DIARY

Book 402

May 26 - 31, 1941
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Wise, Rabbi Stephen S.
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Mr. Harold H. Graves,
Assistant to the Secretary,
Treasury Department Building,
Washington, D. C.

Dear Mr. Graves:

Under separate cover you will receive a series of transcriptions for use beginning June 1st in connection with the Treasury Department's campaign to sell Defense Savings Stamps and Bonds.

Thanks to your cooperation, the campaign is well under way. As we all realize, this task of raising money to finance the National Defense Program is a continuing effort. The problem confronting the Treasury is to get the people of America to buy stamps and bonds on a regular weekly or monthly basis, and to do this week after week and month after month. Therefore, your continued support will play a vital part in the success of this campaign.

The transcriptions are divided into four different groups and include one-minute talks by movie stars; dramatic skits; a musical moment with Fred Waring's orchestra; and straight announcements.

We are also transmitting forms which we would like you to return to us. Here in the Treasury Department in Washington we are keeping a very complete record of the cooperation by your station and every other station in America. We want to make sure that your contribution in this great national defense effort is fully recognized.

Full details as to the rotation of the announcements are contained on the sheets which we are forwarding to you.

Many, many thanks for your continued cooperation.

Sincerely,

Vincent F. Callahan,
Chief, Radio Section,
Defense Savings Staff.
May 26, 1941

Mr. Harold N. Graves,
Assistant to the Secretary,
Treasury Department Building,
Washington, D. C.

Dear Mr. Graves:

We have received numerous requests for round-table scripts on the subject of Defense Savings Bonds and Stamps. In fact, some stations have already undertaken such broadcasts.

In response to this demand we have prepared a round-table discussion suitable for use on all stations. This discussion has been designed for participation of a banker, a businessman, a professional man, a middle-aged housewife, and a business girl. It would be greatly appreciated if you could round up five such prominent people from your local community to partake in this broadcast at some time to be set by you during the week of June 1, 1941.

Also enclosed is a record-sheet for our files. Will you kindly return same at your convenience? We greatly appreciate your cooperation.

Sincerely,

[Vincent F. Callahan]

Vincent F. Callahan,
Chief, Radio Section,
Defense Savings Staff.
Radio Section,
Defense Savings Staff,
Treasury Department,
Washington, D. C.

Gentlemen:

The round-table discussion was used as follows:

Time

Date

(station)

(city)
FI FTE N-E MINUTE ROUND-TABLE DISCUSSION
ON DEFENSE SAVINGS BONDS AND STAMPS

FOR USE ON ALL RADIO STATIONS DURING WEEK OF
JUNE 1, 1941

A — Banker
B — Businessman
C — Professional Man
D — Middle-aged Housewife
E — Business Girl

ANNOUNCER: Station ______ has gathered in its studios tonight five
of ______ prominent people, well known to most of you,
(cities)
They are going to participate in a discussion about the new
Defense Savings Bonds and Stamps which the Treasury Department
placed on sale on May 1st. The speakers who will present their
own views are ____________________________
(Names and identities)

And now, Mr. (A) __________________________ as one of
(City)
leading bankers, I think it is appropriate that you should commence
tonight’s discussion by telling us just what you think of the
Treasury Department’s campaign to sell Defense Savings Bonds and
Stamps.

MR. A: I think it is a very excellent plan from several standpoints,

Mr. __________________________, and one in which all of our citizens should
(Announcer) cooperate.
MISS E: Just what are these Defense Bonds and Stamps?

MR. A: You pay $18.75 now for the smallest Defense Savings Bond and in ten years you will get $25 for it from the Federal Government.

MRS. D: That sounds like a rather profitable investment. How much interest would that amount to?

MR. A: That $6.25 increase is equivalent to an interest return of 2.9 percent compounded semiannually. Actually, your investment increases by one-third during the ten-year period.

MR. B: From a businessman's standpoint I should call that a pretty liberal return on my money.

MR. A: The Treasury Department is issuing what it considers to be a bond that will attract investors both large and small. In fact, it considers the return on these Defense Savings Bonds so liberal that it has decided to limit the amount which may be owned by any one individual to $5,000 worth in any one calendar year. Of course, there are other bonds for larger investors.

MR. C: What are those other bonds?

MR. A: There are two of them known as the Series F and Series G Defense Bonds. They mature in twelve instead of ten years and may be purchased by corporations, partnerships, and so forth, as well as by individuals, in amounts not exceeding $50,000 worth a year of either one or of both combined.
MRS. D: Oh, goodness, I don’t think many of us will have to worry about those limitations.

MR. A: Probably not. And they pay a slightly lower rate of interest too — about two and one-half percent. So I think most of us will be interested in the smaller Defense Savings Bonds.

MISS E: You say that the smallest Defense Savings Bond costs $18.75? I don’t often have that amount to spend all at one time.

MR. B: As I understand it, the Treasury is also selling Defense Savings Stamps at pretty low prices. Isn’t that true?

MR. A: Oh, yes, there are stamps for those who can’t afford the bonds. These stamps are priced at from 10 cents to $5 each and when you have enough of them saved up you can exchange them, at face value, for a bond.

MISS E: That would seem to me to be a pretty convenient way of saving up to buy a bond — sort of an installment plan method.

MR. C: That’s it exactly, and one designed to suit every income, even that of our children who can invest a dime now and then in one of these stamps.

MR. A: As all of you know, the Treasury Department is faced with the task of financing our gigantic National Defense Program. While new taxes are in the offing, much of our Government’s expenditures must be raised by borrowing money.
MRS. D: But haven't the Government had deficits for some years? That's why I don't understand just why we are all being asked now to contribute by buying these bonds and stamps.

MR. B: Of course, the Government has operated on smaller deficits for some years past, but it seems to me that in asking us all to buy bonds and stamps it is giving each and every American citizen a chance to do his part in building up our defenses.

MISS E: I should think that we ought to help. Many of my boy friends have been conscripted into our Army. They've resigned from good jobs in many instances and are making real sacrifices. Why shouldn't we who are staying at home make some too?

MR. C: That's quite right. It seems to me that what the Treasury is doing is offering all citizens a chance to participate directly in building up our defenses, bringing it closer home to us and making it more real. When these matters affect our pocketbooks so directly we are bound to take a more active interest in just what is being done, and in seeing that it is done.

MR. A: You are certainly right in that respect. But there are other good reasons for going directly to the people and asking for their assistance.

MRS. D: What are some of those reasons? I think we'd all be interested in knowing about them.
MR. A: Well, from the standpoint of the economist, this method is a very sound one. For instance, right here in our own town, wages and salaries are increasing and other forms of income are going up. That’s true all over the country. Now if we spend all of this new income we will create a real spending spree which might have serious consequences.

MISS E: Do you mean that spending this new income for luxuries will put all of us in competition with the Government for the industrial production of our country?

MR. B: That’s it. Industry would be hard put at a time like this to manufacture the munitions and other materials needed by the Federal Government as well as these new luxuries that our higher incomes could buy for us.

MR. A: Yes, that is very true. And that would have a repercussion that should interest all of us, particularly Mrs. (D)__________.

MRS. D: Why me, Mr. (A)__________?

MR. A: Well, as a housewife, you must be interested in the cost of living and whether it rises or falls.

MRS. D: Yes, I certainly am interested in living costs. But how would this spending spree, as you call it, affect them?

MR. A: Well, very vitally. If all of us spend these billions of dollars of new income we will create such a demand for goods of all sorts that prices may rise pretty swiftly and that’s something the Treasury and all of us want to avoid, isn’t it?
MRS. D: I should say it is. Prices have already gone up to a small extent and I wouldn't want to see them skyrocket like they did during and after the last war. Why, it kept one going to make both ends meet in those days.

MR. B: We businessmen don't like it either. It isn't easy for us when we have to tell our customers that they have to pay this much more or that much more for the things they are used to buying. We certainly don't want to see prices shoot skyward.

MR. A: Of course, none of us do. That's one of the principles of this campaign being conducted by the Treasury to induce people to invest their current savings in Defense Savings Bonds and Stamps. The more they set aside this way, the less demand there will be for goods of all kinds which will mean that we will have a more stable price structure.

MISS E: It seems to me that what it actually amounts to is this: If I buy fewer luxuries this year than last there will be just that much more material available for the manufacture of planes and ships, guns and tanks.

MR. A: And more labor, too, and that is also very important. The demands upon labor are tremendous and the more of our labor supply we divert to the manufacture of defense weapons, the better off this country will be.

MR. C: I certainly agree with you. If we are going to defend this country as it should and must be defended, we'll just have to give up a few of the luxuries and make little sacrifices here
and there in order to do it. Our industries can't possibly continue to manufacture goods to suit peacetime requirements and still turn out all of the weapons of war that the Government is demanding.

MRS. D: Yes, I can readily see that that is really too much to ask. But will the buying of Defense Bonds and Stamps lessen the demand for luxuries and other goods sufficiently?

MR. A: Well, it's pretty difficult to say yes or no to that question, but the demand will certainly be lessened to the extent that we do invest in those bonds and stamps. Moreover, the Federal Treasury is especially interested in making this saving plan a regular habit.

MISS E: Do you mean that they want us to buy these bonds or stamps regularly, every week or every month?

MR. A: That's it. Buy them regularly out of your savings, or give up some of the things you have been accustomed to and put that money into these bonds and stamps. By doing it regularly we will do ourselves and our Government a real service.

MRS. D: You emphasize ourselves. Why?

MR. A: We are certainly providing for our individual security by investing money in Defense Savings Bonds which will earn money for us.

MR. E: Yes, indeed. By setting aside some of our income during this prosperous period, we are building up a rainy-day reserve, a nest-egg which may come in mighty handy some day.
MRS. D: That's quite right. I think many of us would have been a lot better off during the last ten years if we had put aside more money during the twenties when money was so abundant. I think probably we have learned our lesson. We must think of the future.

MISS E: We girls are particularly interested in doing just that. Several of my girl friends, whose boy friends are in the Army, feel that they are the breadwinners these days. They tell me they intend to buy bonds every month, as many as they can afford, so that when they get married they can count on a certain amount of future income to help educate their children or make payments on their homes or for a thousand other necessities.

MR. A: I hope all of our young people have as much foresight as those girls and I feel sure that they do.

MRS. D: Yes, the girls in these days have to think and plan their own futures. When I was a girl we never worried as much as they must now. Our lives were far less complex affairs and we weren't expected to do the providing but that isn't the way with the girls nowadays.

MR. C: No, times have changed greatly. With more than a million men in our Army and Navy and new boys being drafted every month, the modern girl must certainly help to plan for her own future security. That's why I think these Defense Savings Bonds can play such an important part in our futures as well as in our present-day lives.

MRS. D: But these bonds don't come due until ten years from now. That seems to me to be an awfully long time to tie up your money.
MR. A: Oh, your money isn't really tied up at all, because these bonds can be redeemed at any time after sixty days from the issue date. Of course, if you don't hold them for the ten-year period, your interest return will be lower, but at least you can count on getting your money back in case of any unforeseen emergency.

MRS. B: Well, that answers a question I had in my mind and I think that is an excellent arrangement.

MR. B: I'd like to point out what I consider to be another very important feature of these investments. We've been talking about providing for our individual futures and about reducing the demand for luxuries and other goods through purchases of these bonds and stamps, but it seems to me that there is another important thing we haven't mentioned. Those billions we invest in these Defense Savings Bonds now will certainly serve another very important purpose. All of us realize that when this war is over and the Government's demands for the weapons of defense now being made upon industry have ceased, we will face a tremendous readjustment of employment and consumption.

MISS E: Yes, I can readily see that we may face a pretty serious unemployment problem after all of these war materials have been produced and manufactured and after the Government stops spending those billions. But how will this savings program affect that?

MR. B: Well, every bit of money we set aside now will go into a purchasing reserve for the future. A few years from now industry may begin to slacken up. Then many of us may find these savings to be real life-savers which may tide us over the rough spots. These savings may serve to keep our industrial wheels turning during what might otherwise be a slack period.
MR. B: Do you mean that these savings will act as a backlog of purchasing power to keep industry going later on?

MR. A: That's it exactly. It seems to me that no nation or people can go on spending and spending without regard for the future. We must think and plan for it.

MR. A: Yes, you're quite right. Had there been such a plan during the prosperous twenties we might have avoided a good deal of the heartaches and miseries of the past decade. We should save during more prosperous times and set aside a reserve for future uncertainties. I think that is the most important aspect of this whole program of the Treasury's.

MISS E: One very vital factor, it seems to me, is the patriotic one. Our Government needs us and we must not fail to answer its appeal.

MRS. D: We Americans have always rallied behind our Government in times of stress and during dark days. We're probably a little neglectful when things are going along all right, too easily satisfied just to let things drift and not bother. But let some outsider threaten our liberties, the things for which our fathers have fought and which we mothers have struggled to preserve, and we're right there.

MR. B: Yes, we Americans have never let our Government down. We've always been quick to respond in emergencies. And today we face a very serious situation. Threats surround us on every side. We've all got to pitch in and work together.

MR. A: That's where this savings plan fits right in. It seems to me that each and every one of us now has a chance to buy a share in America, a chance to help Uncle Sam directly. As for myself, I know that the
United States Government is the best and safest investment in the world. Certainly the Defense Savings Bond, earning dollars for us as it does, is a good place to put our money to work.

MISS E: Why do you know the other day I saw a few prices that the War and Navy Departments pay for some of their equipment. That $5 I spend for a Defense Savings Stamp will buy somebody, maybe my boy friend, a steel helmet. The money you spend for a $25 Defense Savings Bond will buy a winter flying jacket for one of our aviators.

MRS. D: My, that is interesting. It seems to me that here is a good way to put our dollars to work for the defense of our country.

ANNOUNCER: Thank you, ladies and gentlemen. You have just listened to a special round-table discussion about the new Defense Savings Bonds and Stamps recently placed on sale by the Treasury Department.

Those who participated were


Thank you for this highly interesting discussion about the Treasury Department's campaign to sell Defense Savings Bonds and Stamps to all Americans.
Memorandum on S. J. Res. 60

Most of this resolution covers technical provisions of existing law aimed at improvement in the operation of the Agricultural program. There is no budgetary or other administrative objection to any of these amendments.

Section 10, however, directs the Commodity Credit Corporation to make available loans to cooperators who "grow cotton, corn, wheat, rice or tobacco at the rate of eighty-five percent of the parity price for the commodity as of the beginning of the marketing year."

This is an effort to obtain farm prices nearer parity. It reflects the Government's objective for the past eight years. It reflects the fact that the farmers did not have and have not as great a share of the national income as other groups.

There is, nevertheless, an obscurity or perhaps an omission in the language of the resolution which I have sought to clarify before affixing my signature.

One effect of increasing the loan rate on the major crops will in many cases result in a lowering of existing or budgeted parity payments. It should be obvious to all that the Government ought not now to change the existing policy by giving to farmers a total remuneration greater than parity.

When this bill becomes law the cooperating farmer will be able to receive an eighty-five percent parity loan plus a cash Parity payment plus a cash Soil Conservation payment. Under no circumstances should the sum of these three exceed parity.

Therefore I have taken up the construction of the law with certain Legislative leaders chiefly responsible for it and have received from them letters stating in effect that for the 1941 crop the broad intention is that parity payments should if necessary be so curtailed as to avoid a price above parity when added to the loan and the Soil Conservation payments. I am therefore confident that in the pending Appropriation Bill this clear interpretation and intent will be carried out.

Furthermore, it is my belief that in the Omnibus Bill submitted to the Congress by the Secretary of Agriculture minimum cotton and wheat allotments should more closely approximate current demand; cotton and rice penalties should be increased; all with the thought that wholly unmanageable surpluses should not accumulate in the hands of the Government. Finally, the Commodity Credit Corporation should be free to dispose in an orderly manner of many commodities acquired under the Loan program.

I am approving this Joint Resolution on the distinct understanding that parity payments will be limited to the amount necessary to bring the basic commodities to parity but not beyond parity.
The University of North Carolina
Chapel Hill

Office of the President

May 26, 1941.

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

My dear Mr. Secretary:

I am much interested in your letter with regard to your plans for a comparative study of Federal-State-Local revenue needs. The University of North Carolina will be glad to cooperate in every way possible.

Dr. Clarence Heer has served the federal government on several occasions in his capacity as student of taxation. I am referring your letter to him and the Dean of the Commerce School, in which he is a member of the faculty, for their consideration also.

With best wishes to you, I am

Sincerely yours,

/s/
Frank P. Graham
President
May 26, 1941

Hon. Henry Morgenthau, Jr.
2211 - 30th Street, N. W.
Washington, D. C.

Dear Henry:

Thank you very much for your nice letter, which I greatly appreciated. I welcomed the opportunity of being able to help and will be glad to try to do so again whenever you think it necessary.

I hope that this will greet you upon your return and that your trip will have been a huge success and that you will have had a decent rest out of it.

Sincerely,

[Signature]
CO PY

May 23, 1941

Dear Eddie:

This is just to tell you again how much I appreciate what you did for us last week on the tax statement.

I know how hard it is for you to break away from your regular work. It makes me all the more grateful for the time you gave to this job. You were an enormous help.

Sincerely yours,

(Signed) Henry

Lieut. Col. Edward S. Greenbaum,
1245 29th Street, N. W.
Washington, D. C.

FK/hkb
5/22/41

Enc:

Statement of John L. Sullivan before Ways and Means Committee on Mon., May 19, 1941
May 26, 1941

MEMORANDUM FOR THE SECRETARY:

Mr. Harold Stanley called me at 2:30 (EST) today and asked that I give you the following information concerning the sale of the Viscose stock.

He said that the issues are over-subscribed. The common at the present time is quoted at 23 1/2, which is the dealer's price, one-half point below the price quoted in the prospectus; preferred 108 1/2 bid and 109 asked, which is a point to a point and a half above the price in the prospectus.

