual convention. Hundreds of stations have written asking for additional kits and have voiced enthusiastic approval of the idea.

PRESS

Ed Reed, chairman of the Cartoonists Committee, is now on tour, personally contacting the nation's

PRESS (continued)

leading newspaper artists and editorial writers, to obtain special cartoons and editorials on the quota system for use beginning May 1. The decision to personalize our request was necessary because virtually every War agency is now writing and telegraphing cartoonists with all sorts of appeals for their help.

A special memo to the Press, released by the Treasury Press Department, was airmailed to all State Administrators and State Chairmen at the request of the Secretary. A copy of the release, concerning the policy of WPA workers and their purchases of War Bonds, is attached.

Postal Telegraph-Cable Company advises that all future printings of their jumbo telegram blanks will carry the War Savings Minute Man Cut. Sample blank is attached.

War Bond feature articles by leading American Writers are now being released to International News Service, Associated Press and United Press. The material being given to each service follows:

INS -- Articles by Kathleen Norris, Mary Roberts Rhinehart, Gilbert Seldes, Prof. Edwin Walter Kemmerer of Princeton, Jules Bogen, and a poem by Mary Craig Sinclair, wife of Upton Sinclair.

AP -- Articles by Thomas Mann, Carl Van Doren, Lionel Edie, Prof. Benjamin M. Anderson and a poem by William Rose Benet.

PRESS (continued)

UP -- Articles by S. J. Perelman, Erskine Caldwell, Dr. Elgin Groseclose and Rufus Tucker, and poems by Arthur Guiterman and Robert Nathan.

To date, more than 30 magazines have advised us that during July, when all major magazines will have a special American Flag cover, they will include War Bond appeals on their covers also. Total circulation of the magazines who will carry War Bond slogans and emblems on their July covers is approximately 20,000,000.

RELIGIOUS PRESS

War Bond articles written by the Very Rev. Magr. William R. Arnold, Chief of Chaplains, U.S. Army; Charles E. Diehl, Moderator of the Presbyterian Church in the United States, and by Rabbi Solomon Goldman of Chicago, were sent out to religious publications.

Editors of the Christian Herald, publication with the largest circulation among Protestant periodicals, advise that they will use a War Bond drawing on their cover in the July issue.

EDUCATION

Ten million School Pledge cards are now being printed to be ready for distribution by May 5. The main purpose of this pledge, which is separate and distinct from the regular pledge campaign, is to keep the War Savings Program active among school children during the Summer vacation months. The School pledge

calls for no fixed amount of savings and it gives every child an opportunity to join in the nation's war effort. The Pledge, designed in red and blue on a white card, reads as follows:

"A Pledge

**"To Every Soldier, Sailor and Marine
Who Is Fighting to Save my Country**

"For you there can be no rest. For me there should be no vacation from the part I can play to help win the war. I therefore solemnly promise to continue to buy United States War Savings Bonds and Stamps to the limit of my ability, throughout my summer vacation and until our victory is won."

WOMEN'S ACTIVITIES

The Women's Division is preparing two special kits to be distributed to more than 15,000 leaders of Women's War Savings Committees throughout the country. Kit No. 1 concerns women's publications and has three purposes:

- (1) To describe all materials that are available for use by State and Local Chairmen of Women's War Savings Committees.
- (2) To provide these chairmen with some of the new and revised publications.
- (3) To suggest ways in which these materials can be used effectively.

Kit No. 2 has as its subject National Women's Organizations. It contains the following material:

- (1) A brief statement of the policy of the Women's Section in working with national women's organizations.

(2) Methods for state and local committees to use in working with state and local clubs.

(3) A list of 221 national organizations' and case histories of their War Savings Programs.

BUSINESS PUBLICATIONS

An appeal is being made to 1250 business publications and 2000 company publications urging strong editorial support of the "ten percent" and "Quota" plans as outlined by the Secretary in his letter to all business firms having 100 or more employees.

A new advertising release (copy attached) was sent to business publications.

COMPANY PUBLICATIONS

Plans have been completed and approved for a spectacular visual presentation of our company publications program at the Chicago convention of the National Council of Industrial Editors Associations on May 14. The presentation is being produced for us by General Motors. It points up the urgent necessity for all workers to invest at least 10 per cent of their income in War Bonds.

A. P. Alexander Jr., of the Coca-Cola Company, will assume chairmanship of our Company Publications Committee, succeeding Merrick Jackson of General Electric, who has resigned to assume duties with the War Department.

FARM PUBLICATIONS

Thirty-five farm publications report that they will publish our special farm advertising release, "Let's Talk About Money and War." The 35 publications represent

a combined circulation of approximately 13,500,000 farm readers. The release was mailed to 50 publications.

NEWSREELS

Special newsreel shot of Secretary Morgenthau is currently showing in all five newsreels in all theatres throughout the nation.

A War Bond newsreel feature of Dorothy Lamour is scheduled for release by all newsreels on May 7.

The War Savings newsreel crews are now operating in Alabama, California, Florida and Virginia.

COMMUNITY SING

The Lucy Monroe Community Sing in Mobile, Ala., drew an audience of 15,000. All stores in the city were decorated and all civic and patriotic organizations took part in a parade in connection with the song fest.

RALLIES

Ilka Chase, Hugh Marlowe, Jessica Dragonette, Eli Seigmeister's ballad singers of America, and Barry Wood made personal appearances at a War Bond rally at Barnard College. The entire faculty of Barnard College and Columbia was present, and the event included special promotion on the university's own radio station; photographs in the Columbia Spectator, College newspaper, and a fifteen minute broadcast over the NBC network. Admission was the purchase of a \$1.00 War Stamp. Stamp books and albums

RAILLIES (continued)

were autographed by the stars for additional Stamp purchases.

TOWN MEETINGS

In cooperation with OCD, the War Savings Staff staged four "Town Meetings for War" on Saturday, April 15, in Amenia, N. Y., Hannibal, Mo., Ontario, Calif., Tuscaloosa, Ala. Secretary Morgenthau sent special message to the Amenia meeting, while Donald Nelson sent a similar message to Hannibal, his home city.

SPECIAL

Gimbel Brothers in Philadelphia have converted their main show window into a booth for War Stamp sales. Labeled "Freedom Corner", and "War Stamp Center, U.S.A." it has proved an attractive display and has resulted in sale of many Stamps.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE APR 24 1942

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Operation of payroll savings plans in 11,464 companies in March.

1. The attached table summarizing the operations of the payroll savings plan in 11,464 companies during March covers about 40 percent of the persons employed by industry or business exposed to the plan in the middle of that month. The data shown have been submitted to the Treasury during the past three weeks in response to your monthly letter to the companies having the plan, requesting information on the progress of the plan in their organizations.

2. The 11,464 companies reporting to the Treasury for March employed 7.1 million persons, some 3.7 million of whom (approximately 51.5 percent) actively participated in the payroll savings plan during the month of March. In the aggregate, these persons authorized their employers to deduct approximately 4.9 percent of their pay during the month for the purpose of accumulating funds for the purchase of savings bonds. On the average, this amounted to \$8.08 for each one of the persons participating.

3. On previous occasions tables similar to the attached have been transmitted to you covering the operations of the payroll savings plan during the months of January and February. Those tables covered a smaller number of companies than appear on the table attached, but the proportions of the total number of persons exposed to the plan in those months that were covered were roughly the same as in the present table, i.e. about 40 percent. A comparison of the percentages and the per capita figures (rather than the absolute figures) therefore will provide an overall picture of the progress made during the past three months in bringing up (1) the percent of participation in the plan and (2) the per capita amount of salary deducted once the plan has been installed. This comparison appears in the table that follows:

Secretary Morgenthau - 2

Participation in Payroll Savings Plans

Part I - Percent of total employees participating in plan

Size of Company	Jan.	Feb.	Mar.
Under 999 employees....	50.3	55.2	57.9
1,000 - 4,999 employees....	38.9	48.9	50.5
5,000 - 9,999 employees....	42.1	43.5	49.4
10,000 - 19,999 employees....	25.0	37.6	43.1
20,000 and over.....	<u>29.1</u>	<u>39.7</u>	<u>47.8</u>
Total - All companies.....	<u>37.1</u>	<u>46.5</u>	<u>51.5</u>

Part II - Average deduction per employee participating

Size of Company	Jan.	Feb.	Mar.
Under 999 employees....	\$6.13	\$6.74	\$7.12
1,000 - 4,999 employees....	6.42	7.09	7.75
5,000 - 9,999 employees....	5.71	8.54	9.01
10,000 - 19,999 employees....	6.93	7.25	8.64
20,000 and over.....	<u>9.97</u>	<u>9.31</u>	<u>9.45</u>
Total - All companies.....	<u>\$7.28</u>	<u>\$7.69</u>	<u>\$8.08</u>

The second part of the foregoing table has been classified by size of company to show the progress that has been made in medium-large companies -- those with from 5,000 to 19,999 employees -- since January. The fact that employees in small companies are deducting less than employees in large companies is without significance, however, since on the basis of average earnings, employees in companies of all sizes are authorizing deductions from payrolls at about the same rate (see next to the last column of the attached table).

Summary of the Operation of Payroll Savings Plans in March 1942
 (As reported to the Treasury by 11,464 companies participating in the plan in that month)

Size of company	Number of companies reporting	Aggregate number of employees exposed	Aggregate number of employees participating in payroll savings plans	Percentage of employees participating	Aggregate payroll of employees exposed	Aggregate amount of deductions from pay	Percentage of aggregate pay deducted	Approximate aggregate payroll of employees participating	Percentage of aggregate pay of participating employees deducted	Average deduction for employees participating in March
Under 100 employees	3,885	194,729	134,871	69.3	28,488,999	1,011,219	3.5	19,742,876	5.1	7.50
100 - 499 employees	5,220	1,185,729	694,877	58.6	168,170,808	4,956,605	2.9	98,548,093	5.0	7.13
500 - 999 employees	1,224	849,323	461,849	54.4	124,038,376	3,229,692	2.6	67,476,877	4.8	6.99
1,000 - 4,999 employees	952	1,904,439	961,075	50.5	303,897,298	7,452,858	2.5	153,468,135	4.9	7.75
5,000 - 9,999 employees	109	747,049	368,934	49.4	134,434,256	3,322,904	2.5	66,410,522	5.0	9.01
10,000 - 19,999 employees	37	538,476	231,990	43.1	99,267,038	2,005,134	2.0	42,784,093	4.7	8.64
20,000 and over	37	1,676,250	801,766	47.8	311,743,522	7,572,913	2.4	149,013,404	5.1	9.45
Total - All companies	<u>11,464</u>	<u>7,095,995</u>	<u>3,655,362</u>	<u>51.5</u>	<u>\$1,170,040,297</u>	<u>\$29,551,325</u>	<u>2.5</u>	<u>\$602,570,753</u>	<u>4.9</u>	<u>\$8.08</u>

Analysis of Exposure to Payroll Savings Plans
April 18, 1942

	Number exposed to payroll savings plans	Total number in the country (estimated)	Percent of total exposed
Part A - Summary by Number of Organizations Exposed			
I. Business organizations			
(1) Large railroads.....	158	167	95
(2) Other firms with 500 employees or more.....	5,815	7,344	79
(3) Other firms with 100 to 499 employees.....	<u>15,316</u>	<u>26,853</u>	<u>57</u>
(4) Subtotal - large firms.....	21,289	36,364	59
(5) Firms with less than 100 employees.....	<u>42,458</u>	*	*
(6) Total business organizations.....	63,747	*	*
II. Governmental organizations.....	*	*	*
III. Grand total.....	<u>63,747</u>	<u>*</u>	<u>*</u>

Part B - Summary by Number of Employees Exposed			
I. Business organizations			
(1) Large railroads.....	1,273,260	*	*
(2) Other firms with 500 employees or more.....	14,292,081	*	*
(3) Other firms with 100 to 499 employees.....	<u>3,304,368</u>	<u>*</u>	<u>*</u>
(4) Subtotal - large firms.....	18,869,709	*	*
(5) Firms with less than 100 employees.....	<u>1,005,184</u>	<u>*</u>	<u>*</u>
(6) Total business organizations.....	19,874,893	30,400,000 ^{1/}	65
II. Governmental organizations			
(1) Federal Government.....	397,981	1,700,000 ^{1/}	23
(2) State and local governments.....	<u>1,022,026</u>	<u>2,700,000</u>	<u>38</u>
(3) Total governmental organizations.....	<u>1,420,007</u>	<u>4,400,000</u>	<u>32</u>
III. Grand total.....	<u>21,294,900</u>	<u>34,800,000 ^{1/}</u>	<u>61</u>

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

April 24, 1942.

^{1/} Excludes agricultural employees, military personnel, employees on WPA or NYA or CCC projects, proprietors, firm members, self-employed, casual workers and persons in domestic service.

* Data not available.

Firms Employing 100 to 499 Persons Participating in Payroll Savings Plans
(As reported by the Defense Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Jan. 10	Apr. 11	Apr. 18		Jan. 10	Apr. 11	Apr. 18
Alabama.....	17	137	149	285	6	48	52
Arizona.....	15	42	43	58	26	72	74
Arkansas.....	22	43	44	142	15	30	31
Northern California.....	160	501	512	512	31	98	100
Southern California.....	495	753	756	1,171	42	64	65
Colorado.....	64	112	113	170	38	66	66
Connecticut.....	100	277	277	622	16	45	45
Delaware.....	0	18	21	84	0	21	25
District of Columbia.....	8	51	52	152	5	34	34
Florida.....	48	145	147	147	33	99	100
Georgia.....	56	126	133	589	10	21	23
Idaho.....	19	30	31	50	38	60	62
Illinois.....	48	1,245	1,300	2,252	2	55	58
Indiana.....	0	403	415	586	0	69	71
Iowa.....	4	153	165	271	1	56	61
Kansas.....	114	275	276	276	41	99	100
Kentucky.....	75	120	136	312	24	38	44
Louisiana.....	0	167	179	384	0	43	47
Maine.....	3	60	60	198	2	30	30
Maryland.....	32	165	177	405	8	41	44
Massachusetts.....	53	626	639	1,523	3	41	42
Michigan.....	137	670	689	1,022	13	66	67
Minnesota.....	181	376	376	399	45	94	94
Mississippi.....	30	58	59	143	21	41	41
Missouri.....	0	472	472	664	0	71	71
Montana.....	22	40	40	40	55	100	100
Nebraska.....	6	101	103	123	5	82	84
Nevada.....	8	14	14	24	33	58	58
New Hampshire.....	7	89	89	145	5	61	61
New Jersey.....	171	436	463	867	20	50	53
New Mexico.....	12	33	33	35	34	94	94
New York.....	505	2,008	2,060	4,239	12	47	49
North Carolina.....	29	270	282	499	6	54	57
North Dakota.....	4	12	14	29	14	41	48
Ohio.....	0	1,080	1,126	1,739	0	62	65
Oklahoma.....	29	164	166	345	8	48	48
Oregon.....	21	197	211	271	8	73	78
Pennsylvania.....	713	1,655	1,682	2,032	35	81	83
Rhode Island.....	49	148	154	224	22	66	69
South Carolina.....	13	71	71	174	7	41	41
South Dakota.....	5	19	21	21	24	90	100
Tennessee.....	0	199	199	448	0	44	44
Texas.....	74	285	326	1,375	5	21	24
Utah.....	13	36	36	111	12	32	32
Vermont.....	30	59	59	63	47	94	94
Virginia.....	21	265	281	338	9	78	83
Washington.....	71	232	234	323	22	72	72
West Virginia.....	0	91	134	272	0	33	49
Wisconsin.....	0	267	278	680	0	39	41
Wyoming.....	1	17	17	17	6	100	100
Alaska.....	0	2	2	2	0	100	100
Railroads.....	46	49	49	52	88	94	94
Total.....	3,541	14,864	15,365	26,905	13	53	57

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

April 24, 1942.