He said to tell you that the issue had gone and gone well. There was, of course, still some stock around in the hands of the underwriters but he thought that we could say that the whole issue had been a complete success. He also stated that he felt that this success was due to dropping the price from 25 to 24 and if they had kept it at 25, in view of the activity in Crete and the loss of the Hood, it might have sold off as much as two points.
May 26, 1941

CONFIDENTIAL

Dear Mr. Knocks:

Permit me to acknowledge, on behalf of the Secretary, the receipt of your letter of May 22, 1941, enclosing your compilation for the week ended May 14, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Faithfully yours,

H. Merle Cochran
Technical Assistant to the Secretary

L. W. Knox, Esquire,
Vice President,
Federal Reserve Bank of New York,
New York, New York.

ENC:lap-5/26/41
May 22, 1941.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. Merle Cochran

I am enclosing our compilation for the week ended May 14, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure
# Analysis of British and French Accounts

(In Millions of Dollars)

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>DEBITS</th>
<th>BANK OF ENGLAND (BRITISH GOVERNMENT)</th>
<th>CREDITS</th>
<th>BANK OF FRANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Debts</td>
<td>Gov't Expenditures(a)</td>
<td>Other Debts</td>
<td>Total Credits</td>
</tr>
<tr>
<td>First year of war (6/29/40-6/29/40)</td>
<td>1,793.2</td>
<td>406.6</td>
<td>1,187.62</td>
<td>288.2</td>
</tr>
<tr>
<td>Aug. 29 - Sept. 2</td>
<td>188.2</td>
<td>744.9</td>
<td>795.5</td>
<td>306.9</td>
</tr>
<tr>
<td>Oct. 31 - Nov. 30</td>
<td>236.7</td>
<td>166.7</td>
<td>222.8</td>
<td>136.5</td>
</tr>
<tr>
<td>Nov. 22 - Dec. 30</td>
<td>241.0</td>
<td>201.3</td>
<td>238.9</td>
<td>259.4</td>
</tr>
<tr>
<td>War period through Dec. 31, 1940</td>
<td>2,282.3</td>
<td>1,408.6</td>
<td>1,356.72</td>
<td>2,923.2</td>
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<tr>
<td>Jan. 2 - 29</td>
<td>197.4</td>
<td>162.7</td>
<td>164.7</td>
<td>299.8</td>
</tr>
<tr>
<td>Feb. 22 - Apr. 1</td>
<td>222.7</td>
<td>175.6</td>
<td>171.2</td>
<td>217.2</td>
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<tr>
<td>Apr. 2 - May 28</td>
<td>125.0</td>
<td>101.9</td>
<td>24.1</td>
<td>218.9</td>
</tr>
<tr>
<td>May 1 - July 30</td>
<td>17.2</td>
<td>32.6</td>
<td>4.6</td>
<td>16.5</td>
</tr>
<tr>
<td>June 30</td>
<td>27.4</td>
<td>20.1</td>
<td>5.1</td>
<td>16.4</td>
</tr>
<tr>
<td>July 31 - Aug. 27</td>
<td>125.0</td>
<td>101.9</td>
<td>24.1</td>
<td>218.9</td>
</tr>
<tr>
<td>Aug. 28 - Oct. 1</td>
<td>17.2</td>
<td>32.6</td>
<td>4.6</td>
<td>16.5</td>
</tr>
<tr>
<td>Oct. 2 - Oct. 29</td>
<td>17.2</td>
<td>32.6</td>
<td>4.6</td>
<td>16.5</td>
</tr>
<tr>
<td>Nov. 22 - Dec. 30</td>
<td>17.2</td>
<td>32.6</td>
<td>4.6</td>
<td>16.5</td>
</tr>
<tr>
<td>Week ending:</td>
<td>17.2</td>
<td>32.6</td>
<td>4.6</td>
<td>16.5</td>
</tr>
<tr>
<td>Dec. 31</td>
<td>17.2</td>
<td>32.6</td>
<td>4.6</td>
<td>16.5</td>
</tr>
</tbody>
</table>

Average Weekly Expenditures Since Outbreak of War (through June 19) $19.5 million

England (through June 19) $77.4 million

Average Weekly Expenditures Since Outbreak of War (through June 19) $19.5 million

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

Transfers from British Purchasing Commission to Bank of Canada for French Account (See footnotes on reverse side)

Week ended May 14

Cumulation from July 6 $152.7 million

Regretted Unclassified
(a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply, Timber Control, and Ministry of Shipping.

(b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $354 million.

(c) Includes about $25 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.

(d) Includes payments for account of French Air Commission and French Purchasing Commission.

(e) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.
### Analysis of Canadian and Australian Accounts

**[In Millions of Dollars]**

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Debits</th>
<th>Total Credits</th>
<th>Transfers to Official British A/C</th>
<th>Other Debits</th>
<th>Total Debits</th>
<th>Transfers from Official British A/C</th>
<th>Other Credits</th>
<th>Net Incr. (+) or Decr. (-) in Balance</th>
<th>Total Debits</th>
<th>Other Debits</th>
<th>Total Credits</th>
<th>Transfers to Official British A/C</th>
<th>Other Credits</th>
<th>Net Incr. (+) or Decr. (-) in Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>First year of war</strong></td>
<td></td>
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</tr>
<tr>
<td>(6/29/39-8/28/40)</td>
<td>323.0</td>
<td>16.6</td>
<td>306.6</td>
<td>504.7</td>
<td>416.7</td>
<td>20.9</td>
<td>36.7</td>
<td>32.4</td>
<td>+101.7</td>
<td>31.3</td>
<td>3.9</td>
<td>37.3</td>
<td>35.1</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>1940</strong></td>
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<tr>
<td>Aug. 29 - Oct. 2</td>
<td>44.3</td>
<td>-</td>
<td>44.3</td>
<td>43.9</td>
<td>16.4</td>
<td>27.3</td>
<td>0.2</td>
<td>-0.4</td>
<td>8.7</td>
<td>2.5</td>
<td>6.2</td>
<td>-0.4</td>
<td>6.0</td>
<td>5.7</td>
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<tr>
<td>Oct. 3 - Dec. 30</td>
<td>35.2</td>
<td>-</td>
<td>35.2</td>
<td>59.6</td>
<td>14.0</td>
<td>14.3</td>
<td>3.7</td>
<td>+1.2</td>
<td>10.1</td>
<td>7.5</td>
<td>2.6</td>
<td>3.6</td>
<td>7.6</td>
<td>6.5</td>
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<tr>
<td>Nov. 1 - Dec. 31</td>
<td>49.0</td>
<td>-</td>
<td>49.0</td>
<td>60.6</td>
<td>13.7</td>
<td>15.7</td>
<td>4.4</td>
<td>-1.6</td>
<td>6.0</td>
<td>4.6</td>
<td>6.8</td>
<td>4.8</td>
<td>6.6</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>War period through Dec.</strong></td>
<td>477.2</td>
<td>16.6</td>
<td>493.8</td>
<td>707.4</td>
<td>544.8</td>
<td>22.2</td>
<td>110.4</td>
<td>42.9</td>
<td>-230.0</td>
<td>59.9</td>
<td>14.5</td>
<td>43.4</td>
<td>82.6</td>
<td>50.1</td>
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<tr>
<td>Jan. 2 - 26</td>
<td>33.7</td>
<td>-</td>
<td>33.7</td>
<td>35.9</td>
<td>16.9</td>
<td>15.0</td>
<td>5.0</td>
<td>+0.2</td>
<td>4.6</td>
<td>4.6</td>
<td>6.8</td>
<td>5.1</td>
<td>1.7</td>
<td>+2.0</td>
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<tr>
<td>Jan. 30 - Feb. 28</td>
<td>31.1</td>
<td>-</td>
<td>31.1</td>
<td>34.8</td>
<td>14.3</td>
<td>6.6</td>
<td>3.2</td>
<td>-0.8</td>
<td>5.0</td>
<td>1.7</td>
<td>3.3</td>
<td>3.2</td>
<td>0.6</td>
<td>2.6</td>
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<tr>
<td>Feb. 27 - Apr. 2</td>
<td>60.9</td>
<td>-</td>
<td>60.9</td>
<td>46.0</td>
<td>23.1</td>
<td>19.1</td>
<td>3.6</td>
<td>-14.9</td>
<td>5.0</td>
<td>0.8</td>
<td>5.0</td>
<td>13.7</td>
<td>12.9</td>
<td>1.2</td>
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<td>Aprs. 3 - Aprs. 30</td>
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<td>17.5</td>
<td>10.5</td>
<td>12.7</td>
<td>+1.0</td>
<td>2.8</td>
<td>2.8</td>
<td>5.9</td>
<td>4.6</td>
<td>1.3</td>
<td>+3.1</td>
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<td><strong>May 1 - May 28</strong></td>
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<td>May 29 - July 2</td>
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<td>July 3 - July 27</td>
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<td>July 31 - Aug. 27</td>
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<td><strong>Second year of war</strong></td>
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<td>(6/29/40-8/27/41)</td>
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<td>Aug. 28 - Oct. 1</td>
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<td>Oct. 2 - Oct. 29</td>
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<td><strong>Week Ended</strong></td>
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</tr>
<tr>
<td><strong>April 23</strong></td>
<td>11.7</td>
<td>-</td>
<td>11.7</td>
<td>13.9</td>
<td>2.4</td>
<td>10.0</td>
<td>1.9</td>
<td>+3.2</td>
<td>0.3</td>
<td>0.1</td>
<td>4.6</td>
<td>4.4</td>
<td>0.2</td>
<td>+4.3</td>
</tr>
<tr>
<td><strong>30</strong></td>
<td>16.9</td>
<td>-</td>
<td>16.9</td>
<td>8.0</td>
<td>6.8</td>
<td>-1.2</td>
<td>-8.8</td>
<td>1.1</td>
<td>-1.1</td>
<td>1.1</td>
<td>0.7</td>
<td>0.2</td>
<td>0.5</td>
<td>-0.4</td>
</tr>
<tr>
<td><strong>May 7</strong></td>
<td>9.0</td>
<td>-</td>
<td>9.0</td>
<td>12.4</td>
<td>3.2</td>
<td>-0.5</td>
<td>8.2</td>
<td>+3.2</td>
<td>1.7</td>
<td>1.7</td>
<td>0.1</td>
<td>1.6</td>
<td>0.1</td>
<td>-0.1</td>
</tr>
<tr>
<td><strong>14</strong></td>
<td>8.3</td>
<td>-</td>
<td>8.3</td>
<td>4.4</td>
<td>3.7</td>
<td>-0.7</td>
<td>-3.9</td>
<td>0.2</td>
<td>-0.7</td>
<td>0.2</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

**Weekly Average of Total Debits Since Outbreak of War**

**Through May 14, 1941**

$7,65,000,000$ million

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

FROM British Supply Council In North America

TO Mrs Helen S. Klotz

Compliments of E.N. Gray
### Statement No. 16

**Aircraft Shipped to U.K. and Overseas Commands**

<table>
<thead>
<tr>
<th>Destination</th>
<th>Assembly Point</th>
<th>By Sea During Week Ending May 3, 1941</th>
<th>By Air During Week Ending May 25, 1941</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sopwith Camel</td>
<td>M.E. Takoradi</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>Sopwith Pup</td>
<td>U.K. U.K.</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sopwith Snipe</td>
<td>U.K. U.K.</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sopwith III</td>
<td>U.K. U.K.</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sopwith IIID</td>
<td>U.K. U.K.</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Sopwith IV</td>
<td>U.K. U.K.</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Sopwith IV</td>
<td>U.K. U.K.</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Sopwith III</td>
<td>U.K. U.K.</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sopwith IV</td>
<td>U.K. U.K.</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Sopwith IV</td>
<td>U.K. U.K.</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Sopwith IV</td>
<td>U.K. U.K.</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>45</td>
<td>20</td>
</tr>
</tbody>
</table>

British Air Commission, 26, 1941.
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bangkok, Thailand

DATE: (undated, received May 29, 1941, 5:30 a.m.)

NO.: 285

Recently there has been a great deal of publicity in the vernacular press of the alleged decision of the Thai Government to take out of the United States the gold reserves it has there. I had a talk with the Deputy Minister of Foreign Affairs, and he denied that his Government has this intention.

GRANT.
DEPARTMENT OF STATE
WASHINGTON

May 26, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a strictly confidential memorandum for Treasury from Mr. Donald R. Heath, First Secretary of the American Embassy, Berlin, dated May 13, 1941, regarding German-Russian economic relations.

Enclosure:

Memorandum.

Copy: JPT
A contact highly connected with what may be called the Economic General Staff of wartime Germany, whom I have found to be completely reliable in the bits and hints of information which he has given me on our occasional meetings, tells me that in the German trade negotiations with the Soviet government which have been going on here, Russia has agreed to furnish quantities of commodities which the Germans would not even have thought of asking for twelve months ago. While he declined to give information as to the commodities and amounts negotiated, he said laughingly that in the case of one product of which the Germans had asked a considerably increased quota, the Russian negotiators voluntarily suggested that the amount be still further increased.

He professed to have no information or ideas in regard to the rumor that Russia might be the object of a German invasion. He said, however, that there had been some personal and informal speculation among German government economic experts as to the economic results for Germany of such a move, and that there were two schools of thought. One school held that in addition to the eventual benefits of German exploitation of this region, a quick military thrust would succeed in obtaining possession, before their destruction could be achieved, of considerable reserves of grain and other products. The other school, to which he personally inclined, was very dubious that there would be any immediate economic loot of importance and that successful eventual exploitation presented great difficulties. For one thing, he said, the Ukraine, according to his information, had largely been transformed into large scale collective enterprises which could only be operated with the help of central tractor and mechanical stations. It was to be assumed that the Russians would destroy, or perhaps utilize for military purposes, the tractors and other equipment of the central mechanical stations and the Germans would not be able to replace them during the first year in any case. There was also the question whether Germany, already spread out over the continent, would be able to control and exploit effectively a vast additional area.
My informant went on to say, however, that regardless of whether or not greater supplies could be obtained from Russia, the German experts were convinced that in case the war developed into a stalemate and the British fastened a complete Atlantic blockade on the continent, that Germany with supplies from North Africa could, as a purely economic proposition, keep continental Europe clothed and fed, although very poorly fed. Whether it would be politically possible was another question.

(s) Donald R. Heath  
First Secretary of Embassy

Approved:

(s) Leland Morris  
Charge d’Affaires a.i.
MEMORANDUM TO: Mr. Harry Hopkins  
(Office of Defense Aid Reports)

SUBJECT: Army Equipment Available for Transfer to Brazil.

1. Listed below is new and unused United States Army material which I have determined can be made available from stock or current orders financed from appropriations made prior to March 11, 1941, for the defense of Brazil, in our interest, as contemplated by the Act of March 11, 1941:

For delivery by July 31, 1941:
10 - Trucks, Light, 2 1/2-ton, each equipped with radio (3 send and receive, 7 receivers), one 57 mm gun and five machine guns, Cal. .30.
10 - Scout cars, M2A1 - each equipped with radio (send and receive), and three machine guns, Cal. .30.
35 - Trucks, 1/4 ton, 4 x 4 (hassan type), Ford manufacture.
20 - Trucks, 1 ton, 4 x 4, cargo
20 - Trucks, 1 1/2 ton, 4 x 4, cargo
20 - Trucks, 2 ton, 6 x 6, cargo
10 - Trucks, 4 ton, 6 x 6, cargo
5 - Trucks, Automotive repair
1,000 - rds. Shell, practice, 37 mm.
20,000 - Cartridges, Ball, Cal. .30.
20,000 - Cartridges, Tracer, Cal. .30.

For delivery as soon after July 31, 1941, as practicable (subject to receipt of official notification of acceptability by the Brazilian Purchasing Commission):
30 - Scout cars, M2A1 - each equipped with radio receiver only, no armament.
2. The immediate transfer to the Government of Mexico of the items noted above will result in less enemy advantage to the United States and of all proportion to either the intrinsic value of those solutions or to the States involved in diverting them from our own or British use.

3. The approximate total value of the above listed items is $4,000,000.

4. This transaction is in accordance to the authorization of $2,000,000,000 contained in Section 5 (a)(6) of the Act of March 11, 1941.

[Signature]

G. C. Marshall
Chief of Staff.

Approved: May 26, 1941

Henry L. Stimson
Secretary of War.

Copy for Sec'y of Treasury

Regraded Unclassified
# EXPORTS OF PETROLEUM PRODUCTS, SCRAP IRON AND SCRAP STEEL FROM THE UNITED STATES TO JAPAN, RUSSIA, SPAIN, AND GREAT BRITAIN AS SHOWN BY DEPARTURE PERMITS GRANTED

**Week ended May 24, 1941**

<table>
<thead>
<tr>
<th><strong>PETROLEUM PRODUCTS</strong></th>
<th><strong>JAPAN</strong></th>
<th><strong>RUSSIA</strong></th>
<th><strong>SPAIN</strong></th>
<th><strong>GREAT BRITAIN</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel and Gas Oil (including Diesel Oil)</td>
<td>272,446 Bbls.</td>
<td>-</td>
<td>25,000 Bbls.</td>
<td>75,571 Bbls.</td>
</tr>
<tr>
<td>Crude -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blended or California High Octane Crude*</td>
<td>152,024 Bbls.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>All Other Crude</td>
<td>83,200 Bbls.</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gasoline -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline A**</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gasoline B*</td>
<td>11,000 Bbls.</td>
<td>-</td>
<td>181,757 Bbls.</td>
<td></td>
</tr>
<tr>
<td>All Other Gasoline</td>
<td>-</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lubricating Oil -</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aviation Lubricating Oil***</td>
<td>2,395 Bbls.</td>
<td>-</td>
<td>-</td>
<td>67,833 Bbls.</td>
</tr>
<tr>
<td>All Other Lubricating Oil</td>
<td>51,497 Bbls.</td>
<td>-</td>
<td>-</td>
<td>36,968 Bbls.</td>
</tr>
<tr>
<td>Tetraethyl Lead***</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>&quot;Boosters&quot;, such as Iso-Octane, Iso-Hexane, or Iso-Pentane</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

| **SCRAP IRON AND SCRAP STEEL** | | | | |
| Number 1 Heavy Melting Scrap | - | - | - | 2,000 Tons |
| All Other Scrap | - | - | - | 2,450 Tons |

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

Source: Office of Merchant Ship Control, Treasury Department.

* Any material from which by commercial distillation there can be separated more than 3 percent of aviation motor fuel, hydrocarbon or hydrocarbon mixture - President's regulations of July 26, 1940.
* Aviation Gasoline.
* As defined in the President's regulations of July 26, 1940.
TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £34,000
Purchased from commercial concerns £ 7,000

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

A slight improvement took place in the Canadian dollar. The closing quotation was 12-1/2% discount, as compared with 12-3/4% on Saturday.

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

Swiss franc .2321
Swedish krona .2385
Reichsmark .4005
Lira .0505
Argentine peso (free) .2375
Brazilian milreis (free) .0505
Mexican peso .2070
Cuban peso 2-9/16% discount

In Shanghai, the yuan was quoted at 5-7/16#, up 1/32#. Sterling advanced 1/2# to 3.92-1/8.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Mexico shipped $375,000 in gold from Mexico to the Federal for its own account, for sale to the New York Assay Office.

The State Department forwarded cables to us stating that the following gold shipments had been made from England, for sale to the New York Assay Office:

$478,000 shipped by the Swiss Bank Corporation, London, to its New York agency.
10,000 shipped by Sharps and Wilkins, London, to the Bankers Trust Company, New York.
$488,000 Total

We were informed that the Bombay gold price for May 24 was equivalent to $34.04, or 1# lower than the quotation of May 17. Silver was equivalent to 44.15#, off 1/4#.
In London, a price of 23-3/8d was again fixed for both spot and forward silver, equivalent to 42.44¢.

The Treasury’s purchase price for foreign silver was unchanged at 35¢. Handy and Harman’s settlement price for foreign silver was also unchanged at 34-3/4¢.

We made three purchases of silver totaling 550,000 ounces under the Silver Purchase Act, all of which was bought for forward delivery. Of this amount, 225,000 ounces represented new production from Argentina, and the remaining 325,000 ounces consisted of new production from various foreign countries.
Dear Mr. Secretary,

I enclose herein for your personal and secret information copies of the latest reports received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

[Signature]

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
Washington, D.C.
1. CRETE. Enemy bombing continued uninterrupted throughout May 22nd but situation at Heraklion reported well in hand and at Canea - Suda Bay road only few German detachments still on the road but Maleme area enemy holds aerodrome and troops and stores continue to reach him by air. Enemy troop carrying aircraft have been destroyed. At 16:00 on May 22nd situation was reported to have deteriorated at Maleme. Subsequent report states that bombardment of Maleme aerodrome by naval units was most successful. Up to last report received 21:00 May 22nd fighting still continued in latter area.

2. Losses and damage to naval units to be expected in view of impossibility of fighter protection and gradual diminution of ammunition. His Majesty’s Ship "Gloucester" hit, abandoned and sunk, His Majesty’s Ship "Fiji" hit, and sunk later. His Majesty’s Ships "Greyhound" and "Kelly" and "Kashmir" sunk. His Majesty’s Ships "Warspite" "Valiant", "Malal", "Ajax" and "Carlisle" also received damage all by bombs.

3. Enemy convoy of 30 ships attacked by our light forces at 10:00 on May 22nd; details not known but Italian destroyers and other craft appear to have been searching for survivors and convey dispersed northward. No seaborne enemy force had landed in Crete up to the morning of May 23rd. The enemy’s main objective was Maleme their attacks on ..... have certainly failed so far.
4. One of His Majesty's submarines sank 7,000 tanker and 9,000 troop ship west of Lampedusa on May 20th and on May 21st she attacked three cruisers and four destroyers north of Lampedusa and probably sunk a destroyer. Another submarine harried coastal shipping off the coast of Libya between May 13th and 20th, sinking large schooner and shelling another.

5. Air reconnaissance P.M. May 22nd, shows that German battleship and cruiser have left Bergen.

6. IMPORTS.

Imports in convoy week ending May 17th exceeded one million tons for first time since the week ending March 16th.

7. ABDISSINIA.

Our forces have captured Gelutij 800 prisoners taken after enemy counter-attack with tanks had been repulsed. Our troops have also entered Hula without opposition.

8. IRAQ.

Night of May 21st enemy penetrated ........

We counter-attacked and re-occupied our original positions. Bad weather prevented bombing operations night of May 22nd/23rd.

9. During daylight May 22nd two Hurricanes on offensive operations over N.W. France shot down ME 109's and probably destroyed JU 52's. 4 enemy occupied aerodromes - Greece were heavily attacked by British aircraft night of May 20/21st.

10. Enemy activity over United Kingdom during daylight May 22nd and during night of May 22nd/23rd very slight.
TELEGRAM RECEIVED FROM LONDON DATED
MAY 24TH, 1941

1. At 20.32 May 23rd Norfolk Suffolk sighted one enemy battleship Bismarck class and one 8-inch cruiser in Denmark Strait sources W. high speed. They shadowed enemy till 05.40 May 24th when Prince of Wales Hood with destroyers gained touch. Snow and rain storms rendered shadowing difficult. Operations continuing.

2. CRETE. Kipling damaged by collision wrecked about 50 miles south of Crete.

3. On May 23rd Suda dockyard heavily machine gunned by aircraft all our M.T.B.'s out of action. At 19.30 May 23rd reported Heraklion town clear of enemy who had dropped supplies including field guns and shells which were collected by our troops who claimed shooting down 16 troop carrying aircraft since May 20th. Further enemy troops dropped mopping continues. Bethlehem situation satisfactory. Various enemy hold landing ground; we hold defensive position to the east. Royal Air Force attacked landing ground our troops much encouraged. May 23rd small ships landed German troops N.E. of Ganea.

4. Mediterranean forces are refuelling and embarking ammunition.

5. YUGOSLAVIA. Withdrawal of Italian troops reported from Minevo and further withdrawals Costiven and Tetovo. These towns are in area originally claimed by Italy as part of great Albania.


63 aircraft sent out, 51 to Cologne works returned safely after attacking primary targets.
On May 23rd four Blenheims attacked enemy merchant vessel 15 miles W. by S. of Pantellaria and left her on fire and stopped.

Beaufort aircraft p.m. May 22nd claimed direct hit on amidships on tanker Altmark type at La Pallisse.
1. NAVAL: Hood and Prince of Wales engaged enemy ships and at 06:15 May 24th the Hood blew up. Destroyers detached searched for survivors. The Prince of Wales sustained some damage, speed reduced to 27 knots. Chase continued South Westward and the Bismarck obviously suffered damage, later reported leaving trail of oil fuel.

At 18:30 Prince of Wales again engaged the Bismarck who altered to Westward thereby breaking off the engagement. At 0020 May 25th aircraft torpedo attack from Victorious was completed, one hit observed. At 0300 our shadowing forces lost touch with the enemy whose speed it was later reported had been no more than 22 knots for some time.

2. Royal Air Force claimed hits on 2 or more vessels off Prisian Isles May 24th.

3. S.E. of Augusta (Sicily) p.m. May 24th. Upholder attacked three large troop ships escorted by destroyers and scored two hits.

4. CRETE.

Small force of cruisers and destroyers swept waters north of the island night of May 24/25 but sighted nothing. At Heraklion enemy bombers on May 23rd heavily bombed town but not the jetty.

On May 24th 1,000 enemy parachute troops dropped west of town bombing and machine gun fire frustrated our attacks. Greek troops in town short of ammunition. At Rethymon we hold our positions.
- 2 -

despite heavy air attacks. At Maleme enemy still hold aerodrome. Enemy tanks reported this area. At Maleme on May 23rd Royal Air Force destroyed troop carriers on the ground and damaged others and Beau fighters machine gunned aircraft disembarking troops destroying 4 on the ground. Estimated 80 troop carriers landed at Maleme on May 23rd.

Same evening one Ju 52 towing six gliders accompanied by 32 more Ju 52's and fighter escort were sighted in Maleme area.
NO OBJECTION TO PUBLICATION IN SERVICE JOURNALS

MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, May 26, 1941

TENTATIVE LESSONS BULLETIN
No. 109
G-2/2657-235

NOTICE

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

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GERMAN USE OF PIONEER UNITS IN TANK ORGANIZATIONS

SOURCE

This bulletin contains a translation of an article by Colonel General Guderian, a foremost authority on armored units, published in Die Strasse, official publication of the German Highway Service, in December, 1940. Also included are the comments of an American official observer in Berlin.

CONTENTS

1. "ARMORED UNITS ON ROADS TO VICTORY"

2. COMMENT BY OBSERVER

NO OBJECTION TO PUBLICATION IN SERVICE JOURNALS

- 1 -
NO OBJECTION TO PUBLICATION IN SERVICE JOURNALS

GERMAN USE OF PIONEER UNITS IN TANK ORGANIZATIONS

1. "ARMORED UNITS OR ROADS NO VICTORY"

From the beginning of time, roads have had a stronger influence on land warfare than any other man-made object, and today, more than ever before, movement of large armies is dependent upon well-built roads. The necessity for them increases directly with the difficulties caused by the mountainous, marshy, sandy, or wooded terrain through which they pass. Bridges play a particularly important role in the construction of modern roads, since vehicle loads are steadily increasing.

Great statesmen and army commanders have attempted to solve the road problem, and even today we marvel at the roads of Napoleon I and of the Romans. Modern German highways, with their numerous refinements, are just as important from a military point of view.

Commanders of motorized and mechanized units are naturally most interested in our roads. It brings great satisfaction to march with such units through old Germany and to observe that high speeds can be maintained with a minimum number of accidents and without fatigue to men or rough treatment to material. We do not even have traffic problems resulting from movement of vehicles in counter or parallel directions. The advantages of German highways were realized during the march to Vienna, the movement into the Sudetenland, and the operations against CzechoSlovakia, Poland, and the western powers.

Along with our main highways, the German road net is now so well laid out and so closely meshed that our tank movements have met with no difficulties. Gaps that still existed on routes in frontier areas were closed, as a rule, by efficient cooperation of the labor service and loyal border civilians. With their help, bridges were made strong and safe.

But across the boundary line the picture was materially changed. Anticipation of this led to the most fearful apprehensions, especially concerning the movement of armored units.

"In the West," some said, "you will of course get through with your tanks because there are good roads over there, but in the East you will be immobilized. Sandy roads, marshes, and Polish wooden bridges are insurmountable obstacles."

Well, we got through in all parts of Poland.

NO OBJECTION TO PUBLICATION IN SERVICE JOURNALS

- 2 -

Regraded Unclassified
"Oh yes," said the others, "you had such good weather and such an inefficient adversary that naturally everything went smoothly. But in the West it will be different. You cannot get through the Eifel Mountains and the Ardennes Forest, or across the Meuse River, the Argonne Forest, or the Vosges Mountains."

These problems were also met successfully, however, and it is well worthwhile to take a glance at how they were solved.

Because of their military characteristics, German motor vehicles in general – and track-laying vehicles in particular – have ceased to be road-bound; they can be driven over any trail that resembles a road. Given fair weather and soil, they have notable cross-country ability. These things are true because of painstaking cooperation displayed over a period of many years by military, industrial, and motor experts.

We must not overlook the excellent training of our drivers and the exemplary work of our tank field maintenance units, workshop units, and service units behind the lines. All of these groups effected quick repairs and forestalled any lack of fuel and other vital supplies.

Finally, our tank units had at their disposal pioneers who, by repairing destroyed roads and bridges in record time, permitted execution of the shrewd plans of the High Command in spite of disagreeable technical difficulties.

Our adversaries, both in the East and in the West, demonstrated notable skill in demolitions. Let us take, for example, our penetration of the former Polish Corridor in the vicinity of Knits and farther south near Schewtz-Grundau. The Brake River, deep and with marshy banks, runs north through the Corridor, and the forests on both sides of the river extend eastward to the Tucheler Heath.

Since it was foreseen that all bridges would be destroyed by the Poles when the attack started, we expected to encounter strongest resistance while advancing on the main roads, but we hoped that by a quick dash on an unfortified forest road we could capture a 16-ton wooden bridge recently built by the Poles. Accordingly, a Panzer division was sent out on this mission. Its leading tanks succeeded in taking the bridge from the defenders, who had not anticipated the appearance of strong forces. Although the bridge was burning, we were able to extinguish the fire.
Two divisions advanced day and night across the bridge and the miserable sandy road on the far side to cut off the Corridor and to annihilate the Polish troops entangled in it. In view of the offensive spirit animating troops and the traffic jam threatened by increasing depth of vehicle ruts, it is no wonder that many commanders shot themselves hoarse attempting to maintain order in this situation. But they did.

A few days afterwards we dashed through East Prussia on good German roads and fought for the demolished Narov crossing at Miens between Lomsha and Cz块owic. After we had passed the German border, there were no tar-surfaced roads, and we encountered horrible dust. Moreover, all bridges were demolished and the sand was knee-deep on the approaches to the crossing. Three divisions crossed the river here in column within 48 hours. Marching in three columns abreast and mostly over miserable sandy roads, we continued south to Brest-Litovsk, where captured Polish officers asked whether we were parachutists. They could not understand how we had advanced so rapidly.

In the West, operations began with removal of road barricades which had been erected just across the German border. These barricades were reinforced concrete walls taller than a man, and beyond them lay shell craters so deep that any attempt to fill them up proved hopeless. Detours had to be built. Several delays caused by hostile resistance were promptly reduced by the action of our tanks and by night marches.

After we reached the Meuse at Sedan, demolitions became fewer and smaller. Probably our appearance had not been expected so soon, for it was possible to move much faster on the good French roads than in Poland. By May 20 we had taken Amiens and Abbeville; on May 25 we were in Boulogne, and on May 26 we had reached Calais.

From the Channel ports we moved back to the Aisne for new tasks which took us by way of Chalons-sur-Marne, Langres, and Besancon to the Swiss border at Pontarlier, Belfort, and Epinal, and finally into the Vosges Mountains. At the beginning of this offensive we were confronted with the difficulties involved in crossing the Aisne River and the Aisne Canal. In the early part of this operation, much loss of time resulted from the fact that infantry and tank units used simultaneously not only the roads, but the few bridges that could be constructed in the face of hostile fire.

In accordance with General Weygand’s instructions, all villages had been fortified and all roads had been blocked by barricades; thus heavy fighting and additional loss of time were necessary. We made up for delays by speeding over good roads after crossing the
old Champagne battlefields.

On the evening of June 9 our tank units began to move; on June 17 we had reached the Swiss border; and on June 18, we were in Belfort and Epinal. This movement was completed in spite of the fact that the French had persistently and rather senselessly destroyed nearly all bridges up to the Swiss border.

We may get an idea of the work of our pioneers if we consider that within one command they built:

In Poland:

9 military bridges with a total length of 765 meters
99 temporary bridges with a total length of 2,436 meters

In the West:

33 military bridges with a total length of 1,272 meters
67 temporary bridges with a total length of 1,452 meters
208 bridges with a total length of 5,928 meters

On these 208 bridges, 135 had a carrying capacity of 16 tons or more.

We conclude from this brief sketch of a part of the formidable operations in Poland and on the Western Front that roads to victory were by no means smooth highways. Despite serious handicaps, we often had to advance and fight on side roads and across open country. This fact delayed us a little, but it never stopped us.

2. CONSENT BY OBSERVER

This article verifies the great credit given by German tank unit commanders to their pioneer units for important assistance rendered in the operations in Poland and on the Western Front.

Although the article is concerned primarily with the work of the pioneers, General Guderian gives due credit to skilled drivers and to the different maintenance echelons for their assistance in the progress of his command.

It should be noted that the author admits his command was delayed during operations across the Aisne River by infantry and tank units attempting to use the same roads and bridges simultaneously.
Energetic and aggressive action on the part of trained and well-equipped German tank pioneer units neutralized, in a large measure, the demolitions and tank barriers employed by Germany's adversaries.

In order that the progress of hostile tank units might be checked, secondary routes and possible detours, as well as main routes of advance, should have been blocked.
SITUATION REPORT

I. Western Theater.

Air: German. Unimportant activity over the British Isles.

British. A limited attack on Cologne on the night of the 24th-25th. No other important offensive operations.

Naval: The British appear to have lost contact with the "Bismarck" subsequent to the sinking of H.M.S. "Hood."

II. Crete.

German troops attacked on Sunday from the Malemi airdrome towards Canea and penetrated the British defenses. New Zealand troops are counterattacking to eject the German troops from their defensive positions.

The Germans continue to land troops and equipment, including some tanks, from the air and sea in the western portion of Crete. The small port of Kasteli-Kissamos in Kissamos bay appears to be in German hands.

III. Mediterranean and African Theaters.

Ground: North Africa. Quiet is reported at Tobruk. In the vicinity of Sollum there is considerable patrol activity.

East Africa. British troops have occupied Uondo and Soddu in southern Ethiopia. At Soddu several thousand Italians were captured.

Air: Asia. Attacks renewed on Tobruk and Malta.

British. Benghazi was raided on the 24th.

IV. Middle Eastern Theater.

Little change. Infiltration of German continues in the vicinity of Mosul. Unconfirmed reports estimate as many as 120 German planes now in Iraq together with some artillery.

Abdul Illah is reported to have returned to the country to set up a constitutional government in Basra.
Cairo, filed 17:49, May 25, 1941.

1. German fighters and bombers, as well as transports, have been observed towing gliders. As many as 12 have been towed by one transport. German reinforcements are being landed in Crete in large numbers.

2. George of Greece is now in Alexandria.

3. Two British 26-ton tanks have been landed in Crete with 4 more on the way and the fifth now being embarked.

4. H.M.S. FORMIDABLE has lost all but four of her planes. The cruisers which were sunk were the GLOUCESTER and the FIJI. The WARSPIKE was damaged sufficiently severely as to have to leave the action.

5. The Germans are maintaining a shuttle service between Greece and Crete with transports, bombers and fighters.

PELLERS

Distribution
Secretary of War
State Department
Under Secretary of War
Secretary of Treasury
Chief of Staff
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
Air Corps
Assistant Chief of Staff, G-3
Cairo, filed 8/400, May 25, 1941.

1. Situation in Cairo is very serious. It is estimated that 200 air transports have landed the following numbers of troops by making two trips a day:

- In the El-Anti vicinity, 6,000;
- From El-Anti to Gaza, 5,000;
- In the Gaza-Halich area and in the vicinity of Halich, 1,370.

Equipment and supplies are being dropped in proportion to the strength of those detachments.

2. German orders found on prisoners indicate that up to midnight of May 24, landings had been attempted of the 7th German Armored Division, the First, Second and Third Armored Regiments, and the 16th and 17th Storm Regiments. The last five of these units are parts of the 15th Air-Ground Division. Total German strength on the island, 750 light machine guns, 31 mortars, 48 antitank guns, 37 75-mm. guns and 12,000 men. (It seems the sentence got cut. Reading seems to be as follows.) British reinforcements, consisting of 4,370 men, 10 75-mm. guns, 15 mortars, 16 light machine guns, 8 heavy machine guns and 28 antitank guns, have not yet disembarked.

3. The Germans are organizing positions west of Halich and, by landing planes on the beach of Halich Bay, have occupied the town of Halich (west of Halich).

4. Authorities have released very little information in regard to naval operations, but it is evident that severe losses are being sustained.
which will be replaced with great difficulty. It is now considered probable
that German troop transport will be attempted by sea. Should a landing be
attempted from the sea, and if it should be coordinated with a simultaneous
offensive by the German troops now on the island, and should both offensives
be strongly supported by bombing and air machine gunning, the island cannot
be held.

5. The British positions at Rabaul are, however, strong. (6-8
note: Last sentence garbled.) Australians are in defensive lines in depth
at Glass and Kieta.

6. Use of Rein Des by British ships is attended with serious
difficulty.

7. Machine gunning and bombing of ground troops are continued
and German planes are landing reinforcements without interruption, as well
as supplies, both dropped from planes and landed on airfields. The German
forces are increasing owing to their complete control of the air.

Distribution:
Secretary of War
State Department
Secretary of Treasury
Chief of Naval Operations
Chief of Staff
Assistant Chief of Staff, G-2
Air Force Division
Office of Naval Intelligence
Air Corps
G-5

SECRET
Secret
By authority A. C. of S., O-2
Date: MAY 28, 1941
Initialed

Paraphrase of Coda Cablegram
Received at the War Department
at 14:15, May 28, 1941

Cairo, filed May 28, 1941.

1. Two British destroyers carried ammunition into
Suda Bay under heavy aerial bombardment.

2. With the exception of a few Greek fishing boats
which made landings on May 25 and 26, the German attempt to land
troops by sea has been repulsed.