* Data are for April 11, inasmuch as no April 18 report was received.

Regraded Unclassified

Firms Employing 500 Persons or More Participating in Payroll Savings Plans
(As reported by the Defense Savings Staff's State Administrators)

State	Number of firms with payroll savings plans			Total number of firms (estimated)	Percent of total having payroll savings plans		
	Jan. 10	Apr. 11	Apr. 18		Jan. 10	Apr. 11	Apr. 18
Alabama.....	9	50	54	76	12	66	71
Arizona.....	15	21	21	21	71	100	100
Arkansas.....	6	17	17	18	33	94	94
Northern California.....	114	160	163	196	58	82	83
Southern California.....	123	170	172	172	72	99	100
Colorado.....	22	26	27	32	69	81	84
Connecticut.....	97	152	152	185	52	82	82
Delaware.....	2	17	20	28	7	61	71
District of Columbia.....	12	29	30	52	23	56	58
Florida.....	18	35	35	66	27	53	53
Georgia.....	35	61	64	143	24	43	45
Idaho.....	8	10	10	10	80	100	100
Illinois.....	277	435	443	634	44	69	70
Indiana.....	41	133	136	180	23	74	76
Iowa.....	9	43	45	53	17	81	85
Kansas.....	16	33	33	33	48	100	100
Kentucky.....	19	45	48	70	27	64	69
Louisiana.....	0	39	39	85	0	46	46
Maine.....	42	54	55	55	76	98	100
Maryland.....	40	106	106	154	26	69	69
Massachusetts.....	41	281	281	370	11	76	76
Michigan.....	305	333	333	333	92	100	100
Minnesota.....	87	103	103	105	85	98	98
Mississippi.....	12	17	17	28	43	61	61
Missouri.....	0	162	162	162	0	100	100
Montana.....	4	5	5	5	80	100	100
Nebraska.....	28	40	40	41	68	98	98
Nevada.....	3	5	5	5	60	100	100
New Hampshire.....	17	30	31	31	55	97	100
New Jersey.....	185	249	254	254	73	98	100
New Mexico.....	5	6	6	6	83	100	100
New York.....	435	885	888	1,350	32	66	66
North Carolina.....	49	112	113	168	29	67	67
North Dakota.....	0	1	1	1	0	100	100
Ohio.....	285	524	521	557	51	92	94
Oklahoma.....	22	41	41	62	35	66	66
Oregon.....	51	70	70	70	73	100	100
Pennsylvania.....	336	579	584	625	54	93	93
Rhode Island.....	58	74	76	90	64	82	84
South Carolina.....	27	73	74	96	28	76	77
South Dakota.....	3	4	4	4	75	100	100
Tennessee.....	4	68	68*	106	4	64	64
Texas.....	36	61	73	187	19	33	39
Utah.....	8	10	10*	14	57	71	71
Vermont.....	10	13	13	13	77	100	100
Virginia.....	41	100	103	103	40	97	100
Washington.....	44	65	65	74	59	88	88
West Virginia.....	2	45	50	67	3	67	75
Wisconsin.....	84	147	150	150	56	98	100
Wyoming.....	0	1	1*	1	0	100	100
Alaska.....	0	3	3*	3	0	100	100
Railroads.....	98	109	109	115	85	95	95
Total.....	3,185	5,842	5,924	7,459	43	78	79

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

April 24, 1942.

* Data are for April 11, inasmuch as no April 18 report was received.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
First Twenty Business Days of April, March and February 1942
(April 1-23, March 1-24, February 1-24)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	April	March	February	April	March	April	March
				over March	over February	over March	over February
Series E - Post Offices	\$ 62,273	\$ 68,174	\$ 76,580	-\$ 5,901	-\$ 8,406	- 8.7%	- 11.0%
Series E - Banks	<u>179,371</u>	<u>200,748</u>	<u>272,263</u>	- <u>21,377</u>	- <u>71,515</u>	- <u>10.6</u>	- <u>26.3</u>
Series E - Total	241,644	268,922	348,843	- 27,278	- 79,921	- 10.1	- 22.9
Series F - Banks	29,464	31,630	45,065	- 2,166	- 13,435	- 6.8	- 29.8
Series G - Banks	<u>123,519</u>	<u>141,531</u>	<u>210,465</u>	- <u>18,012</u>	- <u>68,934</u>	- <u>12.7</u>	- <u>32.8</u>
Total	<u>\$394,628</u>	<u>\$442,083</u>	<u>\$604,373</u>	-\$ <u>47,455</u>	-\$ <u>162,290</u>	- <u>10.7%</u>	- <u>26.9%</u>

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

April 24, 1942.

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

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

CONFIDE

UNITED STATES SAVINGS BONDS

Daily Sales - April, 1942

On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
April 1942									
1	\$ 2,476	\$ 10,517	\$ 2,380	\$ 9,608	\$ 22,504	\$ 12,993	\$ 2,380	\$ 9,608	\$ 24,980
2	2,999	8,264	2,119	7,570	17,953	11,263	2,119	7,570	20,953
3	3,222	7,572	1,185	6,235	14,992	10,794	1,185	6,235	18,214
4	2,778	9,292	1,387	5,334	16,013	12,070	1,387	5,334	18,790
6	4,951	13,035	2,329	8,027	23,391	17,996	2,329	8,027	28,352
7	2,958	5,722	834	8,983	15,539	8,680	834	8,983	18,497
8	2,309	9,610	1,142	6,562	17,314	11,919	1,142	6,562	19,623
9	2,906	9,304	955	5,715	15,974	12,210	955	5,715	18,880
10	2,730	8,052	1,573	5,261	14,885	10,782	1,573	5,261	17,615
11	2,150	5,224	668	2,720	8,613	7,374	668	2,720	10,762
13	4,619	17,572	2,432	8,604	28,609	22,192	2,432	8,604	33,228
14	2,513	6,152	1,076	3,333	10,561	8,665	1,076	3,333	13,074
15	2,584	5,102	1,251	5,374	11,728	7,686	1,251	5,374	14,312
16	3,472	10,008	1,400	7,773	19,180	13,480	1,400	7,773	22,652
17	2,690	8,076	850	3,695	12,621	10,766	850	3,695	15,311
18	3,111	7,175	948	3,303	11,426	10,286	948	3,303	14,537
20	5,252	13,334	2,227	9,001	24,562	18,586	2,227	9,001	29,814
21	2,517	6,845	977	3,703	11,525	9,362	977	3,703	14,042
22	2,925	9,112	1,925	6,793	17,830	12,037	1,925	6,793	20,755
23	3,101	9,403	1,805	5,928	17,136	12,504	1,805	5,928	20,237
Total	\$ 62,273	\$179,371	\$ 29,464	\$123,519	\$332,355	\$241,644	\$ 29,464	\$123,519	\$394,628

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

April 24, 1942.

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

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

Regraded Unclassified

MEMORANDUM FOR THE SECRETARY.

April 24, 1942.

Mail Report

Following the Secretary's statement in regard to increased distribution of War Bonds through house to house canvassing and payroll deductions, a great many letters have come in -- in most cases commending either or both of these plans. Some general letters in regard to bonds, both favorable and unfavorable, are included herewith. A brief preliminary memorandum on the statement alone went down early this week, and an additional one, covering both favorable and unfavorable reactions is attached at the end of this report.

Aside from this special group of letters, the general mail is along the line of that received during the last two or three weeks.

Opposition to the Sales Tax still outnumbered endorsement of it by a very large proportion. There are a great many letters from individual telephone employees, many of them from very old people who are terribly worried about the threatened taxation program in its relationship to pensioned telephone employees.

There has also been a great wave of letters advocating lotteries -- many from former correspondents who have gained courage to present their idea again because of Senatorial discussion of the possibility of using this method of raising funds.

There are still complaints about delays in receiving bonds after money has been sent for them, or in making necessary changes in the matter of beneficiaries, etc. I believe, however, that these complaints have fallen off considerably.

The telegram sent out to the Federal Reserve Banks, over the Secretary's signature, regarding the postal card bond questionnaire, brought in a great many responses. Through Friday morning, April 24th, these numbered 3,419.

G. A. Forbush

- 1 -

Comments on Present Emergency

Attorney General Biddle transmits a letter from U. S. Attorney Palmer of Los Angeles, which reads as follows: The Rafu Shimpo (Los Angeles Japanese Daily News) conducted a campaign for funds among their subscribers to be used for the purpose of purchasing an ambulance for the use of the United States Army. They came to me to have me deliver the checks to the proper authorities in the United States Army, and I have received the following checks drawn by the Rafu Shimpo on the First and San Pedro Office of the California Bank --

January 9, 1942	\$ 377.50
January 14, 1942	478.00
January 22, 1942	842.38
February 10, 1942	<u>1,676.21</u>
Total	\$3,369.09

I am enclosing these checks for your disposition to the proper Army authorities so that they may be applied to the purpose intended. We have a list of the contributors, their residences and the amounts given.

David W. Bailey, Director, Australian News & Information Bureau, N.Y.C. I have received from the Australian Dept. of Information an inquiry as to the suitability for use in Australia of the Disney Donald Duck film "The New Spirit". I have viewed this film, and it seems likely that it would be of use for propaganda purposes in Australia, if it could be made available. I understand from Mr. Leo Samuels, of Disney Productions, Inc., that the film is the property of the Treasury Dept., and that any arrangements to make it available to Australia must be made through the Dept. I would appreciate any advice that you can give me on this matter.

- 2 -

John R. Hendrickson, De Witt, Nebraska. I wish you would convey to our good President, or those in authority, that I am willing today to have them authorize our bank, or some one, to take over my business and property, all of my income for national defense for the duration of the war, and I will never ask to have them pay it back to me. * * * I am not writing you this for publicity or notoriety, but for the sake of humanity. Please don't ever publish my name.

Col. L. L. Harris, The Walt Whitman Hotel, Camden, N.J. I send the enclosed cartoons just to help to relax a busy mind. With best wishes to a very able and worthy Executive.

Byron H. Clough, Atlanta, Georgia. We know that this world struggle is our war. The men over 55 years of age cannot pilot a bombing plane or fire a gun from the deck of a battleship. Those of us who are too old to get into a uniform or an ordnance plant to work, still have to pay heavier taxes. * * * War is not cheap, but let me remind you that it is a million times cheaper to let the men over 50 or 60 work than it is to lose. How can we make up our minds to produce and to fight with such an overwhelming number of planes, ships, tanks and guns if we are not allowed to do our part because we have a few gray hairs. You say you are in dead earnest when you say millions more must take part in the payroll saving plan; why not prove it by letting the men over 55, who are able, work as well as the young men? * * *

Fred Crumrine, San Diego, Calif. * * * I will be 60 years of age next June, and very much able-bodied. I have been in good health and able to do any kind of work in my line. I have expressed by every means possible my willingness to go anywhere to work, but to no avail. I answered an ad from the Los Angeles Drydock and Shipbuilding Co. for Lead Wiper, Plumber and Pipefitter. They sent me an application blank, which I filled out and returned. That is the last I have heard of it. Next, The Consolidated Aircraft told me to go home and take civilian employment, that my age was against me. Next, The Solar Aircraft told me the same thing. I have tried several times to enter the Solar. They are responsible for the death of one of my sons, yet I have another son who is employed with them as Foreman in the Hammer Dept. I have tried to

get jobs in the Defense Housing Projects to no avail. Yet I have lost three jobs paying me \$10 to \$12 per day in civilian life, owing to Government Priorities on material. This is getting very much on my nerves. * * * It seems strange that other men should be able to go into defense work, such as school boys and girls, and the Government says there is so much man power shortage. Why don't they take men that have long years of experience and put them to work? They will make the factories hum and there will not be so much quibbling about shortages in this and that. * * * Mr. Morgenthau, please give my best regards to Mr. Roosevelt, and ask him if he is too old to work, as he happens to be about 4 or 5 months older than I. Tell him that I am very proud of him and have been trying to keep my place in the ranks, but have been held back by the very Government that I am trying to help.

James L. Crump, New Orleans, La. (Sends copy of letter addressed to the President.) * * * Both the N.Y.A. and C.C.C. have a very definite place in our section of the Country. The N.Y.A. has helped a lot of young country boys to secure an education and at the same time remain at home and help their parents who could not afford to send them to college. As for the C.C.C, this group of young fellows have done marvelous work and could render tremendous service on the army reservation project and national forests, and I think should be broken up into units of 100 and 125 men each, so as to speed up the work in all the territories and thus give each and every boy a chance to join the C.C.C. and be close to home. Every young man in our section of the Country, whether white or black, returned from the C.C.C. camps knowing how to walk and carry himself correctly, was neat and polite, and knew not only how to receive orders but also how to give them. I sincerely trust that both the N.Y.A. and C.C.C., particularly the C.C.C., will be continued.

- 4 -

Morton McDonald, Miami Power & Equipment Co., Miami, Fla. I have an idea for raising funds to carry on this present war. * * * It is true we are all buying stamps and bonds in an attempt to do our part, but it is no great sacrifice for they represent a real investment. * * * The great majority of the American people would like to be able to help in a more definite way, especially something that would intimately connect them with the war effort and not represent an investment. An outright gift to Uncle Sam of some definite piece of war equipment is my idea. Why cannot a list of costs of war material from rifles to air planes or ships be made up and offered to the public? We would all take pride in being able to say, "I bought a rifle for Uncle Sam today," or "My anti-aircraft gun is helping me do my bit against the Japs," or "I bought another parachute today to help some boy make a safe landing". These outright gifts would be more in the American way of helping to put an end to the Nazis and Japs. They would really be inspired by patriotism and not by gain. Suitable certificates could be printed and given to donors to hang in their homes or offices. Every one would be proud to be able to show they were doing their part in a concrete way and not expecting any benefits beyond the security of our great country. * * *

E. A. Allen, Minneapolis, Minn. * * * For you personally, Mr. Morgenthau, while you'll likely never try it - and while I doubt that you have any personal political ambitions, but if you did have - and if you did try it - you couldn't be elected Dog Catcher of Van Buren, Arkansas, if the group above \$4,000 could stop you. But the great masses would feel differently. * * * The depression of the Thirties took the fat off our bones - stripped us down to muscle and bone. Our hides are tough. Hitler and the Japs are fighting a hungry bunch of Wildcats and haven't a chance. We are getting wilder every day and Heaven help the tired and poorly fed Jap and German soldier when this gang of ours really gets going. When I got out of the Navy in the last war I was handed my rubber boots and a \$15 check and told by my old firm that I couldn't go to work for six months because they had a war contract. * * *

Favorable Comments on Bonds

Henry J. Bender, Jasper, Ohio. * * * Would it be possible to establish a "Soldier's Bond" to be purchased by the citizens of each County for the use and ownership of its own boys? The money could be raised by social events similar to the campaign for Infantile Paralysis. A committee could buy Bonds and place them in a bank or otherwise make sure of their safety. The Bonds could be registered in the name of each soldier until his return. In case of death, the Bond to go to his family. I know you can realize how good the boys would feel to know they have money, or will have, upon their return. Kindly give this a little thought and advise me of your opinion. I would like to see Pike County, Ohio, be the first to have the honor of trying out the plan. * * *

C. R. Brown, Tazewell, Va. * * * This morning I received by mail a bulletin sent out by your Department entitled, "Our America", in which bulletin you were urging the purchase of War Bonds. As I turned to leave the office, Miss Louise Hurt, the local postmistress, told me her family had just been notified by the Navy Department that the submarine, of which her brother was in command, was 30 days past due, and that he presumably was lost. As I walked up the main street of our little town I noted that on the second page of "Our America" was a picture of Gen. MacArthur and underneath the picture the question, "Do we deserve them?" -- that is, Gen. MacArthur and his gallant men on Bataan. I wondered and was still turning the question over in my mind as I entered a local drug store. The few tables in the small store were practically full of people, and as I ran my eye over them, I all at once realized that 9 of them were WPA workers, so-called sanitary engineers, etc., smoking cigarettes and drinking coca colas, and then it was that the answer to your question, "ARE WE WORTHY" came clearly and unmistakably "NO". I believe in Labor Unions, provided they don't have racketeers at the head of them, but I do not believe in "business as usual" by you and your associates of the present Administration, and there are millions like me. This war is lost to date -

whether we can pull it "out of the fire" is another matter. If the Administration of which you are a part, from the President down, will whole-heartedly discontinue useless spending and quit trying to line up votes for future elections, and will spend the money we are paying in taxes and for Bonds solely with an eye toward winning the war, you will be tremendously surprised at the response from the people as a whole. I know, because I am just one of those ordinary, commonplace, everyday folks.