3. Especially in the Nalon area, however, the German
offensive has been intensified. They have captured and are main-
taining themselves in the vicinity of Herakleion, Candia and Retimo,
as well as at Nalon where they have been able to land tanks.

FELIMES

Distribution:
Secretary of War
State Department
Secretary of Treasury
Under Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence
O-S
Air Corps
Paraphrase of Cable Telegram
Received at the War Department
at 06:16, May 26, 1941

SECRET
By authority A. C. of S., 0-2
MAY 28, 1941 (BP 1st)
Initials

London, filed 14:00, May 26, 1941,

Following is a summary of British Military Intelligence
information to 10:00 a.m., May 26.

1. Crete. In the vicinity of Gavio there are few changes
in the ground situation. British defensive positions are being organized
in depth and the Germans have been beaten back in an attack on the
British left flank. German air activity in this area is continuous
and extremely intensive.

2. The city of Gavio is in flames and its inhabitants are
leaving.

3. An attempt to drive out the Germans at Rétimo was un-
successful. The Germans have strongly established themselves between
the town and the airfield.

4. At Heraklion (Iraklion, Candia) the Germans were
successful in landing troop-carrying airplanes on the beach east of
the airfield. These troops unsuccessfully attempted to cut the main
east-west road.

5. It appears that the navy has prevented further rein-
fforcement by sea. The estimated casualties up to night of May 25-26
were: killed, wounded and missing, 3,300 Germans and 1,900 of the
defenders.

6. The German battleship "Bismarck", which was being pursued
by British naval forces, has managed to shake off its pursuers. But

SECRET
reports said that the ship has been damaged by shell fire and one
torpedo, it was losing speed and leaving oil trails.

7. In Iraq the general situation is greatly improved.

8. There is no news from Syria.

9. Axis planes dropped five more mines in the vicinity of
Great Bitter Lake in the Suez Canal. These mines have not as yet
been exploded.

International

Distributions

Secretary of War
State Department
Secretary of Treasury
Under Secretary of War
Chief of Staff
Assistant Chief of Staff, O-2
War Plans Division
Office of Naval Intelligence
Paraphrase of Coda Sublagen
Received at the War Department
at 15:00, May 26, 1941.

Nairobi, filed 23:50, May 26, 1941.

1. In March, munitions in the amount of 500 tons from the works
at Salon were shipped to Iran via Turkey, Syria and Iraq.

2. There is a concentration of German troops near Bordeaux.

3. A large load, with concrete is believed to have blocked the
Danube River at Buzanongo.

4. The following is a distribution of Russian divisions as re-
ported by British Military Intelligence on May 19.

<table>
<thead>
<tr>
<th>Military District</th>
<th>Infantry Divisions</th>
<th>Cavalry Divisions</th>
<th>Armored Divisions</th>
<th>Motorized Divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leningrad</td>
<td>26</td>
<td>10</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Prohalsca</td>
<td>17</td>
<td>10</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Kiev</td>
<td>33</td>
<td>11</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Western</td>
<td>17</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Odessa</td>
<td>10</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

5. The following is the distribution of German divisions as
reported by British Military Intelligence May 19.

<table>
<thead>
<tr>
<th>Country</th>
<th>Infantry Divisions</th>
<th>Cavalry Divisions</th>
<th>Armored Divisions</th>
<th>Motorized Divisions</th>
<th>Mountain Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>8</td>
<td>2</td>
<td>3</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Denmark</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France, Holland and Belgium</td>
<td>40</td>
<td>2</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Prussia</td>
<td>12</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Poland</td>
<td>19</td>
<td>4</td>
<td>10</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Russia</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td></td>
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<tr>
<td>Austria</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>12</td>
<td>1</td>
<td>2</td>
<td>(thought to be on route from Greece to Libya)</td>
<td>2</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Italy</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

SECRET 15
FELLED

Regraded Unclassified
SECRET

Distribution:
Secretary of War
State Department
Secretary of Treasury
Senior Secretary of War
Chief of Staff
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
G-5
Cairo, filed 23140, May 25, 1941.

Referring to your cable of May 23 in regard to air bases on Cyprus, the following is submitted:

1. At Rhosia there is a good base for landing planes with a runway.

2. At this base are to be found a meteorological station, one officer and several enlisted air corps men.

3. Stored at Cyprus are three tons of 100 viscosity ace Shell oil and 10 tons 120 viscosity ace Shell oil. Also there are 112 tons of 87 octane and 50 tons of 100 octane gasoline. A larger shipment of 90 and 100 octane gas plus one ton 120 viscosity ace Shell oil is now being placed on board ships for delivery there.

4. There is an anchorage for sea planes at Famagusta where landing and taking off must take place in the open bay, but it is reasonably sheltered and safe under most conditions. Another flying boat base might be found near Salouss and on the seashore southwest of Polis. Landing on these sites however is in the open water without shelter and is frequently hazardous.

5. The airfield at Larnaca has grass runways but is muddy below the sod and is not suitable for large planes. There are emergency fields under construction along the railroad between Famagusta and Rhosia. One could be finished in three days and the remainder in twenty-one days. The British are not continuing their construction
since they are unable to protect them from the enemy and are unwilling to hand over finished airfields to the Axis.

6. There are no British planes based on Cyprus.

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

1. British Air Activity over the Continent.

Daylight, May 25. Air Activity was limited to attacks on Axis shipping. Ten ships proceeding without convoy were halted, and three of these were reported to have been hit with three others also thought to have been damaged.

Night of May 25-26. All planes were grounded.

2. German Air Activity over Britain.

Night of May 25-26. Five German planes were observed over the Eastern-Southeastern area and one over Fingalness.

Daylight, May 25. Operations were on a minor scale, mostly consisting of defensive patrols, only three planes having been observed over land, one of these being over Bove.

3. British Air Activity Middle East Theater.

Daylight, May 25.

(1) Egypt. Egyptian planes from Egypt attacked Salami airport at Suez, and during the night of May 25-26 a second attack was made supported by naval guns. Italian fighter squadrons were also active machine gunning ground troops.

(2) Malta. Direct hits were observed on both ships after an attack by British planes on an Axis freighter and a destroyer.

(3) Syria. British ships based in Palestine attacked Axis aircraft at Aleppo.

(4) Syria. British Tornadoes conducted offensive missions over Syria.
CONFIDENTIAL

(5) Env. All positions of Iraqi troops were subjected to
British attack.

4. German Air Activity: Middle East Theater.

5. Daylight, May 15. A great deal of material destruction has
been caused by the severe bombing of Axis but few casualties have re-
sulted, while supplies and reinforcements have been brought from air
transports.

5. Axis Air Losses: Middle East Theater.

6. Daylight, May 15. Env. Six planes were destroyed by British
air attacks on Iraqi positions.
The Secretary of the Treasury announced last evening that the tenders for $100,000,000, or thereabouts, of 91-day Treasury bills, to be dated May 28 and to mature August 27, 1941, which were offered on May 23, were opened at the Federal Reserve Banks on May 26.

The details of this issue are as follows:

<table>
<thead>
<tr>
<th>Total applied for</th>
<th>$260,380,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total accepted</td>
<td>100,257,000</td>
</tr>
</tbody>
</table>

Range of accepted bids:

<table>
<thead>
<tr>
<th>High</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>99.980</td>
</tr>
<tr>
<td>Average price</td>
<td>99.983</td>
</tr>
</tbody>
</table>

Equivalent rate approximately 0.079 percent

(69 percent of the amount bid for at the low price was accepted)
FOR IMMEDIATE RELEASE,
Tuesday, May 27, 1941

Press Service
No. 25-43

TREASURY DEPARTMENT
Washington

The Secretary of the Treasury today announced the subscription figures and the basis of allotment for the cash offering of 2-1/2 percent Treasury Bonds of 1956-58.

Reports received from the Federal Reserve Banks show that subscriptions aggregate $8,268,000,000. All subscriptions were allotted 8 percent, on a straight percentage basis, with adjustments, where necessary, to the $100 denomination.

Nearly 95 percent of the Treasury Bonds maturing August 1, 1941, were exchanged, about $788,000,000 for the bonds and $1,000,000 for Treasury Notes of Series D-1943.

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

-000-
May 27, 1941

File

Mr. Cochran

At 10 o'clock this morning Mr. William G. Wrinkle, third secretary of
the American Embassy at Vichy, called on me. This was Mr. Wrinkle's first visit
to the United States since he went from here to Paris in July 1939. He was in
Paris at the time the Germans entered the city. Subsequently he was transferred
to Vichy and has been doing some economic and financial reporting from there.
He is now in the United States on leave of absence.

Mr. Wrinkle left with me a rough memorandum which he had drawn up upon
his departure from Vichy to show certain outstanding points in the French financial
situation. A copy of this memorandum is attached.

[Signature]

HNC: dm: 5.27.41
Army of Occupation Costs


Payments Aug. 25 to May 10 ...............103.8 billion. Certain advances being not out of those to the State for other purposes and for that reason the amount actually placed to the credit of the Germans is more than the total authorized.

Reserved balance with Bank of France ......... 60 billions.

Reduction of cost to 70 millions per day would still be in excess of actual "occupation costs".

- 10 million francs worth of Reichsmark/Gesamtschein issued.

Bank Reserves

Withdrawals from banks in France during May and June, 1940 approximated 15% of the total deposits. Since the June "low" they have risen by roughly 50%, a 10% rise having occurred between November, 1940 and April, 1941.

French bank deposits at the present time approximate 135 billion francs.

Bank of France Information

Note circulation approximately 227 billion francs net including advances to Germans except amount actually withdrawn by them. This represents a 70% rise since June 10, 1940. It is almost twice the circulation at the time of Munich and 50 odd billions above that at the outbreak of the war.

Issuance of bonds approximately 6 milliard per month.

Provisional advances to State rose from 36.3 milliard on June 10, 1940 to 61.9 on Dec. 25th. During same period gold cover been from 45% to 25%.

Net interest rates reduced twice since beginning of Jan. 1941.
- 1 -

Table

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Ordinary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Q.</td>
<td>24.0</td>
</tr>
<tr>
<td>1st Q.</td>
<td>15.8</td>
</tr>
<tr>
<td>2nd Q.</td>
<td>12.7</td>
</tr>
<tr>
<td>2nd Q.</td>
<td>10.0</td>
</tr>
</tbody>
</table>

1st half ordinary is 15% higher than "civil" limits.
Quarterly average extraordinary leave is 5% than "the budget"
Secretary of State,

Washington.

71, May 27, 10 a.m.

The Japanese have posted conspicuously throughout Haiphong many notices printed in Japanese, Chinese, French and Annamese reading as follows:

"By order of the Government at Tokyo, the Japanese mission has decided as from May 25, 1941 to take away the following merchandise destined for the government of Chiang Kai Shek, under the conditions set forth below: first, the merchandise considered to be war materials by the Japanese mission; second, no recognition will be given to transfers of title to merchandise which took place after June 19, 1940; third, all other merchandise will continue to be detained under existing conditions; and fourth, all inquiries in regard to the above matters shall be addressed in writing to the Japanese mission at Haiphong which will transmit them to the central authorities. No inquiry through other channels will be accepted.

Sent to Cavite for repetition to the Department, Chungking, Peiping, Hong Kong, Shanghai. Shanghai please repeat to Tokyo.

REED

NFL
The Foreign Service
Of the
United States of America

American Consulate
Hamilton, Bermuda,
May 27, 1941.

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury,
care of Admiral E. J. King, U.S.N.,
Commander-in-Chief Atlantic Fleet,
Hamilton.

Dear Mr. Secretary:

In the temporary absence of Mr. Watkins-Mence, the
Controller of Imperial Censorship, I arranged with
Captain Cotton-Minchin, Assistant Controller, for you to
visit the Headquarters located in the Princess Hotel, at
nine o'clock tomorrow (Wednesday) morning.

Captain Cotton-Minchin suggested that your boat land
you at the Princess Hotel dock, and he will be there to
escort you into the offices.

I indicated your particular desire in the matter of
financial matters and he assures me that you will be ac-
corded every assistance.

I hope you will have an opportunity to visit "Durham"
before you leave.

Sincerely yours,

William H. Beck
American Consul General
May 27, 1941

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

Dear Mr. Secretary:

Thank you for your pleasant letter of May 23rd. I greatly enjoyed working with you again, and hope that this will not be the last opportunity I shall have of doing so.

Sincerely yours,

Bernhard Knollenberg
May 23, 1941

Dear Mr. Knollenberg:

This is just to thank you once more for your help in connection with the tax statement last week. Your ideas and your advice were of really great assistance in a difficult job. I do appreciate your willingness to come down here and to give us so much of your time.

Sincerely yours,

(Signed) E. Hergenhan, Jr.

Mr. Bernard Knollenberg,
Yale University,
Box 1602-A, Yale Station,
New Haven, Connecticut.

FK/mkb
5/22/41

Enc:
Statement of John L. Sullivan
before Ways and Means Committee
on Mon., May 19, 1941
May 27, 1941

My dear Mr. Secretary:

Your letter, of course, is in the nature of a summons which Vassar College cannot oppose. We are honored in this recognition of Professor Newcomer's value as an economist in the field of public finance. She tells me that this may not require her absence from college, at least during the first semester of new year for which all student elections have been made.

I trust this will be the case, and we shall await your instructions.

I am

Faithfully yours,

/s/ H. N. MacCracken

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.
May 27, 1941

Mr. Harold N. Graves,
Assistant to the Secretary,
Treasury Department Building,
Washington, D. C.

Dear Mr. Graves:

Enclosed you will find a series of announcements for use in June in connection with the Treasury Department's campaign to sell Defense Savings Stamps and Bonds.

Thanks to your cooperation, the campaign is well under way. As we all realize, this task of raising money to finance the National Defense Program is a continuing effort. The problem confronting the Treasury is to get the people of America to buy stamps and bonds on a regular weekly or monthly basis, and to do this week after week and month after month. Therefore, your continued support will play a vital part in the success of this campaign.

The transcriptions are divided into four different groups and include one-minute talks by movie stars; dramatic skits; a musical moment with Fred Waring's orchestra; and straight announcements.

We are also attaching forms which we would like you to return to us. Here in the Treasury Department in Washington we are keeping a very complete record of the cooperation by your station and every other station in America. We want to make sure that your contribution in this great national defense effort is fully recognized.

Full details as to the rotation of the announcements are contained on the sheets attached.

Many, many thanks for your continued cooperation.

Sincerely,

Vincent F. Callahan
Chief, Radio Section,
Defense Savings Staff.

Enclosure
# SCHEDULE

## OF ONE MINUTE TRANSCRIPTIONS

**June 1 through June 5, 1941**

<table>
<thead>
<tr>
<th>Day</th>
<th>PART I No.</th>
<th>Time Used</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sunday, June 1</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PART I - No. 1</td>
<td>Bob Hope</td>
<td></td>
</tr>
<tr>
<td>&quot; 2</td>
<td>Fred Waring’s Orchestra</td>
<td></td>
</tr>
<tr>
<td>&quot; 3</td>
<td>Straight Announcement</td>
<td></td>
</tr>
<tr>
<td>&quot; 4</td>
<td>Dramatic Skit</td>
<td></td>
</tr>
<tr>
<td>&quot; 5</td>
<td>Jack Benny</td>
<td></td>
</tr>
<tr>
<td><strong>Monday, June 2</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PART I - No. 6</td>
<td>Fred Waring’s Orchestra</td>
<td></td>
</tr>
<tr>
<td>&quot; 7</td>
<td>Straight Announcement</td>
<td></td>
</tr>
<tr>
<td>&quot; 8</td>
<td>Dramatic Skit</td>
<td></td>
</tr>
<tr>
<td>&quot; 9</td>
<td>Mary Martin</td>
<td></td>
</tr>
<tr>
<td>&quot; 10</td>
<td>Straight Announcement</td>
<td></td>
</tr>
<tr>
<td><strong>Tuesday, June 3</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PART II - No. 11</td>
<td>Fred Waring’s Orchestra</td>
<td></td>
</tr>
<tr>
<td>&quot; 12</td>
<td>Dorothy Lamour</td>
<td></td>
</tr>
<tr>
<td>&quot; 13</td>
<td>Dramatic Skit</td>
<td></td>
</tr>
<tr>
<td>&quot; 14</td>
<td>Straight Announcement</td>
<td></td>
</tr>
<tr>
<td>&quot; 15</td>
<td>Fred Waring’s Orchestra</td>
<td></td>
</tr>
<tr>
<td><strong>Wednesday, June 4</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PART II - No. 16</td>
<td>Dramatic Skit</td>
<td></td>
</tr>
<tr>
<td>&quot; 17</td>
<td>Edward G. Robinson</td>
<td></td>
</tr>
<tr>
<td>&quot; 18</td>
<td>Straight Announcement</td>
<td></td>
</tr>
<tr>
<td>&quot; 19</td>
<td>Dramatic Skit</td>
<td></td>
</tr>
<tr>
<td>&quot; 20</td>
<td>Fred Waring’s Orchestra</td>
<td></td>
</tr>
<tr>
<td><strong>Thursday, June 5</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PART III - No. 21</td>
<td>Joan Blondell</td>
<td></td>
</tr>
<tr>
<td>&quot; 22</td>
<td>Fred Waring</td>
<td></td>
</tr>
<tr>
<td>&quot; 23</td>
<td>Edward Arnold</td>
<td></td>
</tr>
<tr>
<td>&quot; 24</td>
<td>Dramatic Skit</td>
<td></td>
</tr>
<tr>
<td>&quot; 25</td>
<td>Straight Announcement</td>
<td></td>
</tr>
</tbody>
</table>
Treasury Department,
Defense Savings Staff,
Washington, D. C.

Radio announcements were used over Station______of____________
____________________(City and State) at about the times given below.