Dr. C. Perry De Boissy, (Retired), Tampa, Fla. * * * I am old, in ill health, partly invalid and adversity stricken, and, therefore, I cannot do what I would like to do for National Defense. Although my earnings are exceedingly small, at the expense of my health and comfort, by depriving myself of necessities of life I have been able to buy a dollar's worth of Defense Stamps every week, and, unfortunately, it is the best I can do. Yet, I do not want any one to believe that I am a slacker and have failed to do my duty at a time when every man is expected to do his best. There is nothing I hate more than PUBLICITY, so I beg you, Sir, to keep this letter as strictly personal. The only thing I would like to get is something to prove that, no matter the humbleness of my participation, I am doing everything in my power to do my duty. I AM NOT A SLACKER.

Harold O. Wright, Hollywood, Calif. The Postman left at our door this morning a fine publication called "Our America", and published by your Department. There was one inspiring note to it which I hope you or some one in authority would follow up, namely, to have the children always give the hand salute to the flag, and never to use the outstretched hand salute again. I refer to the beautiful cover page of the publication. Here they are at hand salute -- it is the American form of respect to the flag. The faults of the outstretched hand in salute are obvious - the main one being the fact that it is too much like the salute of the Nazis. * * *

- 7 -

Mrs. W. R. Augur, Fanwood, N. J. I have recently heard that Clarence Pickett, Secretary of the American Friends' Service Committee, proposes to ask the Treasury Dept. to put out Civilian Bonds, in addition to War Bonds, on the plea that some Friends are opposed to buying War Bonds. I should like to say that there are those of us (Quakers) who hope that the Treasury Dept. will not do this. It would confuse the issue, and it is not necessary as Friends can give to civilian needs in a number of other ways, and through agencies already established. Many members of the Society of Friends are not "ultra-pacifist" in this struggle for our country's survival, and we are enlisting and buying War Bonds just like other Americans. The American Friends' Service Committee, in the aspect of pacifism it at present supports, does not represent the entire membership of the Society of Friends.

E. F. Conger, Staunton, Va. * * * In the case of one prospective purchaser of not less than \$50,000 worth of Bonds, I have been asked the probabilities of the Bonds not being paid when due. I feel that there are many people who, if they had assurance that the Bonds would be paid when due, and that the customer would probably not have the rules switched during the time that he holds the Bonds, would be purchasers of these issues. I feel that if a notice could be given to the effect that under no consideration would the money be withheld from the customer when the Bonds become due, that you would immediately tap a tremendous buying power from people who are very suspicious. * * *

Frederick S. Allis, Jr., Faculty Director of Pledge Campaign at Phillips Academy, Andover, Mass. (Telegram) 99.2% of the undergraduates of Phillips Academy have signed pledges to buy Stamps regularly, 718 boys in all. Have promised the undergraduate body a congratulatory telegram from you. Will whoever opens this please draft something in the way of a reply with some punch to it? I have referred to "My old friend Henry Morgenthau" in campaign speeches, and suggest that your reply begin, "Dear Fritz:" This would amuse the little men no end. Please shoot this off right away to make Wednesday's edition of the school newspaper.

Unfavorable Comments on Bonds

H. Alfred Clover, Tracy, Calif. My wife is buying every Defense Bond she can. She was nine when World War I ended, and she doesn't remember some of the things I do. I was sixteen then; and I'm still waiting with my Bond buying. * * * Back in '16 and '17 my father was a farmer in a small rural community. He was one of the town "big-shots" on every Red Cross campaign and every Bond drive. I see them by the score in '42 -- the little fellow scraping the bottom of the barrel for enough pennies to buy another Bond, laying his mite on the altar of sacrifice for his country. * * * There's another side of the picture, too. I haven't forgotten those harsh days that followed the coming of Peace. The fanfare was over; the Liberty Loan trains, the speakers, the trophy exhibits, just a memory. The little fellow in business needed cash. His Bonds went on the block -- at a sacrifice. There was plenty of good hard cash to grab them up when ownership of U. S. Government Bonds meant big profits. * * * That is always the way it goes. The little fellow sacrifices. The big fellow gains. * * * Our Administration is doing all it can, but let us not forget that big money that is waiting like a vulture - waiting for that day when the conflict ends and those who have taken to heart our "Defense Bonds and Stamps" propaganda of 1942 shall find themselves financially stranded and ready to sacrifice anew in order that they may not perish on the wastelands of financial chaos. * * *

R. M. Harper, University, Ala. * * * Twice within a few weeks I have found the Post Office floor here half covered with copies of an eight-page circular in several colors, distributed by your Dept. to unidentified box holders, urging them to buy Defense Bonds -- apparently the same circular both times. Probably much the same thing happened in all other Post Offices, though perhaps more than the average here, because most of the box holders here are students, who presumably have no income yet. These circulars must have cost several cents apiece, and the Govt. is not setting a very good example by wasting millions of them when the public is being urged to save paper. Any one who can read should already be sufficiently informed about Defense Bonds, through the newspapers. * * *

- 3 -

Hamilton Williams, N.Y.C. Upon seeing this picture (Crashing airplanes published in "Our America") I have decided never to buy a Stamp or War Bond. I'll not help kill others in a war into which Roosevelt betrayed our country at the insistence of a dying British Empire.

Bernard M. Klein, Chicago, Ill. I have been purchasing Defense Bonds every week, in order to do my part in the defense of my country. Last night I heard broadcast over the radio a list of eight firms engaged in defense work who have been slowing up production. * * * Therefore, until I can be certain in my own mind that these firms and others of their ilk are cooperating with the Govt., I am this date suspending my purchase of Bonds.

Prof. S. L. Hornbeak, Trinity University, Waxahachie, Tex. I heard over the radio a few days ago that in the shipbuilding plants they were paying common country carpenters \$115 per week for their work. I have been buying Defense Bonds when I found it possible, but I am discouraged from doing so if the money is to be wasted in paying such fabulous wages.

George H. Gannon, Area Director, War Bond Staff, Yakima, Wash. It has been my privilege to work with the Defense Savings Staff since its inception last May. I have followed with a great deal of interest the entire program and our community of 27,000 people has now paid for \$1,860,000 worth of War Bonds. * * * There is one phase of the program which disturbs me very much. Today I received on my desk the "Minute Man" for March 28, 1942. This is a well-printed and well-compiled piece of literature, but so far as the program is concerned, it is absolutely useless. I have received in my personal mail box from your office, five complete sets of information regarding war securities. I have also received in my mail box from the local Post Office, several items. Our committee has been flooded with sacks of literature which we cannot possibly use in the community because it is compiled by persons who have absolutely no conception of the psychology of our people. It would seem to me, as one on the

- 10 -

firing line, that you would take hold of this matter and see that your money is put into something where it would do real good. * * * Certainly those little folks who put in small amounts, dislike very much to see their money used and scattered around in useless printing. This is strong language, but I do not think language can be made too strong for this situation. * * *

Mrs. Charles E. Bradshaw, Wellville, Va. As secretary of a Home Demonstration Club, we have managed to save enough money to purchase a \$25 Bond, but according to the rules governing the purchase, a small club cannot buy so small a Bond. We have 16 members, meet once a month, and our dues are five cents monthly. We send our leaders to State Leaders meetings and pay their expenses, then we have to pay State and County dues, give a present at Christmas to our Home Agent each year, so our five cent dues have to work real hard. I am explaining this because there are thousands of Home Demonstration Clubs in the United States, as well as many other small associations, and the women of the clubs are anxious to help in this small way. Multiplied by a large number of clubs, this would make a worthwhile contribution. Please inform me, and the rest of the clubs all over the U.S.A., how they can legally purchase a small Bond. * * *

Curtis C. Jordan, Asst. Cashier, The Pulaski National Bank, Pulaski, Va. On February 12 we sent two \$1,000 Bonds to the Federal Reserve Bank, Richmond, Va., to be sent in for redemption. * * * These Bonds were forwarded to Mr. W. Wesley, Chief, Division of Loans and Currency, Treasury Dept., Washington, D. C., on February 19th. We have written Fed. Reserve Bank, Richmond, Va., and also Mr. Wesley. The Bank tells us that it takes some time to adjust matters of this kind but we cannot get any reply to our letters to Mr. Wesley. Our customer bought some Bonds from us and also the local Postmaster and wasn't aware she had bought too many. * * * Mrs. Mullins has called us on numerous occasions and is worried about her Bonds. She is talking quite a good deal and will hurt the sale of Bonds that her friends might buy. We understand that it takes time, but three months does seem an unnecessary delay. Would it be possible to issue two \$1,000 Bonds and date them back to January, 1942, since the Government has had the money all this year? * * *

George H. Bangert, President, The First National Bank, Kenmore, N.Y. * * * Officers from our bank are actively interested in Western New York Bank Association matters and although with practically every Treasury offering we subscribe the maximum amount permitted under our capital set up, we find many small banks in our section hesitate to follow this course, fearing that a subsequent increase in the coupon rate on Governments will result in a lower market value for outstanding issues, which could result in such a large book depreciation in their account as to endanger their capital position. This feeling is prevalent because of the belief that sooner or later an intensive campaign must be inaugurated to urge more general subscription to Defense Bonds by people with money in savings accounts. If this does not increase the purchases in amounts deemed satisfactory by the Treasury, then some method of forced subscriptions by individuals and banks is inevitably necessary. Either one of these methods will naturally result in a large reduction in the total savings deposits in the banks and many banks will be obliged to sell Government Bonds to meet these withdrawals. At such a time if there is a bad market the losses can well ruin many small banks, if the withdrawals for subscriptions continue. To meet these abnormal withdrawals the banks can borrow on their Government Bonds at the Federal Reserve Bank, but these loans should be liquidated and the only way to do that is by the sale of the Bonds in the market. This hesitancy among small banks to purchase a substantial amount of each Treasury issue, provided the maturity fits into their schedule, can be cured, I think, if the small and medium-sized banks which cannot "live" on only short term low coupon issues were reasonably assured that no future issues will carry a higher coupon than the present $2\frac{1}{2}\%$ issues. * * *

Favorable Comments on Taxation

Mrs. Eulela Rushe, Nashua, Mont., forwards the following resolution: Resolved by the South Valley County Farmers Union in convention assembled this 31st day of March, 1942, that we heartily endorse the position taken by Secretary Morgenthau in regard to opposing the recommendations of the Chamber of Commerce of New York State for a Federal Sales Tax, and in advocating increased levies on income in the higher brackets, and on corporation profits.

L. M. Bates, Philadelphia, Pa. I wish to call your attention to the statement sent out by American Telephone and Telegraph to their bondholders, which is an indirect attack on your proposed taxes for the fiscal year 1943. Your attention is also called to what American Telephone and Telegraph has really done since the war began in 1939. They have done a good job for military and civilian war needs -- but that for them was business as usual, at a profit. They have done a good job in the civilian air craft warning service -- but that for them was business as usual, at a profit. * * * What I cannot understand is why American Telephone does not convert their telephone and teletype plants to the manufacture of optical and fire control equipment for the duration. These skilled workers are being kept out of vital war work, and worse still, Western Electric is reaching in to grab at least two materials that we cannot replace -- Malayan tin and plantation rubber. It looks like our Army and Navy are being deprived of the use of these plants and materials simply so that Mrs. Smith can talk to Mrs. Jones over the telephone, or that the bookmakers can have teletype results and keep money out of U. S. Bonds. American Telephone and Telegraph appears to be willing to win the war if it can be done without the loss of any dividends, the loss of a single residential telephone, or the loss of one teletype customer.

R. N. Gould, Tax Consultant, Omaha, Neb. * * * I know that you have strenuously opposed any compulsory buying of Defense Stamps and Bonds, and think you are absolutely right, as we Americans do not welcome compulsory measures.

- 13 -

We need go back no further than the 18th Amendment, with its disastrous results, as an example of taking away the peoples' rights even if for their ultimate good. From a Government bookkeeping standpoint, and a method of individual accounting, the payroll tax would be simple, and you would have the past experience of both the Federal Social Security Tax, and the State Payroll Tax to be governed by. If some such tax is not put into the Revenue Act, under the new Revenue laws, I believe the general trend will be for a Sales Tax, as that is one sure method of raising our needed revenue. * * *

Bertha Taylor, N.Y.C. I want you to know that I am for your tax program and against the Sales Tax.

Mrs. C. F. Jones, President, Warwood Woman's Club, Wheeling, W. Va. * * * We will support you in any demand for increased taxation or other measures that will cut out the present alarming disparity between the buying power of the nation and the fast dwindling supply of consumer goods. The women of America, who do the nation's buying, look to our Government for strenuous action before too late. We know that sacrifice today, however painful, will save us from tenfold sacrifice later.

Unfavorable Comments on Taxation

Miss Emma Burkart, Chicago, Ill. One of our Chicago newspapers carried an article recently to the effect that you were aiming to destroy the private pension systems of the country, and since I am a pensioner of an industrial company, I am naturally very much disturbed by such a statement. Mr. Morgenthau, it is hard for me to believe that you, or any one else connected with the Administration at Washington, would be guilty of such a base act, and it would certainly be a relief to know that nothing of the kind is contemplated. These people who are old enough to be retired would have a mighty hard time securing employment in a business world gone mad on age discrimination. I hope you will pardon me for addressing you, for I know you are a very busy man, but I felt that I must have the facts.