REPORT OF ONE MINUTE TRANSCRIBED RADIO ANNOUNCEMENTS
June 1 through June 5, 1941

<table>
<thead>
<tr>
<th>Sunday, June 1</th>
<th>PART I - No.</th>
<th>Time Used</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>Bob Hope</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>Fred Waring's Orchestra</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>Straight Announcement</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>Dramatic Skit</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>Jack Benny</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Monday, June 2</th>
<th>PART I - No.</th>
<th>Time Used</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6</td>
<td>Fred Waring's Orchestra</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>Straight Announcement</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>Dramatic Skit</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>Mary Martin</td>
</tr>
<tr>
<td></td>
<td>10</td>
<td>Straight Announcement</td>
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<table>
<thead>
<tr>
<th>Tuesday, June 3</th>
<th>PART II - No.</th>
<th>Time Used</th>
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<tbody>
<tr>
<td></td>
<td>11</td>
<td>Fred Waring's Orchestra</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>Dorothy Lamour</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>Dramatic Skit</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>Straight Announcement</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>Fred Waring's Orchestra</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Wednesday, June 4</th>
<th>PART II - No.</th>
<th>Time Used</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>16</td>
<td>Dramatic Skit</td>
</tr>
<tr>
<td></td>
<td>17</td>
<td>Edward G. Robinson</td>
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<tr>
<td></td>
<td>18</td>
<td>Straight Announcement</td>
</tr>
<tr>
<td></td>
<td>19</td>
<td>Dramatic Skit</td>
</tr>
<tr>
<td></td>
<td>20</td>
<td>Fred Waring's Orchestra</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Thursday, June 5</th>
<th>PART III - No.</th>
<th>Time Used</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>21</td>
<td>Joan Blondell</td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>Fred Waring</td>
</tr>
<tr>
<td></td>
<td>23</td>
<td>Edward Arnold</td>
</tr>
<tr>
<td></td>
<td>24</td>
<td>Dramatic Skit</td>
</tr>
<tr>
<td></td>
<td>25</td>
<td>Straight Announcement</td>
</tr>
</tbody>
</table>

THIS SHEET TO BE RETURNED TO TREASURY

Signature---------------------
SCHEDULE
OF ONE MINUTE TRANSCRIPTIONS

June 6 through 10, 1941

Friday, June 6
PART III No. 26 - Fred Waring's Orchestra  
" 27 - Dramatic Skit  
" 28 - Dick Powell  
" 29 - Fred Waring's Orchestra  
" 30 - Straight Announcement

Saturday, June 7
PART IV No. 31 - Dramatic Skit  
" 32 - Fred Waring's Orchestra  
" 33 - Tyrone Power  
" 34 - Fred MacMurray  
" 35 - George Raft

Sunday, June 8
PART IV No. 36 - Dramatic Skit  
" 37 - Fred Waring's Orchestra  
" 38 - Rudy Vallee  
" 39 - Donald Crisp  
" 40 - Dramatic Skit

Monday, June 9
PART I No. 1 - Bob Hope  
" 2 - Fred Waring's Orchestra  
" 3 - Straight Announcement  
" 4 - Dramatic Skit  
" 5 - Jack Benny

Tuesday, June 10
PART I No. 6 - Fred Waring's Orchestra  
" 7 - Straight Announcement  
" 8 - Dramatic Skit  
" 9 - Mary Martin  
" 10 - Straight Announcement

Regraded Unclassified
Radio announcements were used over Station (City and State) at about the times given below.

REPORT OF ONE MINUTE TRANSCRIBED RADIO ANNOUNCEMENTS
June 6 through 10, 1941

Friday, June 6
PART III No. 26 - Fred Waring's Orchestra
   " 27 - Dramatic Skit
   " 23 - Dick Powell
   " 27 - Fred Waring's Orchestra
   " 30 - Straight Announcement

Saturday, June 7
PART IV No. 31 - Dramatic Skit
   " 32 - Fred Waring's Orchestra
   " 33 - Tyrone Power
   " 34 - Fred MacMurray
   " 35 - George Raft

Sunday, June 8
PART IV No. 36 - Dramatic Skit
   " 37 - Fred Waring's Orchestra
   " 38 - Rudy Vallee
   " 39 - Donald Crisp
   " 40 - Dramatic Skit

Monday, June 9
PART I No. 1 - Bob Hope
   " 2 - Fred Waring's Orchestra
   " 3 - Straight Announcement
   " 4 - Dramatic Skit
   " 5 - Jack Benny

Tuesday, June 10
PART I No. 6 - Fred Waring's Orchestra
   " 7 - Straight Announcement
   " 8 - Dramatic Skit
   " 9 - Mary Martin
   " 10 - Straight Announcement

THIS SHEET TO BE RETURNED TO TREASURY

Signature

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<table>
<thead>
<tr>
<th>Day</th>
<th>Part</th>
<th>No.</th>
<th>Time Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wednesday, June 11</td>
<td>PART II</td>
<td>No. 11</td>
<td>Fred Waring's Orchestra</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12</td>
<td>Dorothy Lamour</td>
</tr>
<tr>
<td></td>
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June 11 through June 15, 1941
Radio announcements were used over Station——of-------------
-------------------(City and State) at about the times given below.

REPORT OF ONE MINUTE TRANSCRIBED RADIO ANNOUNCEMENTS
June 11 through June 15, 1941

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THIS SHEET TO BE RETURNED TO TREASURY

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Radio announcements were used over Station ________ of ________-

(City and State) at about the times given below.

REPORT OF ONE MINUTE TRANSCRIBED RADIO ANNOUNCEMENTS
June 16 through June 20, 1941

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THIS SHEET TO BE RETURNED TO TREASURY

Signature-------------------------

Regraded Unclassified
### SCHEDULE

**OF ONE MINUTE TRANSCRIPTIONS**

June 21 through June 25, 1941

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Radio announcements were used over Station----------of----------------------
---------------------------------------------(City and State) at about the times given below.

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June 21 through June 25, 1941

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<td>&quot; 5</td>
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THIS SHEET TO BE RETURNED TO TREASURY
# Schedule of One Minute Transcriptions

**June 26 through June 30, 1941**

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**Regarded Unclassified**
Radio announcements were used over Station---------of-------------
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REPORT OF ONE MINUTE TRANSCRIBED RADIO ANNOUNCEMENTS
June 26 through June 30, 1941

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DEFENSE SAVINGS STAFF
ADVANCE NOTICE RADIO PROGRAMS

MONDAY, JUNE 2

Time: 3:45 - 4:00 P.M.
Program: Young Widder Brown.

THIS PROGRAM PROMOTES SALE OF DEFENSE BONDS AND STAMPS
DEPARTMENT OF THE NAVY

DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

SUNDAY, JUNE 1

Time: 8:00 - 8:30 P.M.


Program: Manhattan Kerry-Go-Round.

The sponsor of "Manhattan Kerry-Go-Round," the R. L. Watkins Company, contributes his ENTIRE program Sunday. This represents another variation of the excellent cooperation radio is giving the Defense Savings Staff. The entertainment on this program will be very patriotic, with a special musical composition written for the occasion. The usual commercial announcements for the sponsor's product will be replaced by similar copy promoting the sale of Defense Savings Bonds and Stamps. This cooperation was arranged by Anne and Frank Hummert who own the program.

THIS PROGRAM PROMOTES SALE OF DEFENSE BONDS AND STAMPS
Miss Helen Menken, famous stage star, broadcast this message on the "SECOND HUSBAND" program over a coast-to-coast National Broadcasting Company Network Tuesday, May 27th at 6:30 PM, EST. This material was prepared for Miss Menken by Anne and Frank Hummert, owners, producers and writers of "SECOND HUSBAND". Miss Menken said:

"I come to you tonight with a request. I am going to ask you a favor — but not a favor for myself alone. It's a favor to the United States Government to which we all owe so much.

"I have had a letter from the Government asking me to buy United States Defense Savings Bonds and Stamps — for the defense and protection of America!

"And I am here now to ask you — everyone of you — to buy them just as I have. You can start, you know, with as little as ten cents, in Savings Stamps. Or you can pay $18.75 for a bond worth $25.00 in 1951.

"What better safer way to save money than in Government Bonds? And what better way to say "Here! See! I am an American! I stand behind my country and our men in the Armed Services! I buy United States Defense Bonds!"

"Go to your Post Office or Bank and get full information about Defense Savings Bonds and Stamps tomorrow. Do this for me, won't you, and — for your country! Good night and thank you."
DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

SATURDAY, MAY 31

Time: 12:30 - 1:00 P.M.
Program: Brush Creek Follies.

Time: 6:30 - 7:00 P.M.
Program: Wayne King's Orchestra.

these programs promote sale of defense bonds and stamps
DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

FRIDAY, MAY 30

Time: 2:45 - 3:00 P.M.
Program: Just Plain Bill.

Time: 8:30 - 8:55 P.M.
Program: "Your Happy Birthday" with Jimmy Dorsey and his orchestra.

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS
DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

THURSDAY, MAY 29

Time: 10:45 - 11:00 A.M.
Program: Aunt Jenny's Real Life Stories.

Time: 11:45 - 12:00 A.M.
Program: "Our Gal Sunday"

Time: 2:15 - 2:30 P.M.
Program: "Amanda of Honeymoon Hill"

These programs promote sale of defense bonds and stamps
DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

WEDNESDAY, MAY 28

Time: 11:45 - 12:00 A.M.
Program: "Our Gal Sunday"

Time: 2:00 - 3:15 P.M.
Program: "Orphans of Divorce"

Time: 2:15 - 2:30 P.M.
Program: "Amenda of Honeymoon Hill"

Time: 7:00 - 7:30 P.M.
Program: Quiz Kids.

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS
DEFENSE SAVINGS STAFF
ADVANCE NOTICE RADIO PROGRAMS

TUESDAY, MAY 27

Time: 2:30 - 2:45 P.M.
Program: "John's Other Wife".

Time: 6:30 - 7:00 P.M.
Program: "Second Husband".

Time: 9:00 - 9:30 P.M.
Program: Bob Hope's Show

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS
DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

MONDAY, MAY 26

Time: 3:00 - 3:15 P.M.
Program: Backstage Wife.

Time: 9:00 - 10:00 P.M.
Program: Lux Radio Theatre.

THESE PROGRAMS PROMOTE SALE OF DEFENSE BONDS AND STAMPS
DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

SATURDAY, MAY 24

Time: 5:30 - 7:00 P.M.


Program: Wayne King and his orchestra.

THIS PROGRAM PROMOTES SALE OF DEFENSE BONDS AND STAMPS
I am speaking tonight from the White House in the presence of the Governing Board of the Pan-American Union, the Canadian Minister, and their families. The members of this Board are the Ambassadors and Ministers of the American Republics in Washington. It is appropriate that I do this. Now, as never before, the unity of the American Republics is of supreme importance to each and every one of us and to the cause of freedom throughout the world. Our future independence is bound up with the future independence of all of our sister Republics.

The pressing problems that confront us are military problems. We cannot afford to approach them from the point of view of wishful thinkers or sentimentalists. That we face is cold, hard fact.

The first and fundamental fact is that what started as a European war has developed, as the Nazis always intended it should develop, into a world war for world domination.

Adolf Hitler never considered the domination of Europe as an end in itself. European conquest was but a step toward ultimate goals in all the other continents. It is unmistakably apparent to all of us that, unless the advance of Hitlerism is forcibly checked now, the Western Hemisphere will be within range of the Nazi weapons of destruction.

For our own defense we have accordingly undertaken certain obviously necessary measures.

First, we joined in concluding a series of agreements with all the other American Republics. This further solidified our hemisphere against the common danger.

And then, a year ago, we launched, and are successfully carrying out, the largest armament production program we have ever undertaken.

We have added substantially to our splendid Navy, and we have mobilized our manpower to build up a new Army which is already worthy of the highest traditions of our military service.

We instituted a policy of aid for the democracies—the nations which have fought for the continuation of human liberties.
This policy had its origin in the first month of the war, when I urged upon the Congress repeal of the arms embargo provisions in the Neutrality Law. In that message of September, 1939, I said, "I should like to be able to offer the hope that the shadow over the world might swiftly pass. I cannot. The facts compel my stating, with candor, that darker periods may lie ahead."

In the subsequent months, the shadows deepened and lengthened. And the night spread over Poland, Denmark, Norway, Holland, Belgium, Luxemburg, and France.

In June, 1940, Britain stood alone, faced by the same machine of terror which had overwhelmed her allies. Our Government rushed arms to meet her desperate needs.

In September, 1940, an agreement was completed with Great Britain for the trade of fifty destroyers for eight important off-shore bases.

In March, 1941, the Congress passed the Lend-Lease Bill and an appropriation of seven billion dollars to implement it. This law realistically provided for material aid "for the government of any country whose defense the President deems vital to the defense of the United States."

Our whole program of aid for the democracies has been based on hard-headed concern for our own security and for the kind of safe and civilized world in which we wish to live. Every dollar of material we send helps to keep the dictator away from our own hemisphere. Every day that they are held off gives us time to build more guns and tanks and planes and ships.

We have made no pretense about our own self-interest in this aid. Great Britain understands it — and so does Nazi Germany.

And now — after a year — Britain still fights gallantly, on a "far-flung battle line". We have doubled and redoubled our vast production, increasing, month by month, our material supply of tools of war for ourselves and Britain and China — and eventually for all the democracies.

The supply of those tools will not fail — it will increase.

With greatly augmented strength, the United States and the other American Republics now chart their course in the situation of today.

Your Government knows what terms Hitler, if victorious, would impose. They are, indeed, the only terms on which he would accept a so-called "negotiated" peace.

Under those terms, Germany would literally parcel out the world — hoisting the swastika itself over vast territories and populations, and setting up puppet governments of its own choosing, wholly subject to the will and the policy of a conqueror.

To the people of the Americas, a triumphant Hitler would say, as he said after the seizure of Austria, and after Munich, and after the seizure of Czechoslovakia: "I am now completely satisfied. This is the last territorial readjustment I will seek"). And he would of course add: "All we want is peace, friendship, and profitable trade relations with you in the New world."
And were any of us in the Americas so incredibly simple and forgetful as to accept those honeyed words, what would then happen?

Those in the New World who were seeking profits would be urging that all that the dictatorships desired was “peace.” They would oppose toil and taxes for more American armament. Meanwhile, the dictatorships would be forcing the enslaved peoples of their Old World conquests into a system they are even now organizing — to build a naval and air force intended to gain and hold and be master of the Atlantic and the Pacific as well.

They would fasten an economic stranglehold upon our several nations. Quislings would be found to subvert the governments in our Republics; and the Nazis would back their fifth columns with invasion, if necessary.

I am not speculating about all this. I merely repeat what is already in the Nazi book of world conquest. They plan to treat the Latin American nations as they are now treating the Balkans. They plan then to strangle the United States of America and the Dominion of Canada.

The American laborer would have to compete with slave labor in the rest of the world. Minimum wages, maximum hours? Nonsense! Wages and hours would be fixed by Hitler. The dignity and power and standard of living of the American worker and farmer would be gone. Trade unions would become historical relics, and collective bargaining a joke.

Farm income? What happens to all farm surpluses without any foreign trade? The American farmer would get for his products exactly what Hitler wanted to give. He would face obvious disaster and complete regimentation.

Tariff walls — Chinese walls of isolation — would be futile. Freedom: trade is essential to our economic life. We do not eat all the food we can produce; we do not burn all the oil we can pump; we do not use all the goods we can manufacture. It would not be an American wall to keep Nazi goods out; it would be a Nazi wall to keep us in.

The whole fabric of working life as we know it — business, manufacturing, mining, agriculture — all would be mangled and crippled under such a system. Yet to maintain even that crippled independence would require permanent conscription of our manpower; it would curtail the funds we could spend on education, on housing, on public works, on flood control, on health. Instead, we should be permanently pouring our resources into armaments; and, year in and year out, standing day and night watch against the destruction of our cities.

Even our right of worship would be threatened. The Nazi world does not recognize any God except Hitler; for the Nazis are as ruthless as the Communists in the denial of God. What place has religion which preaches the dignity of the human being, of the majesty of the human soul, in a world where moral standards are measured by treachery and bribery and Fifth Columnists? Will our children, too, wander off, gone-stepping in search of new gods?

We do not accept, and will not permit, this Nazi “shape of things to come.” It will never be forced upon us, if we act in this present crisis with the wisdom and the courage which have distinguished our country, in all the crises of the past.
The Axis have taken military possession of the greater part of Europe. In Africa they have occupied Tripoli and Libya, and they are threatening Egypt, the Suez Canal, and the Near East. But their plans do not stop there, for the Indian Ocean is the gateway to the East.

They also have the armed power at any moment to occupy Spain and Portugal; and that threat extends not only to French North Africa and the western end of the Mediterranean, but also to the Atlantic fortress of Dakar, and to the island outposts of the New World — the Azores and Cape Verde Islands.

The Cape Verde Islands are only seven hours distance from Brazil by bomber or troop-carrying planes. They dominate shipping routes to and from the South Atlantic.

The war is approaching the brink of the Western Hemisphere itself. It is coming very close to home.

Control or occupation by Nazi forces of any of the islands of the Atlantic would jeopardize the immediate safety of portions of North and South America, and of the island possessions of the United States, and of the ultimate safety of the continental United States itself.

Hitler’s plan of world domination would be near its accomplishment today, were it not for two factors: One is the epic resistance of Britain, her colonies, and the great Dominions, fighting not only to maintain the existence of the Island of Britain, but also to hold the Near East and Africa. The other in the magnificent defense of China, which will, I have reason to believe, increase in strength. All of these, together, prevent the Axis from winning control of the seas by ships and aircraft.

The Axis Powers can never achieve their objective of world domination unless they first obtain control of the seas, This is their supreme purpose today; and to achieve it, they must capture Great Britain.

They could then have the power to dictate to the Western Hemisphere. No vacuous argument, no appeal to sentiment, and no false pledges like those given by Hitler at Munich, can deceive the American people into believing that he and his Axis partners would not, with Britain defeated, close in relentlessly on this hemisphere.

But if the Axis Powers fail to gain control of the seas, they are certainly defeated. Their dream of world domination will then go by the board; and the criminal leaders who started this war will suffer inevitable disaster.

Both they and their people know this — and they are afraid. That is why they are risking everything they have, conducting desperate attempts to break through to the command of the ocean. Once they are limited to a continuing land war, their cruel forces of occupation will be unable to keep their heel on the necks of the millions of innocent, oppressed peoples on the Continent of Europe; and in the end, their whole structure will break into little pieces. And the wider the Nazi land effort, the greater the danger.

We do not forget the silenced peoples. The masters of Germany — those, at least, who have not been assassinated or escaped to free soil — have marked these peoples and their children’s children for slavery. But these people — spiritually unconquered: Austrians, Czechs, Poles, Norwegians, Dutch, Belgians, Frenchmen, Greeks, Southern Slavs — yes, even those Italians and Germans who themselves have been enslaved — will prove to be a powerful force in disrupting the Nazi system.
Yes, all freedom — meaning freedom to live, and not freedom to enslave and subjugate other people — depends on freedom of the seas. All of American history — North, Central and South American history — has been inevitably tied up with these words, "freedom of the seas."

Since 1799, when our infant Navy made the West Indies and the Caribbean and the Gulf of Mexico safe for American ships, since 1804 and 1805 when we made all peaceful commerce safe from the depredations of the Barbary pirates; since the War of 1812, which was fought for the preservation of sailors' rights; since 1867, when our sea power made it possible for the Mexicans to expel the French Army of Louis Napoleon, we have striven and fought in defense of freedom of the seas — for our own shipping, for the commerce of our sister Republics, for the right of all nations to use the highways of world trade — and for our own safety.

During the first World War we were able to escort merchant ships by the use of small cruisers, gunboats and destroyers; and this type of convoy was effective against submarines. In this second World War, however, the problem is greater, because the attack on the freedom of the seas is now fourfold: First — the improved submarines; second — the much greater use of the heavily armed raiding-cruiser or hit-and-run battleship; third, — the bombing airplane, which is capable of destroying merchant ships seven or eight hundred miles from its nearest base; and fourth — the destruction of merchant ships in those ports of the world which are accessible to bombing attack.

The battle of the Atlantic now extends from the icy waters of the North Pole to the frozen continent of the Antartic. Throughout this huge area, there have been sinkings of merchant ships in alarming and increasing numbers by Nazi raiders or submarines. There have been sinkings even of ships carrying neutral flags. There have been sinkings in the South Atlantic, off West Africa and the Cape Verde Islands; between the Azores and the islands off the American coast; and between Greenland and Iceland. Great numbers of these sinkings have been actually within the waters of the Western Hemisphere.

The blunt truth is this — and I reveal this with the full knowledge of the British government: The present rate of Nazi sinkings of merchant ships is more than three times as high as the capacity of British shipyards to replace them; it is more than twice the combined British and American output of merchant ships today.

We can answer this peril by two simultaneous measures: First, by speeding up and increasing our great shipbuilding program; and second, by helping to cut down the losses on the high seas.

Attacks on shipping off the very shores of land which we are determined to protect, present an actual military danger to the Americas. And that danger has recently been heavily underlined by the presence in Western Hemisphere waters of Nazi battleships of great striking power.

Most of the supplies for Britain go by a northerly route, which comes close to Greenland and the nearby island of Iceland. Germany's heaviest attack is on that route. Nazi occupation of Iceland or bases in Greenland would bring the war close to our continental shores; because they are stepping-stones to Labrador, Newfoundland, Nova Scotia, and the northern United States, including the great industrial centers of the north, west and the middle west.
Equally, the Azores and the Cape Verde Islands, if occupied or controlled by Germany, would directly endanger the freedom of the Atlantic and our own physical safety. Under German domination they would become bases for submarines, warships, and airplanes raiding the waters which lie immediately off our own coasts and attacking the shipping in the South Atlantic. They would provide a springboard for actual attack against the integrity and independence of Brazil and her neighboring Republics.

I have said on many occasions that the United States is mastering its men and its resources only for purposes of defense -- only to repel attack. I repeat that statement now. But we must be realistic when we use the word “attack”; we have to relate it to the lightning speed of modern warfare.

Some people seem to think that we are not attacked until bombs actually drop on New York or San Francisco or New Orleans or Chicago. But they are simply shutting their eyes to the lesson we must learn from the fate of every nation that the Nazis have conquered.

The attack on Czechoslovakia began with the conquest of Austria. The attack on Norway began with the occupation of Denmark. The attack on Greece began with occupation of Albania and Bulgaria. The attack on the Suez Canal began with the invasion of the Balkans and North Africa. The attack on the United States can begin with the domination of any base which menaces our security -- north or south.

Nobody can foretell tonight just when the acts of the dictators will ripen into attack on this hemisphere and us. But we know enough by now to realize that it would be suicide to wait until they are in our front yard.

When your enemy comes at you in a tank or a bombing plane, if you hold your fire until you see the whites of his eyes, you will never know what hit you. Our Dunker Hill of tomorrow may be several thousand miles from Boston.

Anyone with an Atlas and a reasonable knowledge of the sudden striking force of modern war, known that it is stupid to wait until a probable enemy has gained a foothold from which to attack. Old-fashioned common sense calls for the use of a strategy which will prevent such an enemy from gaining a foothold in the first place.

We have, accordingly, extended our patrol in north and south Atlantic waters. We are steadily adding more and more ships and planes to that patrol. It is well known that the strength of the Atlantic Fleet has been greatly increased during the past year, and is constantly being built up.

Those ships and planes warn of the presence of attacking raiders, on the sea, under the sea, and above the sea. The danger from these raiders is greatly lessened if their location is definitely known. We are thus being forewarned; and we shall be on our guard against efforts to establish Nazi bases closer to our Hemisphere.

The deadly facts of war compel nations, for simple self-preservation, to make stern choices. It does not make sense, for instance, to say, “I believe in the defense of all the Western Hemisphere”, and in the next breath to say, “I will not fight for that defense until the enemy has landed on our shores”. And if we believe in the independence and integrity of the Americas, we must be willing to fight to defend them just as much as we would to fight for the safety of our own bases.
It is time for us to realize that the safety of American homes even in the center of our country has a definite relationship to the continued safety of homes in Nova Scotia or Trinidad or Brazil.

Our national policy today, therefore, is this:

First, we shall actively resist wherever necessary, and with all our resources, every attempt by Hitler to extend his Nazi domination to the Western Hemisphere, or to threaten it. We shall actively resist his every attempt to gain control of the seas. We insist upon the vital importance of keeping Hitlerism away from any point in the world which could be used and would be used as a base of attack against the Americas.

Second, from the point of view of strict naval and military necessity, we shall give every possible assistance to Britain and to all who, with Britain, are resisting Hitlerism or its equivalent with force of arms. Our patrols are helping now to insure delivery of the needed supplies to Britain. All additional measures necessary to deliver the goods will be taken. Any and all further methods or combination of methods, which can or should be utilized, are being devised by our military and naval technicians, who, with us, will work out and put into effect such new and additional safeguards as may be needed.

The delivery of needed supplies to Britain is imperative. This can be done; it must be done; it will be done.

To the other American nations — twenty Republics and the Dominion of Canada — I say this: the United States does not merely propose these purposes, but is actively engaged today in carrying them out.

I say to these further: you may disregard those few citizens of the United States who contend that we are disarmed and cannot act.

There are some timid ones among us who say that we must preserve peace at any price — lest we lose our liberties forever. To them I say: never in the history of the world has a nation lost its democracy by a successful struggle to defend its democracy. We must not be defeated by the fear of the very danger which we are preparing to resist. Our freedom has shown its ability to survive war, but it would never survive surrender. "The only thing we have to fear is fear itself."

There is, of course, a small group of sincere, patriotic men and women whose real passion for peace has shut their eyes to the ugly realities of international banditry and to the need to resist it at all costs. I am sure they are embarrassed by the sinister support they are receiving from the enemies of democracy in our midst — the Bundists, and Fascists, and Communists, and every group devoted to bigotry and racial and religious intolerance. It is no mere coincidence that all the arguments put forward by these enemies of democracy — all their attempts to confuse and divide our people and to destroy public confidence in our Government — all their defeatist forebodings that Britain and democracy are already beaten — all their selfish promises that we can "do business" with Hitler — all of these arc but echoes of the words that have been poured out from the Axis bureaus of propaganda. These same words have been used before in other countries — to scare them, to divide them, to soften them up. Invariably, those same words have formed the advance guard of physical attack.
Your Government has the right to expect of all citizens that they take loyal part in the common work of our common defense — take loyal part from this moment forward.

I have recently set up the machinery for civilian defense. It will rapidly organize, locality by locality, It will depend on the organized effort of men and women everywhere. All will have responsibilities to fulfill.

Defense today means more than merely fighting. It means morale, civilian as well as military; it means using every available resource; it means enlarging every industrial plant. It means the use of a greater American common sense in discounting rumor and distorted statement. It means recognizing, for what they are, racketeers and fifth columnists, who are the incendiary bombs of the moment.

All of us know that we have made very great social progress in recent years. We propose to maintain that progress and strengthen it. When the nation is threatened from without, however, as it is today, the actual production and transportation of the machinery of defense must not be interrupted by disputes between capital and capital, labor and labor, or capital and labor. The future of all free enterprise — of capital and labor alike — is at stake.

This is no time for capital to make, or be allowed to retain, excess profits. Articles of defense must have undisputed right of way in every industrial plant in the country.

A nation-wide machinery for conciliation and mediation of industrial disputes has been set up. That machinery must be used promptly — and without stoppage of work. Collective bargaining will be retained, but the American people expect that impartial recommendations of our Government services will be followed both by capital and by labor.

The overwhelming majority of our citizens expect their Government to see that the tools of defense are built; and for the very purpose of preserving the democratic safeguards of both labor and management, this Government is determined to use all of its power to express the will of its people, and to prevent interference with the production of materials essential to our nation’s security.

Today the whole world is divided between human slavery and human freedom — between pagan brutality and the Christian Ideal.

We choose human freedom — which is the Christian ideal.

No one of us can ever for a moment in his courage or his faith.

We will not accept a Hitler dominated world. And we will not accept a world, like the post-war world of the 1920’s, in which the seeds of Hitlerism can again be planted and allowed to grow.

We will accept only a world consecrated to freedom of speech and expression — freedom of every person to worship God in his own way — freedom from want — and freedom from terrorism.

Is such a world impossible of attainment?

Lagna Carta, the Declaration of Independence, the Constitution of the United States, the Emancipation Proclamation and every other milestone in human progress — all were ideals which seemed impossible of attainment — yet they were attained.
As a military force, we were weak when we established our independence, but we successfully stood off tyrants, powerful in their day, who are now lost in the dust of history.

Odds meant nothing to us then. Shall we now, with all our potential strength, hesitate to take every single measure necessary to maintain our American liberties?

Our people and our Government will not hesitate to meet that challenge.

As the President of a united and determined people, I say solemnly:

We reassert the ancient American doctrine of freedom of the seas.

We reassert the solidarity of the twenty-one American Republics and the Dominion of Canada in the preservation of the independance of the hemispheres.

We have pledged material support to the other democracies of the world -- and we will fulfill that pledge.

We in the Americas will decide for ourselves whether, and when, and where, our American interests are attacked or our security threatened.

We are placing our armed forces in strategic military position.

We will not hesitate to use our armed forces to repel attack.

We reassert our abiding faith in the vitality of our constitutional republic as a perpetual home of freedom, of tolerance, and of devotion to the word of God.

Therefore, with profound consciousness of my responsibilities to my countrymen and to my country's cause, I have tonight issued a proclamation that an unlimited national emergency exists and requires the strengthening of our defense to the extreme limit of our national power and authority.

The nation will expect all individuals and all groups to play their full parts, without stint, and without selfishness, and without doubt that our democracy will triumphantly survive.

I repeat the words of the Signers of the Declaration of Independence -- that little band of patriots, fighting long ago against overwhelming odds, but certain, as we, of ultimate victory: "With a firm reliance on the protection of Divine Providence, we mutually pledge to each other our lives, our fortunes, and our sacred honor".
CAUTION: The following proclamation by the President MUST BE HELD IN CONFIDENCE until released.

NOTE: Release to editions of all newspapers appearing on the streets NOT EARLIER THAN 9:30 P.M., E.S.T., May 27, 1941. The same release of the text of the proclamation also applies to radio announcers and news commentators.

CASE MUST BE EXERCISED TO PREVENT PREMATURE PUBLICATION.

STEPHEN EARLY
Secretary to the President

PROCLAMING THAT AN UNLIMITED NATIONAL EMERGENCY CONFRONTS THIS COUNTRY, WHICH REQUIRES THAT ITS MILITARY, NAVAL, AIR AND CIVILIAN DEFENSES BE PUT ON THE BASIS OF READINESS TO REPEL ANY AND ALL ATTS OR THREATS OF AGGRESSION DIRECTED TOWARD ANY PART OF THE WESTERN HEMISPHERE

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS on September 2, 1938 because of the outbreak of war in Europe a proclamation was issued declaring a limited national emergency and directing measures "for the purpose of strengthening our national defence within the limits of peacetime authorizations",

WHEREAS a succession of events makes plain that the objectives of the Axis belligerents in such war are not confined to those avowed at its commencement, but include overthrow throughout the world of existing democratic order, and a worldwide domination of peoples and economies through the destruction of all resistance on land and sea and in the air, and

WHEREAS indifference on the part of the United States to the increasing menace would be perilous, and common prudence requires that for the security of this nation and of this hemisphere we should pass from peacetime authorizations of military strength to such a basis as will enable us to cope instantly and decisively with any attempt at hostile encroachment of this hemisphere, or the establishment of any base for aggression against it, as well as to repel the threat of predatory invasion by foreign agents into our territory and society,

NOW, THEREFORE, I, FRANKLIN D. ROOSEVELT, President of the United States of America, do proclaim that an unlimited national emergency confronts this country, which requires that its military, naval, air and civilian defenses be put on the basis of readiness to repel any and all acts or threats of aggression directed toward any part of the western Hemisphere.

I call upon all the loyal citizens engaged in produc-
tion for defense to give precedence to the needs of the nation to the end that a system of government that makes private enterprise possible may survive.

I call upon all our loyal workmen as well as employers to merge their lesser differences in the larger effort to insure the survival of the only kind of government which recognizes the rights of labor or of capital.

I call upon loyal state and local leaders and officials to cooperate with the civilian defense agencies of the United States to assure our internal security against foreign directed subversion and to put every community in order for maximum productive effort and minimum of waste and unnecessary frictions.

I call upon all loyal citizens to place the nation's needs first in mind and in action to the end that we may mobilize and have ready for instant defensive use all of the physical powers, all of the moral strength and all of the material resources of this nation.

IN WITNESS WHEREOF I have hereunto set my hand and caused the seal of the United States of America to be affixed.

DONE at the City of Washington this twenty-seventh day of May, in the year of our Lord nineteen hundred and forty-one, and of the Independence of the United States of America the one hundred and sixty-fifth.

FRANKLIN D. ROOSEVELT

By the President:

CORDERELL HULL

Secretary of State.
The college campus is no longer cloistered. Continuously, its attention is drawn to the world outside. Its newspapers are still primarily concerned with sports, social events and other purely collegiate activities. But much more largely than in the past they now contain references to national and foreign problems. Forum discussions are held on world affairs. R. O. T. C. units are much more active. Selective Service is a vital reality. Curriculums, in some cases, have been altered to permit the college course to be completed in three years, so that graduates can step directly into uniform.

Editorial pages of collegiate newspapers, until lately devoted entirely to talk of campus matters, are currently given over in considerable measure to discussion of national policy. It should be noted that college newspaper editorials are by no means necessarily representative of college opinion. Editorial policy is determined on most of these papers by a student board. The boys whose interests find expression in this sort of extra-curricular
activity, rather than in social events or athletics, are pretty
certain to be more sensitive, intellectual and liberal than their
fellows. In general they use the college papers to voice their own
attitudes, rather than to reflect the views of the student body as
a whole.

A majority of the collegiate press is unmistakably dis-
trustful of American foreign policy and averse to American partici-
pation in the war. Three objections to war involvement are most
commonly advanced:

(1) There is a widespread feeling that the United States is
improperly prepared for war. College men are fearful that they
may be called upon to fight with inferior or inadequate equipment.
The Yale Daily News, for example, in an open letter to President
Roosevelt, asks: "Is the United States militarily and psychologically
prepared to wage an offensive war three thousand miles away from
home? As the generation which will be called upon to kill and be
killed, we have a peculiar right to an honest answer." The Brown
Daily Herald states in similar vein: "America should contemplate
going to war only when she becomes prepared for war."

(2) The feeling prevails among a large number of papers that
the Administration has been disingenuous in promising aid to
Britain short of war. The following from The Columbia Spectator
is a fairly characteristic expression of this point of view: "A feeling of impotent rage sweeps over us every time we consider how smoothly we are being eased into this war." In an editorial titled "Dust In Your Eye," The Daily Californian remarks: "The slow steps by which the American people have been led to an acceptance of undeclared war will some day be looked upon as a masterful achievement of political maneuver... We agree that effective aid to Britain cannot stop short of convoys, short of sending men to the European continent. We merely deplore the camouflage considered necessary to mask the conduct of vital public policy." Most of the college papers reflect a sullen or an apathetic sense of inevitability about American involvement.

(3) Less common, but nevertheless frequent, is a sharp distrust of the motives and purposes of the leadership seeking American participation in the war. While there is universal abhorrence of fascism, there is also suspicion that imperialistic aims, commercial ambitions, narrow nationalism still dominate the thinking of democratic leaders here and in Britain. The Ohio State Lantern expresses this with some bitterness by asserting that we are "going to war for economics, not democracy." The Daily Illini, in an editorial reply to Admiral Yates Stirling, Jr., declares: "Admiral, we think that the real danger to America lies in the possibility that men who think like you do should have the determining of her
Men who’ve thought in terms of battleships and firepower and squadrons and flotillas and fleets and regiments and battalions and divisions and army corps and armies for so long that they’ve forgotten how to think of the individual men who compose those mass units. If we get into a war, just as sure as we’re writing this, you fellows with mass-minds are going to be the bosses. And if that happens, it’ll be the same old story." There appears little faith that any just or lasting peace will evolve from present democratic leadership.

College men today, if their own newspapers give any picture of them, are frustrated, confused and disillusioned, without solid moorings in loyalties and ideals of any kind. They do not trust even their own instincts or emotions. They have been taught to fear emotion, suspect idealism. They have absorbed the disregard for moral values which has permeated American education, American business, American politics and American national policy since the World War. They resent any moralizing, sentimentality or "pep" talking from their elders. They fancy that they are realists, employing "realism" as a synonym for despair. They don’t like the world into which they are being ushered. They feel that they have been disinherited, perhaps defrauded. And they’re afraid of the job -- the job of remaking the world -- which they know they have to face.
Perhaps the best analysis of this collegiate state of mind is contained in a rather remarkable editorial from The Amherst Student. It seems worth reproducing here in full:
FOR THE RECORD

In recent years, Youth has been accorded a capital Y. It has been hailed off its tricycle and dressed up as a political factor. Youth's opinion, expressed through a variety of organizations of dubious name and nature, has been given far more attention than it merited.

It is difficult to discover why Youth has been selected to bear the burden of our present aspirations, rather than Infancy, Middle Age, Senility or Second Childhood. But we have been handed all manner of torches, by everyone from Mrs. Roosevelt to the Knights of Columbus, and all in the name of two very questionable virtues commonly attributed to the younger idealism and enthusiasm.

What is taken for idealism in Youth is inexplicable experience and verbosity; and our enthusiasm is the product of good health and bad judgment.

When this war is over, historians will doubtless begin to inquire as to the spirit in which Youth entered the lists. There is every much dispute among recorders concerning national morale at particular times, and there is no reserve of dates and facts for proof; but the state of mind which prevails among our generation is not hard to describe.

We have grown up in a denouncing age, and we expect the worst. Corruption in high places does not disturb us, but honesty astonishes us when it appears. Nothing suits up in our throat when "God Save the King" is played, and we cannot find it easy to associate Winston Churchill with Prince Arthur. Nobility in anything is suspect among us. This is not an intellectual skepticism, but an attitude with which we have become infusced.

They say that jingoists at the Battle of Hastings marched ahead of the ranks, flinging their swords in air and singing the Song of Roland. But we are going into this war with no strong feeling that there are any ideals involved; we see no visions of Christian knighthood in the clouds. The world struggle represents to each of us a struggle between himself and circumstance, no more.