Wm. J. McKenna, Moorestown, N. J. I am absolutely opposed to a tax on future issues of State, County and Municipal Bonds. I am opposed because I am a small home owner and feel I pay enough tax on my home. Why must the small home owner continue to suffer when any branch of Government wants to raise more money? Be fair and honest with the people. You have advocated this tax. Now tell the people straight forwardly that a tax on future issues of municipal bonds is a tax on the home owners of the nation, and not on the purchaser of the bonds. A higher coupon will be demanded; and who pays the coupon? The home owner in the communities that find it necessary to borrow money for essential purposes, of course. Do not insult the intelligence of us citizens by referring to this tax as a tax on rich bond holders. You know better, or at least, you should. * * *

Caroline B. King, Upper Darby, Pa. Since 1924 I have had a position with The Curtis Publishing Company of this city. I was Woman's Editor of the Country Gentleman. Earlier I was appointed Army Dietitian by Surgeon General Gorgas, and served in France during 1918-19. Still earlier I travelled over many sections of the United States lecturing on food conservation. * * * In March, 1942, I was dismissed from the Curtis Publishing Company because of my age. My work, I was

- 15 -

told, was highly satisfactory, but it was decided to put a younger woman in my place. The company, as is its custom, gave me no notice that I was to be dismissed, but in lieu of that notice, I was given a year's salary as a pension. I am 75 years old, and I feel that it will be almost impossible to secure another position. Therefore, this pension - a year's salary - will be all that I shall have to live upon the rest of my life. * * * My great worry now, and my reason for troubling you with my affairs, is my next year's income tax. I can meet the present tax, 1941, but as my company gave me the entire sum of my pension at once, and as I have no dependents, I shall have to pay perhaps one-half the total sum in income tax in 1943. The remainder will not support me for a very long period, and as I said, it will be all that I will have for the remainder of my life. Doesn't the law make some provision for cases like mine? * * *

John T. Orr, Arlington, N.J. I have before me a short abstract which appears in this evening's paper, which is so incomplete that it does not make clear the intentions of your Dept., but there is an implication that Mr. Randolph E. Paul is making recommendations to Congress concerning pension funds. * * * An official of the telephone company says that, " * * * the Treasury recommendations, if enacted, would make it necessary for AT&T to dissolve a pension plan applying to 380,000 employees. * * * " As an employee of one of the companies owned by the AT&T, I am one of the 380,000 employees involved. I can only speak for myself, but I do feel that a poll of the other 379,999 employees involved would find that most all would agree with my viewpoint. Of all times in the history of the world, when every one should be putting his shoulder to the wheel, we must have at this crucial juncture, large groups of people sitting down to write their Congressmen, disturbing their own peace of mind and that of their associates, concerning such proposals, which are highly resented. In the face of such things, we read daily in the papers of money spent in every direction. * * * It was even reported in the papers last month that an appropriation of \$900,000 was given to Mr. LaGuardia to fritter away on a WPA project for training Piano Tuners and for the study of "Musical Therapy", and the training of persons in the repairing of torn sheet music. People are commencing to boil over when they read these things in the paper.

Philip Hochstein, Editor, Newark Star-Ledger, Newark, N.J. You may be interested in a survey of retail outlets conducted by my newspaper with reference to the proposed increased Excise Tax on cigarettes. * * * Every dealer interviewed was of the opinion that the proposed uneven tax would stimulate the sale of the lower price cigarette and discourage the sale of a higher price cigarette. This, as you can see, would have an adverse effect upon the tremendous income from the sale of the higher price cigarette. * * *

MEMORANDUM FOR THE SECRETARY.

April 24, 1942.

Supplementary Special Mail Report on
"Ringing Every Doorbell in the Country"

To the 19 letters reported in the memorandum of April 20th may be added 11 others specifically mentioning the house to house campaign. Of these, 6 endorse the idea and are interested in serving as solicitors; 1 opposes it; 3 counter with plans of their own; and the last, a Quaker, asks about other ways of helping.

- 1 -

Favorable Comment

Frank B. Hartmann, Secretary, New Jersey State Association of Letter Carriers, Camden, New Jersey. Your recent plan to canvass each home for the sale of War Stamps and Bonds was discussed by the Executive Board of the New Jersey State Association of Letter Carriers at a meeting on April 18th. As the Letter Carrier is familiar with every patron he serves, we feel it gives him the advantage necessary to put over this important work. We therefore volunteer our service as an added contribution to the war effort.

Unfavorable Comment

Mrs. Elizabeth Huntington Adams, Winter Park, Florida. My neighborhood is being canvassed from door to door - each householder being asked to buy U. S. War Bonds or Stamps. * * * How can I be expected to pay taxes - my daily living expenses - help those of my family less fortunate than myself - support church, charities, relief and all the extra overseas relief, and at the same time buy U. S. Bonds - when my income is shrinking month by month - by the Govt. so heavily taxing these fine companies that pay me dividends?

R. Moulton Pettey, National Director, National Association for the Calling of a United States Constitutional Convention, New York City. It is sincerely and respectfully submitted that a better plan, and one which would undoubtedly result in the disposition of many billions of the face value of these Bonds is to consider the proposition of effectuating a certain percentage of earnings (compensation and profits) periodically. * * * For instance, initial voluntary acquisition by payment of a certain percentage of salary or profits at each pay day or income profit period in bonds graduated in accordance with the higher salary or profits. On a salary of \$25 per week, prescribe 10%, payable in War Bonds, and graduate upwards the percentage as the salary is greater. On profits, use the same ratio. The percentages of 10, 15, 20, 25, and 33 1/3 could be used.

Mrs. Mattie E. Denning, Los Angeles, Calif. I am a member of the Friends Church. * * * I cannot buy War Bonds, but am willing to sacrifice for the sake of the country. I have already bought bonds put out by the American Friends Service Committee for the support of the Civilian Public Service Camps. Will that be considered part of the country as a whole, and will these bonds be recognized as proof that one is doing his part to help? * * * If I buy U. S. Government Bonds instead of War Bonds, will your representatives accept them as proof that I am doing my part for the good of the country?

MEMORANDUM FOR THE SECRETARY.

April 24, 1942.

Special Mail Report on
War Savings Quota Campaign

Of the 20 communications that refer to the investment of ten percent of income in War Bonds, only 6 express opposition to the plan.

Favorable Comment

Robert Theobald, Louisville, Ky. I want to congratulate you on your latest plan to advocate that the workers be urged to invest ten percent of their earning in Defense Bonds. I believe this plan would do more to combat inflation and would meet with the wholehearted support of every patriotic American. It would help in more ways than one, as while it would help to stop inflation, it would give the worker something to go on after this present emergency was over.

Josie B. Ames, New Orleans, La. Every employed American should support this voluntary plan of yours 100%. It contains the very thing in life we are fighting for, THE RIGHT TO ACT VOLUNTARILY RATHER THAN COMPULSORY. I am notifying my employer of my decision to invest 10% of my weekly earnings in Bonds.

E. S. Rothchild, Ritz Carlton Hotel, New York. The newspapers are giving you quite some publicity in your well-deserved endeavor through your campaign which is proposed to start May 1st to secure funds from the sale of War Bonds. 10% of income to be subscribed in that direction would be acceptable to many, but primarily there should be a general enlightenment of the type of Bonds, the advantages under each particular bond issue that inure to the subscriber, and the features surrounding each issue.

Walter Kutzleb, New York. This morning's New York Times carries an item from Washington with the heading "Treasury Opposes Compulsory Saving". That is good news, because, after all, "saving" has always been regarded a virtue and that can only be voluntary, if it wants to remain a virtue.

John H. Yearsley, Detroit, Mich. Just read in Detroit Free Press about voluntarily spending at least 10 percent of your income for War Bonds. I am in hearty accord with this program.

- 2 -

Unfavorable Comment

Mrs. Ruth Loomis Flagg, New York City. Have been much interested in your articles on "COMPELLING" people to buy Bonds and the concern you have over the falling off of the sale of Bonds. * * * When Washington clean house, remove the parasites, reduce unnecessary spending and stop throwing money away, the American people will respond. You'll have no trouble selling Bonds.

Lloyd Barrick, Jersey City, N.J. Newspaper reports that every citizen is to be asked to invest ten percent of his gross income in War Bonds, regardless of his personal obligations, are disconcerting to one who has debts and insurance to meet. Such a plan seems indiscriminating. The income tax seems a fairer way of getting increased revenue. * * *

April 24, 1942
5:26 p.m.

John J.
McCloy:

Did you get the letter signed?

HMJr:

Yes. I was having it photostated for the President, and I told them to send it over to you tonight yet.

Mc:

Okay. Good. Now, you said the other day.....

HMJr:

Yeah.

Mc:

.....that whenever we had anybody coming from that area out there, that you'd like to know about it.

HMJr:

That's right.

Mc:

When is your next broadcast?

HMJr:

May 4th.

Mc:

May 4th.

HMJr:

Yes.

Mc:

I've got in my room General Aured's boy, who's just come back from there.....

HMJr:

Oh, yes.

Mc:

.....who's been dive-bombing the Japanese Navy.

HMJr:

Oh, really?

Mc:

Yeah. And I think he might be the type that you'd be interested in. He's just told me his story. It's a very thrilling one, and I suggest that he might be a possibility.

HMJr:

Well, could I see him tomorrow?

Mc:

What time, Mr. Secretary?

HMJr:

Oh, about twelve o'clock.

- 2 -

Mc: Twelve o'clock. (talks aside) Can you see the Secretary of the Treasury?

Good, I'll have him in your office.

HMJr: Now, what's his title?

Mc: He's Lieutenant Evan Aurand.

HMJr: Leven - Lieutenant.....

Mc: Evan, E-v-a-n.

HMJr: Yes.

Mc: Aurand. Lieutenant Evan Aurand. He's a Navy - he's off one of the carriers and he's been on a lot of those transports.

HMJr: He's Navy.

Mc: He's Navy.

HMJr: Well, I'll be delighted to see him, but I was going to try to give you Army fellows a chance.

Mc: Well, I - he just happened to be in my room. He's - his old man's Army.

HMJr: Yeah.

Mc: Well, we're in on it enough.

HMJr: Well.....

Mc: He's - you ought to.....

HMJr: I'd like to meet him, anyway.

Mc: Right. He has a very interesting story, and a very nice chap.

HMJr: Lieutenant Evan Aurand.

Mc: That's right. I'll have him in your office at twelve o'clock tomorrow.

HMJr: Thank you so much.

Mc: All right. Okay.

HMJr: Thank you.

Willard Hotel

Washington, D.C.

April 24, 1942

My dear Mr. Secretary,

I have just been advised that the Secretary of War is sending to the President for his approval a letter recommending that a preliminary payment be made to His Majesty's Government in the amount of \$70,000,000 on account of specified aircraft and related materials requisitioned by the United States from His Majesty's Government shortly after December 7, 1941. It is indicated that the full compensation to be paid to His Majesty's Government will be determined in due course and any excess over the down payment would then presumably be paid to us. I hope that this procedure will not involve delay and that we shall be able to receive the advance payment by the end of the month.

Yours sincerely,

F. Phillips

The Honourable

Henry Morgenthau, Jr.

Secretary of the Treasury

Washington, D. C.

248

Original with 6 carbons returned to
Mr. McCloy, War Dept., 4/24/42.

Photostat to Dr. White.

2 Photostats to White House.

WAR DEPARTMENT
WASHINGTON

The President

The White House

My dear Mr. President:

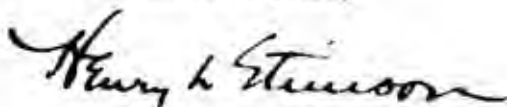
Pursuant to authority under the Act of October 10, 1940 (54 Statute 1090), the following described property of His Majesty's Government in the United Kingdom was requisitioned by the War Department on or shortly after December 7, 1941:

<u>Airplanes</u>	<u>Quantity</u>	<u>Estimated Cost</u>
LB-30 Liberator (B-24 4 engine Consolidated Bomber) complete	50	\$ 14,221,336
DB (A20A 2 engine bomber) Complete	213	31,035,246
Boeing Aircraft Corporation	132	19,209,432
Douglas Aircraft, Inc.	6	918,864
Douglas Aircraft, Inc.	75	10,906,950
322 Lightning (P-38 Lockheed interceptor 2 engine pursuit) complete	20	2,222,400
P-400 Airacobra (P-39 1 engine pursuit)	196	12,703,040
Bell Aircraft Corp. - complete	156	10,273,440
Bell Aircraft Corp. - complete except for propellers supplied under lend-lease	40	2,429,600
Total airplanes	479	60,182,022
Airplane engines	798	11,165,511
Total estimated cost		71,347,533

The above estimated cost is based upon unit prices set forth in contracts of His Majesty's Government in the United Kingdom, with various manufacturers in the United States exclusive of any undetermined additional charges arising through acceleration, escalator or other similar clauses.

Inasmuch as a fair and just compensation price for the airplanes and engines is not determinable finally at this time in accordance with the Act of October 10, 1940, (54 Statute 1090), it is recommended that a preliminary payment be made to His Majesty's Government in the United Kingdom in an amount of \$70,000,000.

Respectfully yours,



Secretary of War

Recommendation approved for the making of a preliminary payment of \$70,000,000.00 pending the determination of a fair and just compensation price.



Dated: April 25, 1942.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission
who enclose Statement No. 30 - Aircraft Despatched
- for week ended April 21, 1942.

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

April 24, 1942.

STATEMENT NO. 30

AIRCRAFT DESPATCHED FROM THE UNITED

STATES DURING WEEK ENDED APRIL 21, 1942

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DEL'D FOR USE IN C</u>
cobra	U.K.	U.K.	19		
NG E Fortress II	U.K.	Canada en route		2	
NA 7 Crane IA	Canada	Canada			5
OLIDATED					
D rator II	U.K.	Canada en route		3	
	U.K.	Canada en route		6	
ISS yhawk IA	Australia	Brisbane	14		
yhawk	Middle East	Port Sudan	3		
CHILD					
	U.K.	U.K.	15		
W MARTIN more	Middle East	Port Sudan	6		
N et II	India	Bombay	7		
DED					
Radson III A AC5	U.K.	Canada en route		1	
AC 151	U.K.	U.K.		24	
Lodestar IIA	U.K.	Canada en route		2	
ra	Canada	Canada			5
	U.K.	Canada en route		17	
AMERICAN					
	U.K.	Canada en route		2	
ARMAN					29
TOTALS			64	57	39

BRITISH AIR COMMISSION

April 24th, 1942.

MEMORANDUM

April 24, 1942.

TO: The Secretary
FROM: Mr. Sullivan

JWS

I have a preliminary report of the investigation of Jacks & Heintz, Inc. It is available whenever you wish to see it.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 24, 1942

TO Ferdinand Kuhn, Jr.
FROM Herbert Merillat

Editorial Opinion on Taxes;
Waiting for Guidance

Editorial discussion of taxes and inflation has dropped off in the past week as the nation awaits the President's message outlining a broad attack against inflationary forces. The nature of the anti-inflation program has been the subject of lively speculation, but the press appears to be withholding comment until the program is authoritatively set forth.

Secretary Morgenthau's announcement of quotas and canvassing to increase War Bond sales has led the press to conclude that compulsory saving is not on the program, for the present at least. Papers representing every part of the country and every shade of opinion have rallied to support an intensified bond sales drive, but many doubt whether the campaign will draw off enough purchasing power to reduce the inflationary gap to safe proportions. "We are for it, but we wonder if it will work," is a typical editorial attitude.

Papers such as the Louisville Courier-Journal and Minneapolis Tribune, which have been urging compulsory

savings, regard the Treasury's attitude as unrealistic. The voluntary purchase plan, says the Tribune, "puts a penalty on patriotism and a premium on slacking." A compulsory savings plan is necessary to spread the load equitably. Many editorial writers have pointed out that if the voluntary purchase program does not show adequate results, compulsory savings or wage taxes will be inevitable. The Wall Street Journal and Philadelphia Inquirer urge that savings be "induced" by providing reduction or postponement of income taxes on income used to buy Savings Bonds.

Higher Tax Goal

Although the majority of the press has been campaigning for heavier taxes on low income groups -- a sales tax or a wage tax -- there has been little editorial demand for an increase in the tax revenue goal above the \$7.6 billions proposed by the Treasury. Mr. Henderson's appeal for even higher taxes to combat inflation met with little editorial approval. Several papers have advised Mr. Henderson not to disturb tax waters which are already muddled. Some point out the difficulty in using taxes to combat inflation, noting that heavy taxes hit shrunken incomes as well as swollen ones.

The Scripps-Howard papers, however, advocate heavier taxes than those recommended by the Treasury

on the ground that such taxes and compulsory savings are necessary to close the inflationary gap.

"Secretary Morgenthau," they say, "is not representing the best interests of anybody when he opposes effective anti-inflation taxes and compulsory investment in War Bonds." Likewise, Ernest K. Lindley's column accuses the Treasury of being "the hardest and the highest" obstacle to an effective inflation-control program, by continuing to insist on voluntary bond sales and no increase in taxes above its original recommendations.

Price Control

Editorial comment is varied regarding the role of price control in the anti-inflation program. Most papers agree that effective control of wages and farm prices is a prime necessity. While many find the Baruch "over-all" price ceiling a simple and attractive formula, others are disturbed by the inequities involved in freezing all prices as of a certain date. In general, however, the press expects and approves much stricter price control.

The Patterson-McCormick papers stand almost alone in opposing strict price control. They oppose price-fixing and its handmaiden, rationing, as unnecessary and

irritating. "More and more people are asking why we are fighting to make the world safe for democracy when the bureaucrats are destroying democracy right here at home," says the New York Daily News. "We still think there is life yet in the law of supply and demand, and that it might be able to solve our war-shortage problem better than the bureaucrats can."

Release at 1 PM Friday

258

FOR RELEASE FRIDAY MORNING, APRIL 24, 1942

Harold D. Smith, Director of the Bureau of the Budget, today issued revised budget figures which indicate much larger war expenditures and somewhat higher receipts than those included in the original 1943 budget.

Director Smith estimates that during the current fiscal year ending June 30, total receipts will meet 36 percent of total expenditures; during the next fiscal year receipts will meet only 31 percent, assuming enactment by the Congress of the \$7 billion of new taxes requested by the President in his budget of last January. These ratios are based on the following data in billions of dollars, including expenditures of the R. F. C. and its subsidiary corporations.

	<u>Receipts</u>	<u>Expenditures</u>
<u>Fiscal Year 1942:</u>		
Original Estimate	11.9	33.6
Revised Estimate	12.7	35.6
<u>Fiscal Year 1943:</u>		
Original Estimate	23.5	63.3
Revised Estimate	23.9	77.5

"As the current fiscal year draws to a close," Mr. Smith stated, "expanding war production requires that total war expenditures be now estimated at \$28 billion, instead of the \$26 billion which the President included in the budget submitted last January. This total is more than four times the expenditure of the preceding year. Moreover, the pace of our war effort is even faster than these annual figures would indicate. Thus, weekly expenditures have increased rapidly, and are up 70 percent since Pearl Harbor.

- 2 -

"Looking ahead into next year is extremely difficult. The scope of the war program has expanded rapidly. Capacities for increased war production are being enlarged by construction of new plants and conversion of industrial facilities. Total expenditures of \$70 billion during the next fiscal year now appear ^{more} attainable, as against original estimates of \$56 billion last January. This new estimate is based on present legislation and price levels.

"With such all-out war effort, about \$50 billion of national income will remain for civilian use. This sum will provide more of the necessities of life than during the depression but less than during the past year.

"Huge financing operations will be necessary next year to meet a tremendous deficit of \$49 billion. This estimated deficit assumes that the Congress will enact \$7 billion of new taxes. Even with that new tax legislation, total estimated receipts will meet less than a third of all Federal expenditures.

"During the three years ending June 30, 1943, war appropriations and contract authorizations enacted or pending amount to \$161 billion. Actual expenditures for the same period are estimated at \$105 billion.

"The following tabulation covers in detail the original and revised budget estimates for this and next fiscal year. In that tabulation expenditures for other than war purposes have not been revised because the 1943 budget has not yet been enacted. As submitted to the Congress, the 1943 budget called for a reduction of \$938 million from 1942 nonwar appropriations, excluding interest on the public debt which will rise by \$500 million."

ORIGINAL AND REVISED BUDGET ESTIMATES
FISCAL YEARS 1942 AND 1943
(Assumes \$7 billion of new taxes)
(In millions)

260

	Fiscal Year 1942		Fiscal Year 1943	
	Original Estimate	Revised Estimate	Original Estimate	Revised Estimate
RECEIPTS:				
Internal revenue	\$12,198	\$12,953	\$17,261	\$17,820
Railroad Unemployment Insurance Act	9	9	10	10
Customs	368	375	297	245
Miscellaneous revenues and receipts	241	241	284	284
TOTAL RECEIPTS	12,816	13,578	17,852	18,359
Less net appropriation for Federal Old-Age and Survivors Insurance Trust Fund	872	871	1,365	1,441
NET RECEIPTS	\$11,944	\$12,707	\$16,487	\$16,918
EXPENDITURES:				
War	23,997	26,000	52,786	67,000
Other:				
Legislative, judicial and executive	41	41	43	43
Civil departments and agencies	859	859	797	797
General public works program	714	714	578	578
Veterans' pensions and benefits	578	578	590	590
Aids to agriculture	1,117	1,117	854	854
Aids to youth	235	235	100	100
Social security	462	462	538	538
Work relief	942	942	480	480
Refunds	89	89	87	87
Interest on the public debt	1,250	1,250	1,750	1,750
Transfers to retirement funds	267	267	299	299
Supplemental items - regular	25	25	25	25
Total other	6,579	6,579	6,141	6,141
TOTAL EXPENDITURES	\$30,576	\$32,579	\$58,927	\$73,141
DEFICIT UNDER PRESENT TAX LEGISLATION	18,632	19,872	42,440	56,223
RECEIPTS FROM PROPOSED TAX LEGISLATION	-	-	7,000	7,000
DEFICIT UNDER PROPOSED TAX LEGISLATION	18,632	19,872	35,440	49,223
ADVANCES TO GOVERNMENT CORPORATIONS:				
War	2,000	2,000	3,000	3,000
Other	1,019	1,019	1,368	1,368
TOTAL ADVANCES	3,019	3,019	4,368	4,368
INCREASE IN PUBLIC DEBT DURING YEAR	21,651	22,891	39,808	53,591
PUBLIC DEBT AT BEGINNING OF YEAR	48,961	48,961	70,612	71,852
PUBLIC DEBT AT END OF YEAR	\$70,612	\$71,852	\$110,420	\$125,443

4/24/42
261

Treasury Department
Office of the Under Secretary

Date: 5/2

To:

The Secretary.

From:

Here are some
notes on the Bankers
meeting last week.
SWB

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

262 654

DATE April 24, 1942

TO Mr. D. W. Bell

FROM David Lilly *DL*

Subject: Executive Council Meeting of the American Bankers Association.

A. War Savings Bonds.

The bankers in general were very pleased of their record in the sale of War Savings Bonds, pointing out that they were the first to enter the field and that a large percentage (they claimed 80%) of the War Savings Bonds were sold by them.

Somewhat curiously, there seemed to be no objection to the expense of sale and issuance of bonds and they seemed quite willing to carry on without reimbursement. Furthermore, they were sorry that the public did not realize all that the bankers were doing in the sale of War Savings Bonds, but no national campaign to acquaint the public with this fact was considered.

B. Government Financing.

When Randolph Burgess suggested to the bankers in his address that they should take an active participation in the sale of Government obligations to their customers, he met a mixed reception. Some of the more aggressive bankers, notably James Leavell of the Continental of Chicago, were quite emphatic in their belief that the Treasury had not begun to absorb the surplus cash of various corporations, and, in their opinion, the Treasury was not likely to do so with the securities it now offers. Mr. Leavell made a suggestion which seems to me to merit some consideration. He felt, and the feeling was general among the bankers, that corporations as a rule do not know how to subscribe to Government issues, in this instance the Certificates of Indebtedness, and they are not willing to take the chance of finding themselves with more cash invested than they had planned. Furthermore, the feeling was that the Certificate of Indebtedness issue did not in most cases fit the cash requirement dates of the corporations which were asked to subscribe. He suggested that a "tap" issue be inaugurated which would allow the corporations to pick their own maturities at approximately 30-day intervals. He felt quite sure that his bank could raise at least \$500,000,000 in the Chicago area alone from corporations at the first announcement of such an issue, and that there was probably even more money than this available that he did not know about offhand.

Several of the more reactionary bankers agreed that if the Treasury were to design a "tap" issue of 30, 60, 90, and 120 days, that the corporations would buy them readily, picking the maturities which would meet their cash requirement dates, but these bankers did not feel that it was their place to

- 2 -

pursuade their customers to buy such an issue. They felt that the sale could be made to the various industries by their own organizations, such as their trade associations, the Steel Institute, the Petroleum Institute, etc. Others were of the opinion that if such an issue were forthcoming, the sale could be handled by the agency best able to approach the corporation; a security dealer in one case, a trade association in another, or the corporation's banker in the third instance. All agreed, however, that such an issue would have a ready market.

While at the meeting, I had several discussions with Henry Verdelin, Vice President of the Mutual Life Insurance Company of New York, concerning an issue designed for the use of insurance companies primarily. He was of the opinion that his company would be very much interested in a 20-year non-redeemable, non-negotiable bond, bearing a rate of somewhere between 2 and 3%, if, should the need arise for cash, the company would be allowed to borrow from the Federal Reserve Bank at $\frac{1}{2}$ of 1% (or some percentage of the discount rate) after filing a certificate of distress which would demonstrate the company's need for cash due to the demands of policy holders. He seemed quite interested in such an issue and was of the opinion that it would have considerable appeal to other insurance companies besides his own.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 24,
1946

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

The accompanying chart and table compare the yields of Treasury bonds and notes at last night's close (April 23) with those on March 19.

All sectors of the market have been weak during the past week. Representative declines in taxable securities for this period have been 12/32 for the 2-1/2 percent bonds of 1967-72; 7/32 for the 2 percent bonds of 1948-50, and 3/32 for the 1 percent notes of March 15, 1946. Declines in tax-exempt securities have been slightly less.

As a result of these declines, prices of long-term taxable bonds are now slightly below those of March 19. This price decline is equivalent to one basis point on the long-term taxable average -- which has risen from 2.35 percent to 2.36 percent during this period. Prices of long-term partially tax-exempt bonds are still slightly above those of March 19. Note prices, which were already below those of March 19 last week, have slightly extended their losses.

The average rate on this week's issue of Treasury bills was 0.32 percent. This compares with 0.28 percent last week and 0.20 percent in the week of March 19.

During the past week (i.e., commencing last Friday), the Federal Open Market Account has purchased \$55.6 millions of Treasury bills and sold none (although \$10.0 millions of bills held by the Account ran off during the period). The only other transactions of the Account during the period were the purchases on Friday, April 17, of \$2.1 millions of 2-1/4's of 1952-55 and \$1.0 million of 2-1/2's of 1967-72.

Price and Yield Changes of United States Securities
 March 19, 1942 to April 23, 1942

Security	Prices			Yields		
	March 19, 1942	April 23, 1942	Change	March 19, 1942	April 23, 1942	Change
	(Decimals are thirty-seconds)			(Percent)		
Bills						
Average rate last issue	-	-	-	.20	.32	+ .12
Certificates						
1/2% 11/1/42	-	-	-	-	.44	-
Taxable Notes						
3/4% 3/15/42	100.12	100.07	-.05	.37	.50	+ .13
3/4 6/15/42	99.31	99.24	-.07	.70	.86	+ .10
3/4 12/15/45	99.21	99.13	-.08	.84	.92	+ .08
1 3/15/46	99.29	99.24	-.05	1.02	1.07	+ .05
Taxable Bonds						
2% 3/15/43-50	101.28	101.24	-.04	1.67	1.69	+ .02
2 6/15/49-51	101.04	101.01	-.03	1.83	1.85	+ .02
2 12/15/51-55	100.12	100.15	+.03	1.96	1.95	-.01
2-1/2 3/15/52-54	103.23	103.25	+.02	2.09	2.08	-.01
2-1/4 6/15/52-55	101.06	101.07	+.01	2.12	2.12	.00
2-1/2 3/15/56-58	103.05	102.29	-.08	2.24	2.26	+ .02
2-1/2 3/15/67-72	100.27	100.27	.00	2.46	2.46	.00
Wholly Tax-exempt Notes						
2% 9/15/42	101.04	100.28	-.08	5/32*	3/32*	-2/32*
1-3/4 12/15/42	101.11	101.04	-.07	2/32*	.00	-2/32*
1-1/8 6/15/43	101.04	100.29	-.07	.22	.33	+ .11
1 9/15/43	101.03	100.28	-.07	.26	.37	+ .11
1-1/8 12/15/43	101.16	101.06	-.10	.26	.40	+ .14
1 3/15/44	101.10	101.04	-.06	.34	.40	+ .06
3/4 6/15/44	100.27	100.24	-.03	.37	.40	+ .03
1 9/15/44	101.16	101.11	-.05	.39	.43	+ .04
3/4 3/15/45	101.00	100.30	-.02	.41	.42	+ .01
Partially Tax-exempt Bonds						
1-3/8 6/15/43-47	103.21	103.09	-.12	.41	.49	+ .08
2-1/4 10/15/43-45	104.06	103.28	-.10	.57	.61	+ .04
2-1/4 4/15/44-46	105.06	104.28	-.10	.72	.76	+ .04
2 12/15/44-54	108.11	108.06	-.05	.91	.86	-.05
2-3/4 3/15/45-47	106.06	106.01	-.05	.94	.94	.00
2-1/2 12/15/45	105.28	105.22	-.06	.90	.91	+ .01
3-3/4 3/15/46-56	110.08	110.02	-.06	1.11	1.10	-.01
3 6/15/46-48	107.28	107.27	-.01	1.09	1.06	-.03
3-1/8 6/15/46-49	108.08	108.08	.00	1.13	1.08	-.05
1-1/4 10/15/47-52	115.20	115.15	-.05	1.33	1.31	-.02
3 12/15/47	104.23	104.25	+.02	1.15	1.12	-.03
2-3/4 3/15/48-51	107.28	107.28	.00	1.38	1.35	-.03
2-1/2 9/15/48	107.07	107.07	.00	1.33	1.32	-.01
2 12/15/48-50	104.21	104.22	+.01	1.28	1.26	-.02
3-1/8 12/15/49-52	110.22	110.25	+.03	1.65	1.62	-.03
2-1/2 12/15/49-53	106.16	106.16	.00	1.60	1.59	-.01
2-1/2 9/15/50-52	106.20	106.22	+.02	1.66	1.64	-.02
2-3/4 6/15/51-54	108.18	108.19	+.01	1.74	1.73	-.01
3 9/15/51-55	110.20	110.19	-.01	1.78	1.77	-.01
2-1/4 12/15/51-53	104.29	105.01	+.04	1.70	1.68	-.02
2 6/15/53-55	103.10	103.18	+.08	1.68	1.65	-.03
2-1/4 6/15/54-56	104.28	105.01	+.05	1.80	1.79	-.01
2-7/8 3/15/55-60	110.00	110.04	+.04	2.00	1.98	-.02
2-3/4 9/15/56-59	109.10	109.12	+.02	2.01	2.00	-.01
2-3/4 5/15/58-63	109.12	109.16	+.04	2.07	2.06	-.01
2-3/4 12/15/60-65	110.00	110.04	+.04	2.10	2.09	-.01

Treasury Department, Division of Research and Statistics.

April 23, 1942.

* Excess of price over zero yield.

Regraded Unclassified



FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON

OFFICE OF THE CHAIRMAN

April 24, 1942

Re: General Aniline and Film
Corporation of Delaware

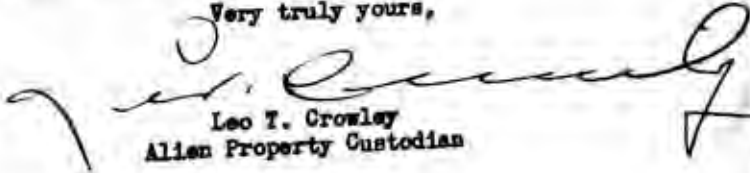
My dear Mr. Secretary:

I am sending you under separate cover a formal notification of the fact that I have directed the vesting in me of the corporate stock of the subject company, and have requested that you release all control thereof to me.