Our confusion is great. We have stepped into an unbound tradition, and have found that those things nearest to us, the dearest certainties of the former age, are open to question and ridicule. We are without a fixed moral order, and we are barren of prejudice and allegiance. We can't organize our own minds, or the simple matters of our daily lives, much less can we save the world. We go with the drift of things, expect the worst, and hope sometime to make a little order somewhere.

This war, to us, has neither an idealist right nor an idealist wrong, it is simply more confusion. Our feelings at this time, for the benefit of recorders ages hence, are neither heroic, fanatical, hopeful or indignant. We are a flock of moral amoebas, a race of young animals to whom personism has become a natural and constant condition of mind.
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<td>General Motors (Allison Div)</td>
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<td>Star Aviation Mfg. Corp.</td>
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<td>No</td>
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<td>Sperry Gyroscope Co. Ltd.</td>
<td>Pilot Equipment &amp; Controls</td>
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<td>Fay &amp; Scott</td>
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<td>230 Cutters, 555 Milling Mach.</td>
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<td>Waterbury Parrell Foundry</td>
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<td>Florida Bros.</td>
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<td>15 Turret Lathes</td>
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<td>25 Turret Lathes</td>
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<td>E. L. Laflond</td>
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<td>11 Turret Lathes</td>
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<td>Armor Plates</td>
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<td>Machining Armour Plate for Tanks</td>
<td>Yes</td>
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<td>24 Mowers - Balers - Tractors</td>
<td>Yes</td>
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<td>500 Recuperators</td>
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<td>Rifle Stocks</td>
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<td>16 Gear Holders &amp; Thread Machines</td>
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<td>Indianapolis Machinery &amp; Supply</td>
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<td>Wichie Bros.</td>
<td>4 Lathes</td>
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<td>Bondstrand Machine Tool</td>
<td>Right-Eights &amp; Electromills</td>
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<td>A-3697</td>
<td>Sannen United Corp.</td>
<td>Discs &amp; Guards</td>
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<td>Savage Arms Corp.</td>
<td>330,000 Rifles &amp; Equipment</td>
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<td>Blanket</td>
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<td>Flewiler Parker Electric Co.</td>
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<td>General Motors Overseas</td>
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<td>Bay City Sheetmetal</td>
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<td>N. &amp; T. McCormick</td>
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<td>A-3792</td>
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<td>Letter of Intent</td>
<td>Contract Date</td>
<td>First Payment Date</td>
<td>Description</td>
<td>Value - Thousands of Dollars</td>
</tr>
<tr>
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</tr>
<tr>
<td>1-0017</td>
<td>Liberty Platers, Inc.</td>
<td>25 Double Housing Plansorrs</td>
<td>Yes</td>
<td>BFC, 382</td>
<td>None</td>
<td>Mar. 3/41</td>
<td>Mar. 7/41</td>
<td>Advance</td>
<td>282</td>
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<tr>
<td>1-0019</td>
<td>Interlachen, Inc.</td>
<td>Parts</td>
<td>Yes</td>
<td>BFC, 418</td>
<td>None</td>
<td>Feb. 25/41</td>
<td>Mar. 3/41</td>
<td>Advance</td>
<td>63</td>
</tr>
<tr>
<td>1-0020</td>
<td>Acco &amp; Benet Lathe Works</td>
<td>118 Lathes</td>
<td>Yes</td>
<td>BFC, 544</td>
<td>Feb. 7/41</td>
<td>Mar. 3/41</td>
<td>Mar. 18/41</td>
<td>Advance</td>
<td>90</td>
</tr>
<tr>
<td>1-0027</td>
<td>Pfister &amp; Hubbard</td>
<td>Assembly Dies &amp; Bullet Assemblies</td>
<td>Yes</td>
<td>Blanket</td>
<td>None</td>
<td>Feb. 15/41</td>
<td>Mar. 3/41</td>
<td>Advance</td>
<td>54</td>
</tr>
<tr>
<td>1-0031</td>
<td>Chambersburg Engineering</td>
<td>1 Model K Hammer</td>
<td>Yes</td>
<td>BFC, 857</td>
<td>Feb. 4/41</td>
<td>Mar. 13/41</td>
<td>Mar. 25/41</td>
<td>Advance</td>
<td>130</td>
</tr>
<tr>
<td>1-0032</td>
<td>Hercules Powder</td>
<td>245,000 lbs. 77 mm. Anti-Tank Powder</td>
<td>Yes</td>
<td>BFC, 492</td>
<td>None</td>
<td>Feb. 22/41</td>
<td>Feb. 22/41</td>
<td>Material</td>
<td>131</td>
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<td>1-0035</td>
<td>DIAMOIL Machine Co.</td>
<td>9 Lathes</td>
<td>No</td>
<td>None</td>
<td>Feb. 19/41</td>
<td>Mar. 14/41</td>
<td>Mar. 14/41</td>
<td>Advance</td>
<td>36</td>
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<tr>
<td>1-0036</td>
<td>Chambersburg Engineering</td>
<td>4 Hammers</td>
<td>Yes</td>
<td>Blanket</td>
<td>Feb. 10/41</td>
<td>Mar. 12/41</td>
<td>Mar. 21/41</td>
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<td>30</td>
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<tr>
<td>1-0040</td>
<td>E.C. Atkins</td>
<td>Cutting Saws</td>
<td>Yes</td>
<td>BFC, 617</td>
<td>None</td>
<td>Mar. 1/41</td>
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<td>30</td>
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<td>1-0042</td>
<td>Ann-Drucker</td>
<td>66 Milling Machines</td>
<td>Yes</td>
<td>BFC, 579</td>
<td>Mar. 3/41</td>
<td>Mar. 29/41</td>
<td>Apr. 5/41</td>
<td>Advance</td>
<td>324</td>
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<td>1-0048</td>
<td>Farland Machine Tool Co.</td>
<td>163 Milling Machines</td>
<td>Yes</td>
<td>BFC, 577</td>
<td>None</td>
<td>Mar. 18/41</td>
<td>Mar. 31/41</td>
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<td>1-0051</td>
<td>Icon Foundry Co.</td>
<td>9 Hammers</td>
<td>Yes</td>
<td>Blanket</td>
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<td>Mar. 18/41</td>
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<td>126</td>
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<tr>
<td>1-0060</td>
<td>Dodge &amp; Seymour</td>
<td>3 Mobile Welding Units</td>
<td>Yes</td>
<td>Blanket</td>
<td>None</td>
<td>Feb. 21/41</td>
<td>Mar. 7/41</td>
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<td>1-0063</td>
<td>Duson Tractor</td>
<td>8 Tractors</td>
<td>Yes</td>
<td>BFC, 569</td>
<td>None</td>
<td>Feb. 28/41</td>
<td>Mar. 13/41</td>
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<td>51</td>
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<td>1-0064</td>
<td>Good Machine Tool</td>
<td>17 Heavy Duty Lathes</td>
<td>Yes</td>
<td>BFC, 523</td>
<td>None</td>
<td>Mar. 15/41</td>
<td>Mar. 28/41</td>
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<td>176</td>
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<td>1-0066</td>
<td>Machine Tool</td>
<td>15 Milling Machines</td>
<td>Yes</td>
<td>BFC, 582</td>
<td>None</td>
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<td>Mar. 21/41</td>
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<td>97</td>
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<td>1-0067</td>
<td>Machine Tool</td>
<td>12 Boring Machines</td>
<td>Yes</td>
<td>Blanket</td>
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<td>Mar. 15/41</td>
<td>Apr. 4/41</td>
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<td>55</td>
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<td>1-0068</td>
<td>Machine Tool</td>
<td>14 Relieving Lathes</td>
<td>Yes</td>
<td>BFC, 527</td>
<td>Feb. 26/41</td>
<td>Mar. 15/41</td>
<td>Apr. 4/41</td>
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<td>315</td>
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<td>1-0069</td>
<td>Engineering</td>
<td>40 Boring &amp; Milling Mach's.</td>
<td>Yes</td>
<td>BFC, 419</td>
<td>None</td>
<td>Apr. 28/41</td>
<td>May 5/41</td>
<td>Advance</td>
<td>549</td>
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<tr>
<td>1-0070</td>
<td>Allied Bearing</td>
<td>3,000 Roller Bearings</td>
<td>Yes</td>
<td>BFC, 659</td>
<td>None</td>
<td>Mar. 14/41</td>
<td>Mar. 20/41</td>
<td>Advance</td>
<td>66</td>
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<td>1-0071</td>
<td>Milling Machine</td>
<td>10 Millers</td>
<td>Yes</td>
<td>Blanket</td>
<td>Feb. 14/41</td>
<td>Mar. 9/41</td>
<td>Mar. 11/41</td>
<td>Advance</td>
<td>54</td>
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<td>1-0072</td>
<td>Atlas</td>
<td>4 Grinders</td>
<td>Yes</td>
<td>BFC, 576</td>
<td>Feb. 19/41</td>
<td>Apr. 17/41</td>
<td>May 10/41</td>
<td>Advance</td>
<td>283</td>
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<td>1-0073</td>
<td>North Machine Tool</td>
<td>54 Lathes</td>
<td>Yes</td>
<td>BFC, 578</td>
<td>None</td>
<td>Mar. 18/41</td>
<td>Mar. 26/41</td>
<td>Advance</td>
<td>348</td>
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<tr>
<td>1-0074</td>
<td>Duson &amp; Machine</td>
<td>4 Hydraulic Gun Grooving Mach's.</td>
<td>Yes</td>
<td>BFC, 525</td>
<td>Feb. 28/41</td>
<td>Apr. 16/41</td>
<td>April 16/41</td>
<td>Advance</td>
<td>63</td>
</tr>
</tbody>
</table>
# British Purchasing Missions

**RECORD OF CONTRACTS OVER $50,000 SIGNED SINCE JANUARY 1, 1941**

**As at May 1, 1941**

**Ministry of Supply**

## STRICTLY CONFIDENTIAL

<table>
<thead>
<tr>
<th>Contract Number</th>
<th>Supplier</th>
<th>Description</th>
<th>U.S. Treasury Approval</th>
<th>Date Signed</th>
<th>First Payment</th>
<th>Value - Thousands of Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Approval Obtained</td>
<td>Time of Intention</td>
<td>Date of Contract</td>
<td>Total Material Balance</td>
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<td>Capital Material Balance</td>
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<td>Paid Balance</td>
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<tr>
<td>A-4216</td>
<td>Brown &amp; Sharpe</td>
<td>9 Screw Machines</td>
<td>Yes</td>
<td>Blanket</td>
<td>Mar. 5/41</td>
<td>52</td>
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<tr>
<td></td>
<td>Lodge &amp; Shipley</td>
<td>15 Lathes</td>
<td>Yes</td>
<td>RPC 526</td>
<td>Mar. 10/41</td>
<td>111</td>
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<tr>
<td></td>
<td>Mitchell Metal Products</td>
<td>181,000 Powder Boxes</td>
<td>Yes</td>
<td>RPC 656</td>
<td>Feb. 28/41</td>
<td>601</td>
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<td></td>
<td>South Bend Lathes Works</td>
<td>186 Lathes</td>
<td>Yes</td>
<td>RPC 545</td>
<td>Mar. 20/41</td>
<td>85</td>
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<td></td>
<td>Consolidated Machine Tool</td>
<td>27 Lathes</td>
<td>Yes</td>
<td>RPC 572</td>
<td>Apr. 6/41</td>
<td>85</td>
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<td>Bradford Machine Tool</td>
<td>95 Lathes</td>
<td>Yes</td>
<td>RPC 595</td>
<td>Mar. 25/41</td>
<td>283</td>
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<tr>
<td></td>
<td>Crucible Steel</td>
<td>20,000 Shells</td>
<td>Yes</td>
<td>RPC 587</td>
<td>Feb. 28/41</td>
<td>263</td>
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<td></td>
<td>Gleason Works</td>
<td>75 Various Machines</td>
<td>No</td>
<td>None</td>
<td>Mar. 3/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>Hardwell Braiding Machine</td>
<td>200 Braiders</td>
<td>No</td>
<td>None</td>
<td>Mar. 3/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>Brown &amp; Sharpe</td>
<td>275 Automatic Screw Machine</td>
<td>Yes</td>
<td>RPC 576</td>
<td>Apr. 10/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>A. S. Campbell Co.</td>
<td>10 million cartridge cases</td>
<td>No</td>
<td>None</td>
<td>Apr. 10/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>Huber Mfg. Co.</td>
<td>Road Rollers</td>
<td>Yes</td>
<td>RPC 794</td>
<td>Mar. 14/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>New Britain Gridley Co.</td>
<td>65 Set Tooling</td>
<td>Yes</td>
<td>RPC 644</td>
<td>Apr. 12/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>Locomotive Finished Material Co.</td>
<td>50 Boring Drilling Machines</td>
<td>No</td>
<td>None</td>
<td>Apr. 12/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>Somerfield Machine Co.</td>
<td>7 Heavy Duty Lathes</td>
<td>Yes</td>
<td>RPC 701</td>
<td>Apr. 16/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>Wheeling Corrugating Co.</td>
<td>Plate End</td>
<td>Yes</td>
<td>RPC 708</td>
<td>Apr. 16/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>Cleveland Container Co.</td>
<td>75 cc. Containers</td>
<td>Yes</td>
<td>RPC 788</td>
<td>Apr. 16/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>Cincinnati Milling Mach.</td>
<td>22 Grinders</td>
<td>Yes</td>
<td>RPC 883</td>
<td>Apr. 16/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>Gleason Works</td>
<td>6 Gear generators &amp; 8 Testers</td>
<td>Yes</td>
<td>RPC 870</td>
<td>Apr. 16/41</td>
<td>4,354</td>
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<tr>
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<td>Brown &amp; Sharpe</td>
<td>50 Tool Grinders</td>
<td>Yes</td>
<td>RPC 790</td>
<td>Apr. 16/41</td>
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<td>National Machinery Co.</td>
<td>3 Boltmakers &amp; Equipment</td>
<td>Yes</td>
<td>RPC 809</td>
<td>Apr. 16/41</td>
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<td>Central Tool Co.</td>
<td>10,790 Micrometers</td>
<td>No</td>
<td>None</td>
<td>Apr. 16/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>Carter Carburetor</td>
<td>Assembled Pumps</td>
<td>No</td>
<td>None</td>
<td>Apr. 16/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>International Harvester</td>
<td>100 Chaines</td>
<td>No</td>
<td>None</td>
<td>Apr. 16/41</td>
<td>4,354</td>
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<tr>
<td></td>
<td>J. E. Bliss Co.</td>
<td>1 Belt hoister &amp; Presses</td>
<td>No</td>
<td>None</td>
<td>Apr. 16/41</td>
<td>4,354</td>
</tr>
<tr>
<td></td>
<td>General Steel Castings</td>
<td>600 Castings Machines</td>
<td>No</td>
<td>None</td>
<td>Apr. 16/41</td>
<td>4,354</td>
</tr>
<tr>
<td>Supplier</td>
<td>Description</td>
<td>U.S. Treasury Approval</td>
<td>Item Number</td>
<td>Initial Invoice</td>
<td>Contract Date</td>
<td>First Payment Date</td>
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<td>-------------</td>
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<tr>
<td>Pressmed Steel Co.</td>
<td>175 Armor Turrets Machined</td>
<td>No</td>
<td>-</td>
<td></td>
<td>Apr. 19/41</td>
<td>-</td>
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<tr>
<td>General Can Machinery</td>
<td>Various Presses</td>
<td>No</td>
<td>-</td>
<td></td>
<td>Apr. 23/41</td>
<td>May 3/41</td>
</tr>
<tr>
<td>General Can Machinery</td>
<td>Various Presses</td>
<td>No</td>
<td>-</td>
<td></td>
<td>Apr. 23/41</td>
<td>May 2/41</td>
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<td>Allied Aircraft</td>
<td>4 Douglas Transports</td>
<td>No</td>
<td>-</td>
<td></td>
<td>Jan. 8/41</td>
<td>Jan. 10/41</td>
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TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE: May 27, 1941

TO: Secretary Morgenthau
FROM: Mr. Cochran

STRICLY CONFIDENTIAL

Official sales of British-owned dollar securities under the vesting order effective February 19, 1940:

<table>
<thead>
<tr>
<th>No. of Shares Sold</th>
<th>$ Proceeds of Shares Sold</th>
<th>Nominal Value of Bonds Sold</th>
<th>$ Proceeds of Bonds Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>20,210</td>
<td>336,995</td>
<td>205,000</td>
</tr>
<tr>
<td>20</td>
<td>105,992</td>
<td>1,309,297</td>
<td>143,000</td>
</tr>
<tr>
<td>21</td>
<td>39,112</td>
<td>996,714</td>
<td>205,000</td>
</tr>
<tr>
<td>22</td>
<td>27,305</td>
<td>702,689</td>
<td>59,000</td>
</tr>
<tr>
<td>23</td>
<td>3,892</td>
<td>187,477</td>
<td>326,500</td>
</tr>
<tr>
<td>24</td>
<td>110</td>
<td>2,115</td>
<td>72,000</td>
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Sales from 2/22/40 to 5/17/41:

<table>
<thead>
<tr>
<th></th>
<th>$ Proceeds of Shares Sold</th>
<th>Nominal Value of Bonds Sold</th>
<th>$ Proceeds of Bonds Sold</th>
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</thead>
<tbody>
<tr>
<td>8,925,606-1/2</td>
<td>261,247,988</td>
<td>37,894,550</td>
<td>32,963,646</td>
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</table>

Total 2/22/40 to 5/24/41:

<table>
<thead>
<tr>
<th></th>
<th>$ Proceeds of Shares Sold</th>
<th>Nominal Value of Bonds Sold</th>
<th>$ Proceeds of Bonds Sold</th>
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</thead>
<tbody>
<tr>
<td>9,122,227-1/2</td>
<td>264,783,275</td>
<td>36,905,050</td>
<td>33,746,739</td>
</tr>
</tbody>
</table>

Regraded: Unclassified
## Official sales of British-owned dollar securities under the vesting order
effective February 19, 1940:

<table>
<thead>
<tr>
<th>Date</th>
<th>Shares Sold</th>
<th>Proceeds of Shares Sold</th>
<th>Bonds Sold</th>
<th>Proceeds of Bonds Sold</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 19</td>
<td>336,995</td>
<td>166,405</td>
<td>94,385</td>
<td>1,403,822</td>
<td>203,400</td>
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<tr>
<td>20</td>
<td>1,309,297</td>
<td>94,385</td>
<td>1,403,822</td>
<td>22,569,175</td>
<td>1,185,149</td>
</tr>
<tr>
<td>21</td>
<td>996,714</td>
<td>188,435</td>
<td>1,185,149</td>
<td>21,962,717</td>
<td>740,864</td>
</tr>
<tr>
<td>22</td>
<td>702,869</td>
<td>38,175</td>
<td>740,864</td>
<td>7,006,789</td>
<td>429,596</td>
</tr>
<tr>
<td>23</td>
<td>187,477</td>
<td>242,119</td>
<td>429,596</td>
<td>19,076,257</td>
<td>55,689</td>
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<tr>
<td>24</td>
<td>2,115</td>
<td>53,574</td>
<td>55,689</td>
<td>1,179,127</td>
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<tr>
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<td>3,535,287</td>
<td>783,093</td>
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<td>43,183,380</td>
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<tr>
<td>Sales from Feb. 22, 1940 to May 17, 1941</td>
<td>261,247,988</td>
<td>32,963,646</td>
<td>294,211,634</td>
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<tr>
<td>Total</td>
<td>264,783,275</td>
<td>33,746,739</td>
<td>298,530,014</td>
<td>298,530,014</td>
<td></td>
</tr>
</tbody>
</table>

$ Proceeds of non-vested securities sold:
- May 1, 1939 - May 10, 1941: 226,500,000
- Sept. 1, 1939 - May 17, 1941: 226,700,000
- Total: 525,200,014
Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £36,000
Purchased from commercial concerns £10,000

Open market sterling remained at 4·03-1/2, there were no reported trans-
actions.