I understand that a report on the company is being prepared under your supervision and will not be completed for two or three weeks. I trust that you will continue with that work until it is finished; and request that you kindly send me a copy thereof when it is completed.

I would appreciate your arranging to send to this office such of your files and records as you think may be helpful to me in the administration of such property, including particularly all claims, and notices of claims, heretofore or hereafter filed with you pursuant to your vesting order dated February 16, 1942.

Very truly yours,


Leo T. Crowley
Alien Property Custodian

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



OFFICE OF THE CHAIRMAN

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON

April 24, 1942

My dear Mr. Secretary:

Under date of March 11, 1942 I delegated to you all power and authority under Sections 3(a) and 5(b) of the Trading With the Enemy Act, as amended, conferred upon me by the President by Executive Order No. 9095, dated March 11, 1942. I hereby revoke such power and authority in so far as they pertain to the corporate stock of General Aniline and Film Corporation of Delaware, which was covered by your vesting order dated February 16, 1942.

In addition to the foregoing, and pursuant to the authority contained in the paragraph numbered 3 of Executive Order No. 9095, dated March 11, 1942:

1. You are hereby notified that the Alien Property Custodian has directed (pursuant to Vesting Order No. 5 dated April 24, 1942, a true copy of which is attached hereto) that there be vested, and there has been vested, in him all of the shares of stock of General Aniline and Film Corporation of Delaware which were the subject of and covered by the vesting order issued by you under date of February 16, 1942 (or, in the event any or all of such shares have been canceled and new shares issued in lieu thereof, then such new shares representing a corresponding property ownership or interest in such corporation); and
2. It is hereby requested that you release all control of all such corporate stock to the Alien Property Custodian.

Very truly yours,

Leo T. Crowley
Alien Property Custodian

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

OFFICE OF THE ALIEN PROPERTY CUSTODIAN

VESTING OF PROPERTY OF
GENERAL ANILINE AND FILM CORPORATION OF DELAWARE

Vesting Order No. 5. (a) I, Leo T. Crowley, Alien Property Custodian, acting under and by virtue of the authority vested in me by the President pursuant to Section 5 (b) of the Act of October 6, 1917, as amended by Section 301 of the First War Powers Act, 1941, and pursuant to Executive Order No. 9095, dated March 11, 1942, finding upon investigation that the shares of stock of General Aniline and Film Corporation of Delaware which were covered by the vesting order issued by the Secretary of the Treasury under date of February 16, 1942, and which are described therein, were at the time of the issuance of such vesting order the property of Nationals of a Foreign Country designated in Executive Order No. 8389, as amended, as defined therein, and that the action herein taken is in the public interest, do hereby order and declare that said shares (or, in the event any or all of them have been cancelled and new shares issued in lieu thereof, then such new shares representing a corresponding property ownership or interest in such corporation), including all interest therein, are hereby vested in the Alien Property Custodian to be held, used, administered, liquidated, sold or otherwise dealt with in the interest of and for the benefit of the United States.

(b) Such property and any proceeds thereof shall be held in a special account pending further determination of the Alien Property Custodian. This shall not be deemed to limit the power of the Alien Property Custodian to return such property or the proceeds thereof, or to indicate that compensation will not be paid in lieu thereof, if and when it should be determined that such return or compensation should be made.

(c) Any person not a national of a foreign country designated in Executive Order No. 8389, as amended, asserting any interest in said property, or any party asserting any claim as a result of this order, may file with the Alien Property Custodian a notice of his claim, together with a request for hearing thereon, on Form APC-1 within one year of the date of this order, or within such further time as may be allowed by the Alien Property Custodian.

This order shall be published in the Federal Register.


LEO T. CROWLEY,
Alien Property Custodian

April 24, 1942



OFFICE OF THE CHAIRMAN

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON

April 24, 1942

Re: General Aniline and Film
Corporation of Delaware

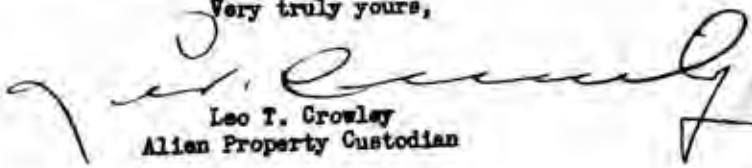
My dear Mr. Secretary:

I am sending you under separate cover a formal notification of the fact that I have directed the vesting in me of the corporate stock of the subject company, and have requested that you release all control thereof to me.

I understand that a report on the company is being prepared under your supervision and will not be completed for two or three weeks. I trust that you will continue with that work until it is finished; and request that you kindly send me a copy thereof when it is completed.

I would appreciate your arranging to send to this office such of your files and records as you think may be helpful to me in the administration of such property, including particularly all claims, and notices of claims, heretofore or hereafter filed with you pursuant to your vesting order dated February 16, 1942.

Very truly yours,


Leo T. Crowley
Alien Property CustodianThe Honorable
The Secretary of the Treasury
Washington, D. C.



THE SECRETARY OF THE TREASURY
WASHINGTON

APR 24 1942

MEMORANDUM TO THE ALIEN PROPERTY CUSTODIAN

In accordance with the request and direction of the Alien Property Custodian, dated April 24, 1942, made pursuant to section 5(b) of the Trading with the enemy Act of October 6, 1917, as amended by section 301 of the First War Powers Act, December 18, 1941, and pursuant to Executive Order No. 9095 and Vesting Order No. 5 issued pursuant thereto, I am transmitting to the Alien Property Custodian herewith the stock certificates representing 2,050,000 shares of Common B stock and 459,448 shares of Common A stock of General Aniline & Film Corporation, which shares were vested in me by virtue of an Order, dated February 16, 1942, issued pursuant to section 5(b) of the Trading with the enemy Act of 1917, as amended. All of the stock certificates are in the name of the Secretary of the Treasury of the United States of America and have been duly and properly assigned to the Alien Property Custodian.

- 2 -

The 2,050,000 shares of the Common B stock of General Aniline & Film Corporation are evidenced by the following stock certificates:

BB17 for 100,000 shares
BB18 for 100,000 shares
BB19 for 500,000 shares
BB20 for 400,000 shares
BB21 for 200,000 shares
BB22 for 650,000 shares
BB23 for 100,000 shares

The 459,448 shares of Common A stock of General Aniline & Film Corporation are evidenced by the following stock certificates:

<u>Certificate Number</u>	<u>Number of Shares</u>
JC/A1	100
JC/A04	1,500
JC/A05	500
JC/A06	1,500
JC/A07	500
JC/A08	20,000
JC/A09	10,000
JC/A010	10,000
JC/A011	10,000
JC/A012	5,000
JC/A013	5,000
JC/A014	5,000
JC/A015	500
JC/A016	500
JC/A017	500
JC/A018	132
JC/A019	300,000
JC/A020	50
JC/A021	90
JC/A022	726

JC/A023	
JC/A024	500
JC/A025	10,000
JC/A026	10,000
JC/A027	10,000
JC/A028	10,000
JC/A029	10,000
JC/A030	5,000
JC/A031	5,000
JC/A032	5,000
JC/A033	5,000
JC/A034	5,000
JC/A035	5,000
JC/A036	1,000
JC/A037	1,000
JC/A038	350

I have also transferred and released to the Alien Property Custodian all supervision, management and control over General Aniline & Film Corporation.

J. M. Nathan Jr.
Secretary of the Treasury.

I, Leo T. Crowley, Alien Property Custodian, do hereby acknowledge receipt of the aforesaid stock certificates for 2,050,000 shares of Common B and 459,448 shares of Common A stock of General Aniline & Film Corporation.

I further acknowledge the release by the Secretary of the Treasury of all supervision, management and control over General Aniline & Film Corporation.

Leo T. Crowley
Alien Property Custodian.

OFFICE OF THE ALIEN PROPERTY CUSTODIAN

273

VESTING OF PROPERTY OF
GENERAL ANILINE AND FILM CORPORATION OF DELAWARE

Vesting Order No. 5. (a) I, Leo T. Crowley, Alien Property Custodian, acting under and by virtue of the authority vested in me by the President pursuant to Section 5 (b) of the Act of October 6, 1917, as amended by Section 301 of the First War Powers Act, 1941, and pursuant to Executive Order No. 9095, dated March 11, 1942, finding upon investigation that the shares of stock of General Aniline and Film Corporation of Delaware which were covered by the vesting order issued by the Secretary of the Treasury under date of February 16, 1942, and which are described therein, were at the time of the issuance of such vesting order the property of Nationals of a Foreign Country designated in Executive Order No. 8389, as amended, as defined therein, and that the action herein taken is in the public interest, do hereby order and declare that said shares (or, in the event any or all of them have been cancelled and new shares issued in lieu thereof, then such new shares representing a corresponding property ownership or interest in such corporation), including all interest therein, are hereby vested in the Alien Property Custodian to be held, used, administered, liquidated, sold or otherwise dealt with in the interest of and for the benefit of the United States.

(b) Such property and any proceeds thereof shall be held in a special account pending further determination of the Alien Property Custodian. This shall not be deemed to limit the power of the Alien Property Custodian to return such property or the proceeds thereof, or to indicate that compensation will not be paid in lieu thereof, if and when it should be determined that such return or compensation should be made.

(c) Any person not a national of a foreign country designated in Executive Order No. 8389, as amended, asserting any interest in said property, or any party asserting any claim as a result of this order, may file with the Alien Property Custodian a notice of his claim, together with a request for hearing thereon, on Form APC-1 within one year of the date of this order, or within such further time as may be allowed by the Alien Property Custodian.

This order shall be published in the Federal Register.


LEO T. CROWLEY,
Alien Property Custodian

11 24, 1942

TREASURY DEPARTMENT

274

INTER OFFICE COMMUNICATION

DATE April 24, 1942.

TO Mrs. Klotz
FROM Secretary Morgenthau

The memo which Gaston gave me on the shipping situation in New York - I want to send for Lew Douglas. I want a copy of that for Harry Hopkins at lunch today. Also ask Gaston whether he can get a similar report for Boston, Baltimore, Philadelphia, or any other important ports on the Atlantic Gulf Coast; also San Francisco, Seattle and Los Angeles. In other words, I would like to know what the situation is in all of the ports as of, say, today. Send out messages and get it for me. I'd like the answers back in Monday by the latest. Mr. Tickton can help Mr. Gaston if Mr. Gaston needs any help. (*Mr. Gaston submitted report 4/27.*)

Finished - Per Hob - 4/28/42 -

April 24, 1942.

TO Supervising Customs Agents or Customs Agents in Charge at Boston, Baltimore, Philadelphia, Norfolk, Charleston, Savannah, New Orleans, Los Angeles, San Francisco, Portland, Seattle:

With assistance of Collector please compile following information and transmit by teletype today total number seagoing cargo vessels in your port today classified as follows: (1) by nationality; (2) by action status, subclassified as lading, discharging, idle, repairs and in stream.

Further subclassify in stream as follows: coastwise, ballast, enroute, laden.

Sent to Mr. Shamhart by Special Messenger 10:40am 4-24-42

April 24, 1942

Mr. Southard

Mr. Dietrich

With reference to your memo of April 14 regarding the services the Federal Reserve Bank renders the Fund, the following is a brief resume of such services.

1. Gold.

- (a) When the Fund sells gold to foreign countries in nearly all cases the gold must be transferred from the Assay Office to the Federal Reserve Bank of New York for earmark. This necessitates the Federal providing men to check and receive the gold at the Assay Office, transport it to the bank, weigh it and deposit it in earmark.

On most purchases of gold from foreign countries by the Fund the Federal performs about the same work in moving gold to the Assay Office. When gold is purchased or sold for delivery at the Federal, physical transfer of the gold must be made from or to the Fund's account at the bank.

- (b) Occasionally the Federal acts as our fiscal agent in handling the movement of special gold consignments from the point of debarkation to the Assay Office or Mint. A case in point is the recent Russian gold shipment that arrived at Halifax.
- (c) Gold engaged for shipment to the United States is reported daily to the Treasury, together with the pertinent details in connection with such shipments.
- (d) Several months ago the Federal gave us considerable help in grouping gold imports by country of account; this information was collected for the Division of Monetary Research. Recently, the Federal also assisted this office in preparing a report for the Monetary Research on the Fund's gold transactions for 1941.
- (e) From time to time the Federal calculates the shipping costs of gold from foreign countries to the United States. The recent inquiries from South American countries on the rising costs of moving gold will be recalled in this connection.

2. Stabilization Fund Agreements and Operations.

- (a) In the preparation of agreements the Foreign Exchange Division and the Legal Department of the Federal are consulted.
- (b) All operations under the agreements, such as the purchase and sale of exchange, the purchase and sale of gold, the receipt of a deposit

to an account such as the Banco do Brasil, or the payment of interest is reported to this office. The Federal also provides us with all correspondence in connection with the operations under the agreements.

3. Foreign Exchange.

- (a) Current market developments — New York banks provide information and the Federal relays it. Frequently the Federal gets information direct from foreign central banks and advises this office accordingly.
- (b) Exchange regulations — The Federal informs us of any regulations they receive and assist in our efforts to answer exchange control questions. Mr. Huskey is using information supplied by the Federal in preparing the foreign exchange data for Mr. White's Stabilization notebook.

4. Dollar and Gold Balances.

The Federal's Foreign Accounts Division reports daily the transactions in about 15 important accounts, as well as their closing balances.

5. Reports.

The Federal maintains records of all transactions of the Fund and submits, once a year, a detailed record of operations which is audited by a committee of Treasury employees. When information about the Fund's operations is needed, the Federal prepares the necessary statements.

6. Statements.

We receive from the Federal the following:

- 2 daily statements of the Fund.
- 1 daily statement of gold and dollar accounts held by the Federal for the "Tripartite" countries, China and Brazil.
- 1 daily statement of gold shipments enroute to this country.
- 1 daily statement of New York banks' sterling transactions with commercial concerns.
- 1 weekly statement of gold and dollar balances and securities held by the Federal for all foreign accounts.
- 1 weekly statement of foreign exchange positions of selected banks and bankers in the Second Federal Reserve District.
- 1 weekly and 1 monthly cumulated statement of U.S. international gold movements.

Although we are purchasing no silver under the Silver Purchase Act at the present time, the Federal nevertheless keeps this office informed of silver market conditions. It also maintains records of all purchases, from which statements are prepared for the Treasury when requested. As mentioned in my memorandum to you dated April 13, any expenses in connection with the Silver Purchase Act are charged to the Stabilization Fund's account, but subsequently the Fund is reimbursed for such expenses from the Silver Purchase Act account.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 24, 1942

TO Secretary Morgenthau

FROM Mr. Kassarck

Subject: Comment on General Stillwell's Telegram to the Generalissimo

1. According to the facts available in Washington, the picture drawn by General Stillwell appears correct.

2. Translating General Stillwell's telegram out of its Burmese names, the action appears to have occurred as follows:

Facing the Japanese, the Chinese held the left flank; the British, the right flank. The Japanese broke through the British lines near where they adjoined the Chinese. Having broken through, the Japanese proceeded to encircle the British. The Chinese sent their 38th division to break through the Japanese encirclement. This was done and the British escaped.

The Chinese had then to fill the 40-mile hole resulting from the Japanese break-through. Since the new British lines were now 100 miles in the rear of the Chinese lines, the Chinese had to fall back from Pyinmana without executing their planned offensive.

3. The bulk of the "British" troops are a part of the Indian Army. The troops participating in the fighting in Burma are:

British: 17th Indian Infantry Division
82nd Indian Infantry Brigade (equivalent
to a U.S. regiment)
7th United Kingdom Armored Brigade
(equivalent to a U.S. armored
regiment)

Total of 20,000 men

Chinese: 6 divisions, or 50,000 men.

Japanese: 5 or 6 divisions, or 100,000 men.

- 2 -

4. The Burmese fighting has demonstrated that the fighting efficiency of the Chinese is high. "The British collapse", of which General Stillwell speaks, does not necessarily indicate that British efficiency is low. The British troops in question have been fighting constantly since the first part of December with little relief, little air support, few supplies and negligible reinforcements. They have been forced to retreat constantly through a hostile or indifferent population.

It is quite likely that in accordance with the strategy of fighting against allies, that the Japanese have concentrated on attacking the British troops. In this way, there is hope of causing dissension in the allied camp. For political propaganda in Burma, Japanese attacks on the British rulers are more effective than attacks on the troops of Free China.

SECRET**MINISTER FOR FOREIGN AFFAIRS
REPUBLIC OF CHINA**

April 23, 1942

Dear Mr. Morgenthau:

The Generalissimo received the enclosed telegram dated April 21st from General Stilwell at the Burma front, in which you will no doubt be interested.

Yours sincerely,



Enclosure

The Honorable

Henry Morgenthau, Jr.

Secretary of the Treasury

SECRET

281

TELEGRAM TO THE GENERALISSIMO FROM GENERAL STILWELL

DATED APRIL 21, 1942.

"CHINESE TROOPS NOW WITHDRAWING TO NORTH FROM PYINMAMA AREA. CHINESE 38th DIVISION ASSISTING BRITISH ON IRRRAWADDY FRONT. BRITISH FAILURE EAST OF MAGWE TO PREVENT JAPANESE BREAK THROUGH IS ENTIRE CAUSE OF CHINESE WITHDRAWAL. JAPANESE BREAK THROUGH RESULTED IN CAPTURE OF YENANGYAUNG OIL FIELDS AND CRITICAL THREAT TO CHINESE REAR VIA KYAUKPADAUNG AND ROAD TO NORTHWEST THROUGH MYINGYAN TO MANDALAY. IN ADDITION TO ABOVE A HOLE 40 MILES WIDE HAS BEEN CREATED BETWEEN KYAUKPADAUNG AND NATMAUK. CHINESE TROOPS FILLING THIS HOLE QUICKLY AS POSSIBLE. CHINESE FIFTH ARMY WAS ABOUT TO LAUNCH A COUNTER ATTACK FROM PYINMAMA WITH EXCELLENT CHANCE OF SUCCESS AND BRITISH COLLAPSE CAME AT MOST CRITICAL TIME. IF OTHER COMMUNIQUEES ARE ISSUED WHICH MIGHT REFLECT ON FIGHTING EFFICIENCY OF CHINESE TROOPS, I FEEL YOU SHOULD KNOW ABOVE FACTS."

SECRET

C
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P
Y

DEPARTMENT OF STATE

Washington

In reply refer to
FD

April 24, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 231, dated April 23, 1942, from the American Consulate General, Sydney, Australia, giving the aggregate amount of Treasury checks received from the Commonwealth Bank on April 22, as \$150,415.92.

Enclosure:

From Consulate, Sydney,
no. 231, April 23, 1942.

eh:copy
4-24-42

C
O
P
Y

283

LM

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

Sydney

Dated April 23, 1942

Rec'd 11:33 a.m.

Secretary of State,

Washington.

231, April 23, 2 p.m.

Reference my telegram no. 216, April 10.

Referring to the Department's telegram no. 100, March 14, aggregate amount Treasury checks received from Commonwealth Bank last night \$150,415.92.

PALMER.

GW

eh:copy
4-24-42

TELEGRAM SENT

PH
This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

April 24, 1942

11 p.m.

AMEMBASSY

CHUNGKING (CHINA)

325

For Adler from the Secretary of the Treasury
and Fox.

QUOTE. Reference your no. TF-25, April 9,
1942.

1. Your paragraph no. 1 regarding Stabilization Board. According to the Agreement of April 1, 1941 the fund includes that portion of the US\$50 million which has been secured by purchase of yuan by the Secretary of the Treasury through the Federal Reserve Bank of New York at the request of the Central Bank of China. As yet there has not been any yuan purchased by the Treasury because the Federal Reserve Bank have not received from the Central Bank of China a request to that effect, and, therefore, the fund as yet does not include the US\$50 million or any part of it.

2. Your paragraph no. 2 advises us that

Central Bank

-2-#325, April 24, 11 p.m., to Chungking.

Central Bank is opening an account for Federal Reserve Bank in New York for the Chinese currency equivalent of US\$5 million. The Secretary is, of course, prepared to purchase through the Federal Reserve Bank of New York the Chinese currency equivalent of US\$5 million in accordance with the procedure outlined above.

3. Your paragraph no. 2 also outlines proposal of Board to hold Chinese Treasury notes instead of fapi. Since we presume that a quorum of the Board was present when this decision was made this proposal would seem to be in accord with the Agreement of April 1.

4. Your Section 2 gives gist of memorandum Board proposes to submit to Dr. Kung. Mr. Fox is inclined to oppose the proposal and thinks that it would be unfortunate if such action was taken. Treasury officials here feel that the Stabilization Board should take no steps which would weaken its long-run position as this proposal would seem to do. We believe that the proposed curtailment of the sphere of activities of the Board is not compatible with its effective functioning.

5. Your

-3-#325, April 24, 11 p.m., to Chungking.

5. Your cable of February 3, TFl7, paragraph 4, asks for information to be obtained for Fox. A visit by Fox to New York banks has confirmed previous impression that information is not available as to amount of fapi held in Shanghai on Board's account nor as to amount of set-offs on books of bank not yet credited to the Board. The Bank of China in New York has kindly furnished Fox with a record of all transactions with the Board which can be forwarded to Chungking, if such information is not available in the Bank of China's offices in Chungking. However, information contained in your cable of April 18, no. TFl8, would seem to make this unnecessary.

HULL
(FL)

FD:FL:BHCB

Treasury Department 287
Division of Monetary Research

Date April 24, 1942

To: ~~Mr. Case~~ Mr. Southard
From: Mr. Southard *A. Case*

*I do not believe that
this needs to be brought
to the Secretary's
attention.*

- A Case

MR. WHITE
Branch 2058 - Room 214½

C
O
P
Y

DEPARTMENT OF STATE

Washington

In reply refer to
FD

April 24, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 134, dated April 18, 1942, from the American Consulate, Fort de France, (Martinique), French West Indies, concerning 66 kilograms of native gold which French Guiana exported to Brazil in March.

Enclosure:

From Consulate, Fort de France,
no. 134, April 18, 1942.

eh:copy
4-24-42

C
O
P
Y

MEV

This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (BR)

Fort de France

Dated April 18, 1942

Rec'd 1:37 p.m.

Secretary of State,

Washington.

134, April 18, 11 a.m.

Referring to my despatch no. 193, March 24,

French Guiana exported 66 kilograms native gold to Brazil in
March.

MALIGE

NPL

eh:copy
4-24-42

COPY

NMC

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (HR)

Calcutta

Dated April 24, 1942

Rec'd 6:01 p.m.

Secretary of State,

Washington.

RUSH

301, April 24, 4 p.m.

Your 180, April 15, 5 p.m.

Chartered Bank of India, Australia and China requests procedure be extended to its branches at Delhi, Karachi and Bombay where American officers now numerous.

SCHNARE

JEL

COPY:lap-4/25/42

INCOMING CABLEGRAM

Date: April 24, 1942

From: Basle

Federal Reserve Bank of New York,
New York.

#30

Attention: Mr. Knoke

Please obtain license to buy from United States
Treasury gold bars containing approximately 32,000 fine
ounces to be held earmarked for our own Account No. 2
debiting our Account "B" with countervalue.

(Sgd.) Bank for International
Settlements.

(Received by telephone from Federal Reserve Bank of New York,
N. Y. 4:35 p.m. April 24, 1942)

inc

COPY

OUTGOING CABLEGRAM

April 24, 1942

State Bank of the U.S.S.R.

Moscow

No. 20

In accordance with request made by your Embassy in Washington through United States Treasury Department please cable how reimbursement to this bank is to be made for express charges amounting to \$26,445.14 incurred by us on shipment of goods consigned to us and delivered to United States Treasury April 20, 1942.

FEDERAL RESERVE BANK OF NEW YORK

Copy:imc
4/25/42

C
O
P
Y

293

DEPARTMENT OF STATE
Washington

In reply refer to
FD

April 24, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram no. 220, dated April 23, to the American Embassy, Montevideo, Uruguay, transmitting a message for Treasury concerning an inquiry received by the Federal Reserve Bank of New York from the Central Bank of Uruguay about a shipment by air of \$5,000,000 of gold bars.

Enclosure:

To Embassy, Montevideo,
no. 220, April 23, 1942.

sh: copy
4-24-42

TELEGRAM SENT

HRL

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BR)

April 23, 1942

9 p.m.

AMEMBASSY,

MONTEVIDEO.

220

The following is being sent you at the request of the Treasury Department: QUOTE The Federal Reserve Bank of New York informs us that they have received an inquiry from the Central Bank of Uruguay inquiring about shipment by air of \$5 million of gold bars. The Treasury Department is prepared, of course, to approve the shipment of gold to Uruguay whenever the Central Bank so requests. However, the Treasury is interested in ascertaining why it is regarded necessary to ship gold from New York to Uruguay at a time when the risks of shipment are so great and when the costs of shipping are so high.

Please make discreet inquiry and cable us at once as we would not wish to delay shipment if the Central Bank of Uruguay decides to have the shipment made. UNQUOTE.

HULL
(PWB)

RA:PWB:MEG

eh:copy 4-24-42

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE April 24, 1942

TO Secretary Morgenthau
FROM Mr. White

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 78,000
Purchased from commercial concerns	£127,000

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

The Canadian dollar discount narrowed to 12-3/8% as compared with 12-1/2% yesterday. It was reported that the Post Office purchased between 200,000 and 300,000 Canadian dollars in today's market.

The Argentine free peso declined 7 points to a final quotation of .2365.

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

Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2064
Uruguayan peso (free)	.5295
Venezuelan bolivar	.2860
Cuban peso	1/4% premium

We sold \$1,120,000 in gold to the B.I.S., which was earmarked in B.I.S. account No. 2. Gold in this account is the property of that bank.

In order to replenish the Stabilization Fund's gold balance, we purchased \$450,000 in gold from the General Fund through the New York Assay Office.

No new gold engagements were reported.

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

The Federal Reserve Bank of New York bought an additional 40,000 ounces of silver in New York today at 35-3/8¢ per ounce, to be used in the 1,200,000-ounce silver coinage order that the United States Mint is executing for the Australian Government. So far the Federal has purchased 696,000 ounces.

We made no purchases of silver today.

-2-

The report of April 15 received from the Federal Reserve Bank of New York, giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$2,048,000, a decrease of \$294,000 in the short position since April 8. Net changes were as follows:

<u>Country</u>	<u>Short Position</u> <u>April 8</u>	<u>Short Position</u> <u>April 15</u>	<u>Change in</u> <u>Short Position*</u>
England	\$ 905,000 (Long)	\$1,067,000 (Long)	- \$162,000
Europe	2,485,000	2,494,000	+ 9,000
Canada	1,674,000 (Long)	1,659,000 (Long)	+ 15,000
Latin America	25,000 (Long)	159,000 (Long)	- 134,000
Japan	160,000	160,000	-
Other Asia	2,288,000	2,344,000	+ 56,000
All others	<u>13,000</u>	<u>65,000</u> (Long)	- <u>78,000</u>
Total	\$2,342,000	\$2,048,000	- \$294,000

* Plus sign (+) indicates increase in short position, or decrease in long position.
 Minus sign (-) indicates decrease in short position, or increase in long position.

CONFIDENTIAL

Copy No. 13

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 134

Information received up to 7 A.M., 24th April, 1942.

1. NAVAL

A British ship, in coastal convoy was sunk by mine yesterday off the HUBER.

2. MILITARY

BURMA. No report received.

RUSSIA. The Finnish communique of the 22nd claims that Russian attacks along the line of the River SVIR have been repulsed with very heavy losses. Recent Russian reports have indicated that severe local fighting has been in progress in this area during recent weeks, but it is thought that the engagements have not been on the scale suggested by the Finns. Russian pressure is being maintained against the German 16th Army surrounded in the STARAYA RUSSA area and at a number of points in the Central Sector.

3. AIR OPERATIONS

WESTERN FRONT. 22nd/23rd. About 100 tons of high explosive and incendiaries were dropped in the COLOGNE area and large fires were seen. 134 sea mines were laid.

23rd/24th. 161 aircraft were despatched - ROOSTOCK 143, Heinkel Assembly Works ROOSTOCK 18. Four are missing and one crashed. Preliminary reports indicate that conditions were favourable and the attack was successful. About 38 enemy aircraft were plotted, of which 21 flew over South-West ENGLAND. Beaufighters destroyed two enemy bombers.

MALTA. Between 3.30 p.m. 22nd and 11.30 a.m. 23rd 130 enemy bombers with fighter escort attacked the aerodromes. Five of our fighters were destroyed on the ground and five other aircraft damaged, in the air, two of our fighters were destroyed and three damaged. Our fighters and anti-aircraft fire destroyed eight enemy aircraft. Probably destroyed one and damaged eight.

SICILY. 22nd/23rd. Three Wellingtons made three attacks each on COMISO aerodrome.

4. HOME SECURITY

23rd/24th. Scattered bombing over DEVONSHIRE. Eight persons killed at Devon Mental Hospital, EXMSTER, and five in EXETER. Some damage to public utilities and main railway line.

April 25, 1942
10:43 a.m.

HMJr: Hello.

Operator: Judge Rosenman.

HMJr: Hello.

Judge
Rosenman: Henry.

HMJr: Can I sell you a few War Bonds?

R: Yeah, look.

HMJr: Yeah.

R: Henry, we wrote out a pretty long speech, and, as you know, he's going to send a message first; so last night he dictated from this thing that we'd written a message.....

HMJr: Yeah.

R:which is very rough and not finished. Now, I could send this over to you just as he dictated it, or this afternoon, I could send you something that would read a little better. Which do you want?

HMJr: I'd like to have something now while my people are here.

R: All right. I haven't even read it, you know, and it was dictated.....

HMJr: Can I send a Secret Service man over to get it?

R: Yeah.

HMJr: Where shall he come to?

R: Come to the Cabinet Room.

HMJr: Well, I'll have him there immediately. Hello.

R: Yeah.

- 2 -

HMJr: I'll send him over, and I'll tell him to ask for you.

R: All right. Now, just remember that this is just first dictation of his. We haven't gone over it at all. There are some figures in there which you might want to correct and send back.

HMJr: Yes.

R: Will you send this back with the corrections?

HMJr: I'll either send it back or walk it back.

R: All right. Well, don't try to correct any language or anything, because it isn't final language.

HMJr: Well, if we've got anything to suggest, we'll dictate a memo. How's that?

R: Well, I haven't a thing now. There's some things about cost of living which I'll have to get your economist to finally give us the figures on. Will you have someone around tomorrow?

HMJr: I'll have them available.

R: I mean available, yesh.

HMJr: Yes.

R: Will you be around tomorrow?

HMJr: I'll be around until four o'clock.

R: Well, that's time - if not, after that, whom should I call?

HMJr: Well, on what phases of it?

R: Well, I mean, in case I want to get a figure checked or something.

HMJr: Well, I think the best person would be Kuhn. K-u-h-n.

- 3 -

R: Yeah. He could get the people.....

HMJr: He'll get what - Ferdinand Kuhn. You know.....

R: And he'll be around tomorrow.

HMJr: I'll tell him to be around.

R: I don't mean in the office.

HMJr: No, no. I'll tell him to stay - to keep in touch with the Treasury switchboard.

R: That's right.

HMJr: But I'll be available up until four. Then we're going up - it's my father's birthday.

R: Oh, it is?

HMJr: Yes.

R: I told you I saw him.

HMJr: Yes.

R: And we're trying to get him to run for Governor.

HMJr: (Laughs) Well, thanks awfully, Sam, and anything that I can do, I'm available, and I'll have a man come over and get it.

R: All right.

HMJr: I appreciate your calling me.

R: All rightie. Good-bye.

*- Second Draft**4-25-42*

TO THE CONGRESS:

In certain ways the present world encircling war presents problems which were unthinkable during the First World War. But -- in other ways -- the circumstances of today parallel those of 1917-1918.

The theatres of combat today cover vastly greater areas. Many more millions of human beings are involved. The new factors of mechanical power, in the air and on the land, have produced radical changes in basic strategy and tactics.

We may take comfort from the fact that in the earlier war, for nearly four years, the forces of aggression and barbarism were in the ascendancy; and in this new war the nations resisting the Axis Powers may have to fight for a long time before they have won on the fields of battle.

Now, as then, the common enemy has all the advantage at the outset; now, as then, it has cost ^{TO} those who are defending our type of civilization bitter defeats and vast losses before they can establish the vital superiority in men and munitions which will turn the tide.

DRAFT #2
TEXT

- 2 -

Today we -- all the United Nations -- are still in this period of preparation -- producing those twin necessities for victory, trained men and adequate tools.

The United States was far better prepared for actual war on December 7, 1941, than it was on April 6, 1917. For over two years by a succession of Congressional Acts we had ~~initiated~~ *originated* ~~and~~ carried out safety measures for our own defense in growing volume and importance. There were the revisions of the Neutrality laws, the drastic increases of our Army and Navy, and the instruments of war which they needed, the Selective Service Act, and the Lend-Lease law.

Finally, after Pearl Harbor, the American people adopted a national program which would have been called fantastic by most of our population two years before. This program has called for the shifting of the major part of American industry from the products of peace to the weapons of war.

This enormous program
Inevitably -- but with the full approval of the nation -- it is dislocating industry, labor, agriculture and finance. It is disrupting, and will continue to disrupt, the normal manner of life of every American and every American family. In this, we

DRAFT #2

- 3 -

follow the pattern of the first World War, although on a vastly greater scale.

In that earlier war, however, there were certain economic factors which produced unnecessary hardships, and these hardships continued long after the signing of the Armistice. I use the word "unnecessary" because it is my belief that a very great deal of the suffering which was caused then can be avoided now.

It is about the economic factors in war that I address you today. They relate ^{essentially} ~~primarily~~ to an easily understood phrase which affects the lives of all of us -- the cost of living. In 1918 and 1919, because rises in the cost of living which came with the war were not checked in the beginning, people in this country paid nearly twice as much for the same things at the end of the war as they did at the start of it.

The rise in the cost of living during this war has begun to parallel the last. The time has definitely come ~~when it must be stopped~~ *to stop the spiral.*

While the cost of living, since the Autumn of 1939, has gone up about 20% so far, based on the average prices of necessities,

DRAFT #2

- 4 -

we must now make a determined effort to keep it from rising another 60% or 80% during the next year or two -- an effort, indeed, to hold it to somewhere near the present level.

There are three obvious reasons for taking every step necessary to prevent this rise.

First, when the cost of living spirals upward week after week and month after month, people as a whole are bound to become poorer, because the pay envelope and the profit envelope lag behind ^{rising} retail prices. Second, the cost of carrying on the war by the Government and, therefore, by the people, will increase by many billions, and if we do not pay ^{and save} to the limit of our ability now, we and our children will be burdened with unbearable debts in years to come. Third, there is an old and true saying that that which goes up must always come down -- and you and I know the hardships and heartaches we all went through in the bad years after the last war when Americans were losing their homes and their farms and their savings and ^{were looking} in vain for jobs.

We do not intend to present the same disastrous situation after the war to those men who today are fighting our battles in all parts of the world.

DRAFT #2

- 5 -

We must therefore adopt as one of our principal domestic objectives the stabilization of the cost of living. The Government of the United States should provide a definite program to attain ^{that} ~~the~~ end.

Relying on past and present experience, and leaving out dozens of details which relate far more to questions of method than to the objective itself, I ^{list for} ~~recommend~~ to the Congress the following points, which taken together may well be called our ~~present~~ national economic policy:

1. To keep the cost of living from spiraling upward, we must keep personal and corporate profits down to a reasonable rate, the word "reasonable" being defined at a low level.
2. To keep the cost of living from spiraling upward, we must fix ceilings on the prices which consumers and wholesalers and manufacturers pay for the things they buy.
3. To keep the cost of living from spiraling upward, we must stabilize the remuneration received by individuals for their work.
4. To keep the cost of living from spiraling upward, we must stabilize the prices received by growers for the products of their lands.

SECOND DRAFT

-6-

5. To keep the cost of living from spiraling upward, we must encourage all citizens to contribute to the cost of winning this war by purchasing Government War Bonds with their earnings instead of using those earnings to buy articles [for their own use] which of necessity are scarce.

6. To keep the cost of living from spiraling upward, we must ration all commodities ^{of} which there is a scarcity so that they may be distributed fairly among consumers and not merely in accordance with financial ability to pay high prices for them.

7. To keep the cost of living from spiraling upward we must discourage credit and installment buying and encourage the paying off of debts, mortgages, and other obligations; for this encourages savings and adds to the ability of creditors so paid off to buy more War Bonds.

I know that you will appreciate that these seven principal points, each and every one of them, will contribute in substantial fashion to the main objective -- keeping the cost of living down. I give the solemn assurance to the Congress that if the objective is not attained, and if the cost of living does continue to rise substantially, I will so advise the Congress and ask for any additional legislation which may be necessary.

DRAFT #2

- 7 -

Of the seven points which I have enumerated, it is my best judgment that only one of them requires legislation at the present time, for the very good reason that the Congress has already passed laws with respect to the others which seem adequate to meet the national policy enunciated.

In the one item where legislation is necessary, the subject is now under consideration in the House of Representatives. I refer to the first item -- the purpose of which is to keep excess profits down and, at the same time, raise further large sums for the financing of the war.

On this subject, I believe that the objective can be attained through tax processes. We are now spending, solely for war purposes, the sum of about one hundred million dollars every day of the week. But before this year is over that rate of expenditure will be doubled. This means that a sum equal to more than half of the entire national income -- more than 55¢ out of every \$1.00 made by any business or by any individual in the United States -- will be spent in the war effort.

Almost the whole of these billions is being and will be spent within the United States itself.

DRAFT #2

- 8 -

Profits must be taxed to the limit consistent with continued production. This means business profits -- not only in making munitions, but in making or selling anything else. Under the proposed new tax law we seek to take by taxation all undue or excess profits. It is incumbent upon the Congress to define undue or excess profits, and anything in excess of that specific figure should go automatically to the Government.

One of our difficulties is to write a law in which some clever people will not find loopholes, or in which some businesses will not be equitably included. I have suggested to the Chairman of the Committee on Ways and Means in the House of Representatives that some blanket clause could well cover, by a special tax, all profits of any kind of business which exceed the expressed definition of the legal profit figure.

At the same time, while the number of individual Americans affected is small, discrepancies between low personal incomes and very high personal incomes should be lessened, and I am inclined to believe that in time of grave national danger such as this no American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year. And any top limit objective

DRAFT #2

- 9 -

should seek to cover those net incomes which are made up in whole or in large part by returns from non-taxable securities. It is my belief that taxing such hitherto exempt incomes, by the method of surtaxes, would be wholly constitutional.

I earnestly hope that the Congress will pass a new tax bill at the earliest moment possible. Such action is imperative in the comprehensive all-out effort to keep the cost of living down.

I do not believe that it is necessary for me to go into great detail in relation to the other six items which I have summarized.

The second item, relating to price control on articles which consumers and manufacturers buy is, I think, definitely covered by existing law and is being put into effect as rapidly as possible. It is our effort to be fair, ~~and~~ but if our future experience reveals inequality or unfairness, corrections will, of course, be made.

The third item, seeking to stabilize remuneration for work, is also definitely covered at the present time by existing laws and Executive Orders. If the cost of living remains relatively

DRAFT #2

-10-

stable, no one is going to be hurt. Strikes are at a minimum. Most workers in munition industries are working far more than forty hours a week and should continue to be paid at time and a half for overtime.

The question of double time for Sunday, however, is a very different one. It is true that one day of rest in seven should be given to every worker. But, if we are going to keep our plants going seven days a week, that seventh day of rest will have to be staggered, and it will therefore not fall on a Sunday for every worker. However, when extraordinary circumstances in any plant make it necessary for a laborer to work on his day of rest -- whether it be Sunday or not -- he should be paid double wages for that seventh day.

The War Labor Board machinery has been generally accepted by labor and industry for the settlement of all disputes and organized labor has given up its right to strike during the war. Existing contracts between employers and employees must, in all fairness, be carried out to the expiration of those contracts. The War Labor Board will, of course, seek to remove inequalities and to give due consideration to the elimination of sub-standards of living. I repeat that all of these processes, now in existence, will work equitably for the overwhelming

DRAFT #2

- 11 -

proportion of our workers if we can keep the cost of living down, and this policy will guide all Government agencies.

In regard to item four -- prices of farm products -- the same general thesis holds true. For nearly nine years it has been the policy of the Government to seek an objective known as "parity" -- or, in other words, farm prices that give the farmer an assurance of equality in individual purchasing power with his fellow Americans who work in industry. Some of the products of the farms have not yet reached the stage of parity. Others have exceeded parity. Under existing legislation a ceiling cannot be placed on certain products until they reach a level somewhat above parity. I am confident however that with price ceilings imposed in accordance with law, the average of all farm products can be kept at a parity ceiling.

With respect to item five, the American people know that if we would raise the billions which we now need to pay for the war and at the same time prevent a disastrous rise in the cost of living, we shall have to double and more than double the scale of our savings. Every dime and dollar not vitally needed for absolute necessities should go into War Savings Bonds and Stamps

DRAFT #2

-12-

to add to the striking power of our armed forces.

I have been urged by many persons and groups to recommend the adoption of a compulsory plan of savings by deducting a certain percentage of everyone's income. I prefer, however, to keep the voluntary plan in effect as long as possible, ~~and as long as it is effective to meet the needs.~~

With respect to item six, it is obviously fair that where there is not enough of any commodity to meet all civilian demands, those who can afford to pay more for it should not be preferred over those who cannot. I am confident that as to many basic necessities of life rationing will not be necessary because we shall strive to the utmost to have an adequate supply. But where any article becomes scarce, rationing is the democratic, equitable solution.

Item seven should be made effective as soon as possible now that money is becoming plentiful. Those who comply with it will be grateful that they have done so when money becomes tighter after the war.

As to all of those items which do not require legislation, the executive departments and agencies whose functions and duties

DRAFT #2

-13-

are involved, will begin as quickly and expeditiously as possible to carry them out.

The result will be to require of every one of us some share of sacrifice. Americans all will welcome this opportunity to share in the common effort of civilized mankind to preserve decency and dignity in modern life.

New York Press 4/25/42 314

4/25/42 12:10 PM

Legislative and administrative action to control the cost of living must be supplemented by the voluntary action of the American people. (Rel. Judge Rosenman note 4/26/42 sent news from Press of 4/25)

I refer now particularly to Item No. 5 in the program I am here suggesting, which calls for a very substantial increase in the buying of War Savings Bonds and Stamps. If these purchases are to have a material effect in restraining price increases they must be made out of current income. In almost every individual case they should be big enough to mean rigid self-denial, a substantial reduction for most of us in the scale of expenditure that is comfortable and easy for us. We can't fight this war, we can't exert our maximum effort, on a spend-as-usual basis. We cannot have all we want if our soldiers and sailors are to have all they need.

The buying of War Bonds thus has a double value. If we set for ourselves high quotas, quotas that mean giving up many things we want, and if we stick to them, we can help substantially to prevent disastrous increases in the cost of living. At the same time, the money we use to buy the bonds will buy the materials we need to fight the war.

Legislation is now needed in the field of taxation. Fortunately an Administration program dealing with the whole tax field is now under consideration in the Congress. It is my belief that this tax program provides an essential weapon to keep the cost of living from spiraling, and I earnestly hope that the Congress will enact the entire program into law at the earliest moment possible. Such action is urgently needed in the comprehensive all-out effort to keep the cost of living down.

The Administration's tax program not only provides for vast new amounts of revenue needed for the war; it also will have a direct effect in checking the rising cost of living, by reducing the demand for goods. It calls for heavy increases in individual tax rates. It makes possible the collection of a part of the tax revenue at

the source. It calls for an increase of \$2 billion in social security contributions, and finally, it calls for taxes on a list of non-essential commodities. Such a program will have a more direct effect in checking the cost of living than, for example, a sales tax which would lift the cost of every commodity and would fall most heavily on the very poor.

Moreover, the Administration's tax program will have indirect effects of great importance in keeping the cost of living down. The mass of individual income tax payers, including millions of workers, will be willing and glad to accept heavy new taxes, and will not demand wage increases, if they know that excess profits are being recaptured by the Government.

Accordingly, the Administration's program calls for a tax of almost 90 cents out of every dollar of excess

corporate profits over half a million dollars. The 10 cents remaining are, in turn, taxed heavily when the individual stockholder receives them as income. It may be that these proposed excess profits taxes should be increased still further, but in any case the enactment of the present program would, in my opinion, give our workers the assurance they must have if they are to refrain from wage demands at this time.

What is true of excess profits is also true of high individual salaries. Under the present tax proposals an individual would have to earn \$239,000 in order to keep \$50,000 of it after paying his taxes. In addition, the Government has powers, and intends to make full use of its powers, to scrutinize payments for salaries, personal expense accounts, and other forms of business expenditures

- 4 -

which may be employed to avoid excess profits taxes. A company will not be allowed to deduct as business expense extravagant payments which are in effect distributions of earnings rather than legitimate payments for necessary services rendered, but those who receive such payments will be required to include them in current taxable income.

At the same time, while the number of individuals affected is very small, it may be wise to lessen still further the discrepancy between very low and very high personal incomes. I ^{believe} sometimes wonder whether, in time of great national danger such as this, ^{no} any American citizen ought to have a net income, after he has paid his taxes, of more than \$25,000 a year.

Increasing income tax rates on a scale as heavy as that proposed makes it a moral duty to remove all

changed
at White
House
by President

loopholes in the tax law and all special privilege.

It is indefensible that those who enjoy large incomes from State and local securities should be immune from taxation while we are at war. As a minimum program we should immediately provide for taxing these securities on the same basis as United States long-term bonds issued prior to the enactment of the Public Debt Act of 1940; that is, interest on them should at least be subject to surtaxes. There is no question about the constitutionality of such a proposal.

To Take the Place of No. 1, Page 4

L. To keep the cost of living from spiraling upward, we must tax heavily and we must keep personal and corporate profits at a reasonable rate, the word "reasonable" being defined at a low level.