The Italian lira official rate, which has remained at .0505 since September 25,
1939, appreciated this morning to its pre-war level of .0525-1/4, remaining there
for the rest of the day. The quotation of .0525-1/4 corresponds to the theoretical
dollar-lira parity. According to a Dow-Jones ticker item, the new official quotation
was established on orders from Rome.

The Cuban peso strengthened to 3-5/16% discount, as against 3-9/16% yesterday.

Improvement also took place in the Swiss franc and Argentine free peso rates.
In New York, closing quotations for the foreign currencies listed below were as
follows:

Canadian dollar 12-9/16% discount
Swiss franc .2321-1/2
Swedish krona .2385
Reichsmark .4005
Argentine peso (free) .2380
Brazilian milreis (free) .0505
Mexican peso .3070

In Shanghai, the yuan was unchanged at 5-7/16%. Sterling was quoted at
3·90-1/4, off 1·7/8%.

We purchased $1,125,000 in gold from the earmarked account of the Bank of
Finland.

No new gold engagements were reported to us today.

In London, a price of 23-3/8d was again fixed for spot and forward silver,
equivalent to 42·4d.

The Treasury's purchase price for foreign silver was unchanged at 35%.
Hendy and Harman's settlement price for foreign silver was also unchanged at 34-3/4%.
We made one purchase of silver amounting to 75,000 ounces under the Silver Purchase Act. This silver consisted of new production from various foreign countries, and was bought for forward delivery.

We also purchased 50,000 ounces of silver from the Bank of Canada under our regular monthly agreement.

The report of May 21 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 $6,846,000, a decrease of $486,000 in the short position since May 14. Net changes were as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Short Position May 14</th>
<th>Short Position May 21</th>
<th>Change in Short Position*</th>
</tr>
</thead>
<tbody>
<tr>
<td>England**</td>
<td>$751,000</td>
<td>$660,000</td>
<td>- $91,000</td>
</tr>
<tr>
<td>Europe</td>
<td>3,438,000</td>
<td>3,397,000</td>
<td>- $41,000</td>
</tr>
<tr>
<td>Canada</td>
<td>360,000 (Long)</td>
<td>514,000 (Long)</td>
<td>- 154,000</td>
</tr>
<tr>
<td>Latin America</td>
<td>495,000</td>
<td>487,000</td>
<td>- 11,000</td>
</tr>
<tr>
<td>Japan</td>
<td>1,381,000</td>
<td>1,111,000</td>
<td>- 270,000</td>
</tr>
<tr>
<td>Other Asia</td>
<td>1,661,000</td>
<td>1,798,000</td>
<td>+ 97,000</td>
</tr>
<tr>
<td>All others</td>
<td>35,000 (Long)</td>
<td>31,000 (Long)</td>
<td>- 15,000</td>
</tr>
<tr>
<td>Total</td>
<td>$7,334,000</td>
<td>$6,846,000</td>
<td>- $486,000</td>
</tr>
</tbody>
</table>

*Plus sign (+) indicates increase in short position, or decrease in long position. Minus sign (-) indicates decrease in short position, or increase in long position.

**Combined position in registered and open market sterling.
Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.
Telegram received from London
dated May 26th, 1941.

Naval. Since 0306/25 neither Bismarck nor
the Prinz Eugen were sighted until 1030/26 when a
battleship was sighted by aircraft about 450 miles
west southwest of Ireland course 150° speed 20 knots.
At 1300/26 she was again reported by aircraft approxi-
mate position 49° north – 20° west course 125° 20 knots.
2. Suez Canal raided by about 8 aircraft on the
24th northern section is closed. Reported that the June
in engagement with E-boats Kari Strait night of the 20th/
21st sunk two and damaged two others.
3. Morval sunk by gunfire in Crete waters two
caiques full of German soldiers. In Crete on the 26th
enemy air activity intense – no change in the situation
generally but enemy attempting to establish position west
of Heraklion to cut the road south and west. He is
strongly established between the town and aerodrome at
Ratimo. In Maleme–Cansea area we are deepening our defen-
sive position. Enemy aircraft were landing and taking off
from Maleme aerodrome on the 24th and a patrol encountered
200 Germans on Akrotiki peninsula north of Suda Bay.
Strong enemy attack accompanied by heavy bombing of our
forward areas in Maleme–Cansea area began just before dusk
on the 25th. Estimated casualties since May 20th British
killed 400 wounded 1100 missing 400. Enemy killed 2300
prisoners 950 of whom wounded 400.
4. On the 25th coastal aircraft attacked merchant
vessel off Norway one probable hit. Two Blenheims claimed
two hits each on 5000-ton merchant vessel in Bay of Biscay
large/

Regraded Unclassified
large column of smoke uptake. Bomber command on the 24th four aircraft attacked four merchant vessels of 2000 tons off Berkum. One ship claimed as total loss. Two other vessels off enemy coast were hit by one bomb each. Two Blenheims on the 25th made two direct hits on a merchant ship 4500 tons N.E. of Sfax.
SITUATION REPORT

I. Western Theater of War.

Air: Limited German activity over Great Britain and apparently no British raids over the Continent.

Naval: The German battleship Bismarck, crippled by air action on May 24, was eventually sunk, 400 miles off Brest, by combined naval and air action.

II. Crete.

German troops have gained further ground in the direction of Canea. The British announce that in this area they have withdrawn to new positions. German reinforcements continue to arrive, principally by air. The R.A.F. is giving the British garrison a limited amount of close support.

The British announce their naval losses by air around Crete to be two cruisers and four destroyers. A number of other vessels are known to have been damaged.

III. Mediterranean and African Theaters.

Ground: North Africa. Considerable artillery action at Tobruk and patrol activities in the Sollum area.

East Africa. The British claim the destruction of 4 Italian Divisions in the Soddu area, south of Addis Ababa, Ethiopia.

Air: Axis. Customary attacks on Tobruk and Malta.

British. Raids on Benghazi and Rhodes.

IV. Iraq.

No change in the situation.
CONFIDENTIAL

Paraphrase of Code Radiogram
Received at the War Department
at 24:48, May 27, 1941.

Sofia, filed 13:50, May 27, 1941.

This refers to G-2 Cable 16. It is reliably reported that May 20th there were at Varna three German destroyers the names of which are not known by me. The preceding week there have been a good many more navy staff cars in Sofia.

JAIWIN

Distribution:
Secretary of War
State Department
Secretary of Treasury
Under Secretary of War
Chief of Staff
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
Paraphrase of Coda Cablegram
Received at the War Department
at 9:36, May 27, 1941.

Cairo, filed 11:08, May 25, 1941.

1. The German air dispositions and numbers as of the week ending May 23 have not materially changed since my cable of May 17.

2. Seven Heinkel and four Ansons with three passenger planes were destroyed by a machine gunning attack on Habessiya by a Junker Ju-88. From an altitude of 200 feet another Junker Ju-88 dropped five bombs of 50 kilograms (approximately 110 pounds) each. These struck without damaging planes on the ground.

3. Fifty to one hundred transports arrived in Greece from Libya. More transports are reported on route Greece through Roumania.

4. The Germans are utilizing Bessani, Memida, Kleveis, and Argos in Greece for an estimated 300 bombers and 200 fighters which are concentrating on Crete. Since May 16 dive bombing and machine gun attacks on ground installations have been almost continuous during the day. Transports generally in the area of Thebes.

5. New airports have been established at Scarpante and Mlese Island. Units based in Sicily are operating against shipping.

6. In Iraq there are German planes at Erbil, Baghdad and Mosul.

7. In Syria and Palestine, Damascus, Palmyra and Raway (?o are being used by the German planes.

8. There was little Axis air activity in Libya last week. Italian fighters were used in patrol duty over airdromes, reconnaissance,
and escorting missions. All convoys are escorted by fighters south of Sicily.

9. The Italian air force in Libya totals 994 planes, of which 190 are fighters. Italian orders are unchanged except for an increase of one squadron of bombers and two fighters in Libya.

FELIRES

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

London, March 1940, May 07, 1941.

1. British Air Activity over the Continent.

2. Day of May 06. Nighters counted one-four offensive patrols over northeastern France and Belgium. Two enemy fighters were destroyed. Plane from the British and General Guersac operated in search of enemy shipping. One vessel was sighted but not attacked.

3. Day of May 07. The only operation on this night consisted of mining operations off French coast by planes of the British Guersac.

4. German Air Activity over Britain.

5. Day of May 07. German activity over Britain was on a small scale. There was one raid on Fort Angle, one on the Solent, Botley area, and three planes over Southampton and Chichester.

6. Day of May 08. German activity consisted for the most part of patrols over the Straits of Dover. Single planes operated over northeastern and southeastern England and southern and northern Ireland.

7. Aircraft Losses, British Bombers.

No information was reported on either British or German losses.

8. British Activity, Other Bombers.

9. German Bombers. Planes of the Royal Air Force based in Egypt made two attacks on German planes at the El-Ant airport. Twenty-four planes were destroyed on the ground and two in the air. Henschel of Martin bombers were employed in this operation.
CONFIDENTIAL


2. Rumania Theater. British planes attacked an enemy position at Vark and damaged one German plane.

3. Axis Air Activity, Other Theatres.

4. Rumania Theater. Axis patrols were maintained over Malta apparently as a screening movement for German planes between Brindisi and Sicily. Few fighters machine gunned the Malta airport.

5. Rumania Theater. German planes bombed Julfa but inflicted no damage.

6. Aircraft Losses, Other Theatres.

7. No British losses were reported.

8. During the attack on the Malta airport, one German fighter was shot down by antiaircraft fire. As previously stated, two German planes were destroyed by British fighters during the British attack on Malta, Crete.

Distribution:

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

CONFIDENTIAL
Vichy, filed May 25, 1941.

1. Movement northwest, direction Central and Killeen areas, strongly accelerated but reported concentrations ranging-Marrs area have slowed down.

2. Contents of official friends with this embassy have been ordered curtailed but attitude of military toward us has not altered.

Distribution:
Secretary of War
State Department
Secretary of Treasury
Under Secretary of War
Chief of Staff
Assistant Chief of Staff, G-8
War Plans Division
Office of Naval Intelligence
London, filed 13:45, May 27, 1941.

The following is a summary of British Military Intelligence information to 11:00 May 27:

1. **Libya.**

   The harbor of Tobruk and antiaircraft artillery positions were heavily bombèd with a certain amount of damage. In the vicinity of Sallum, British ground troops in position were attacked by low-flying planes with bombs and machine guns. Observers report increased Axis armored car operations in this vicinity.

2. **Iraq.**

   With the exception of minor Axis air operations, the situation remains quiet.

3. From reliable sources, this office has been informed that the HESMARK (German 35,000-ton battleship) was sunk at 11 A.M., May 27, by a torpède attack. Site of the action was southwest of Ireland. The whereabouts of the British PRINZ EUGEN (heavy cruiser, 10,000 tons) is not known.

4. In regard to the SCHARNHORST and GNEISENAU (German sister battleships) the Air Force reports that both have been hit and the GNEISENAU hit not less than four times. Both ships are reported sufficiently damaged to necessitate at least sixty days in dock for repairs. Air authorities have further announced that the entrance to Brest harbor has been mined.
5. Crete.

a. Press reports that Germans have succeeded in placing tanks on Crete have received no confirmation in London.

b. Late on May 25, air reconnaissance patrols returned with the information that there were no shipping convoys in the waters between Crete and the islands of Naxos and Astypelai.

c. Reporting by British planes from Egypt of German air transports and ground troops at the Naxos airport and on fields in the vicinity, resulted in improved morale of the British forces.

d. German planes were destroyed and an ammunition dump was blown up.

e. Definite information with regard to the situation in Naxos is lacking this morning, but British Military Intelligence considers it serious.

g. British advance elements west of Naxos and the town itself were subjected to very severe machine gunning and bombing in a coordinated ground and air attack. The British were forced to withdraw from forward positions and are now attempting to stabilize on a new line. The situation there at the present is full of obscurity and the War Office is worried.

f. There are no late reports of fighting elsewhere in Crete.

Distribution:

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

SECRET

Regraded Unclassified
At 12:15 this morning I received Mr. Sokolowski, Financial Counselor of the Polish Embassy. He told me that Mr. Karpiński, who has been for several years the manager of the Foreign Department of the Bank Polski, is due to arrive in the United States today or tomorrow on the S.S. Transport from Makers. The purpose of his visit is to work with Mr. Sokolowski in preparing a case for the recovery of Polish gold which was entrusted to France. The difficulty will be to find means for attachment of Bank of France gold in this country. The difficulty arises from the question as to whether it was the Bank of France or the Government of France itself which was responsible for the safeguarding of the Polish gold out which may have failed in keeping this trust. No attachment proceedings have yet been instituted, but the ground work is being laid. Mr. Sokolowski stated that Mr. Michalski, another manager of the Bank Polski, who was in charge of the vaults and consequently went to France with the Polish gold which was shipped there, may arrive in the United States before long. Mr. Michalski accompanied or followed the Polish gold to Dakar. The French officials there have placed difficulties in the way of his departure. Through the assistance of the American Consul in that port, however, it is hoped that Michalski may be able to get out of the country and perhaps reach the United States via Cape Town and Rio de Janeiro.

In this morning's mail I find the following letter from Mr. Encke, dated May 27, upon the above subject:

"I wish to advise that according to a letter just received from Mr. L. Karpiński, Manager, Bank Polski, London, Dr. Eugeniusz Karpiński, another manager of that bank, will shortly visit this country.

"According to information communicated to us by the Polish Financial Counselor here, one of the problems which Mr. Karpiński intends to discuss in this country is the situation which has resulted from the shipment by the Bank of France to Dakar of gold delivered by Bank Polski in Paris for earmark there."
May 28, 1941
3:00 p.m.

FINANCING (OPEN MARKET)

Present:  Mr. Haas
         Mr. Lindow
         Mr. Rouse
         Mr. Leach
         Mr. Sproul
         Mr. Sinclair
         Mr. Draper
         Mr. Hadley
         Mr. Bell
         Mr. Eccles
         Mr. McKee
         Mr. Goldenweiser
         Mr. Jones
         Mr. Piser

H.M.Jr:   Well, Dan, for the benefit--

McKee:    Are you here to borrow some money?

Jones:    I want to lend you some money. I understand you want to sell some bonds, and I came over here to buy them.

H.M.Jr:   Tell them what you did, Jesse, about your one sample of everything.

Jones:    How much do I owe you (Bell)? I have got that money over there for you.

Bell:     Did you get my letter?
Jones: Sure I got it.
Bell: We have got them reserved for you.
Jones: I told Dan to send me a sample of everything he had to sell and I would take one of each and he sent me a list of things I could buy, but by taking one of each it would cost me thirty-four thousand dollars.
Eccles: Kind of an expensive sample.
McKee: Did you send him a check?
Jones: I have the check on my desk, but I hate to give it up. (Laughter)
Bell: I was going to call you up today.
Jones: I just haven't had the heart to turn it loose.
H.M. Jr: Those are some of the idle reserves that Marriner Eccles keeps talking about.
Eccles: The trouble is they will go right back in the bank and still be idle.
Jones: What bank? (Laughter) These will go in Mrs. Jones' bank.
Eccles: I mean your checks, when the Treasury spends it, see.
McKee: Well, they spend all this money in Texas anyway, don't they?
Eccles: He draws it out of his bank in Texas and the Government spends it right down in Texas, and it goes right back in the bank. That is what you call perpetual motion.
Jones: I was feeling pretty good that day, and I told Mrs. Jones I would give it to her.

Bell: That is what I did on my vacation, sold thirty-four thousand dollars worth of bonds.

H.M., Jr.: We will give you another week off.

Well, Dan, if you will tell these people - they most likely know it - how things look financially to the first of July and maybe the rest of the year, also about the RFC and Commodity Credit.

Bell: We could go through to the middle of June without borrowing any new cash, and our balance would run down possibly to six hundred million dollars, the low point, around the tenth of June. If we borrow - but we would have to borrow a billion dollars in June in order to carry us through with the other financings, through September. If we borrow a billion dollars in June and nothing now, we would go out of June with about a billion seven hundred million, and we would go out of August with about seven hundred million, and then we would have to borrow another billion in September. But under the proposal we are now considering borrowing five or six hundred million dollars. We could go through to the end of June with that money without borrowing anything else and have a billion and a quarter dollars going out of June, but if we wanted to have this billion seven, we would have to borrow about four hundred million dollars in June after this financing, four or five, depending upon what this one is. Now, in July the RFC has two hundred eleven million dollar maturity and the Commodity Credit has a two hundred three million dollar maturity and the Commodity Credit needs two hundred million dollars in
cash, so there is a six hundred million dollar financing program for the - these two corporations. We thought maybe we might be able to throw those two together in July. You remember the last time we talked we thought we would reserve January and July for you (Jones), and we thought maybe we would put the two out about the same time. That carries it up to September.

Eccles: Dan, if you borrowed enough new money now, you would go - you would have, say, in June, six hundred million, and you would borrow a billion then in June?

Bell: Yes.

Eccles: And that would take you into July 1 with how much?

Bell: That would take us into July 1 with a billion seven, about.

Eccles: If you borrowed nothing now and a billion in June?

Bell: That is right.

Eccles: Or if you borrowed six hundred million now with no new money in June, you would go into July 1 with a billion and a quarter.

Bell: That means we would have to do some borrowing some place along the line because our balance at the end of August gets down to seven hundred million, even with a billion dollars in June.

Eccles: You would have to borrow in July, probably, May and July.

Bell: Yes.
McKee: Is it July you want to reserve for the other customers?

Bell: That is right.

H.M. Jr: Tell them about the bills, too.

Bell: Well, we thought that if we borrowed five or six hundred million dollars at this time, then when we come to June to consider our financing that we would need some more money, and if the market isn't as good as it is now we would put out about four issues of bills of a hundred million dollars each.

Eccles: Now you have got three hundred million of bills that you put out before that falls due in June.

Bell: June 4 and June 18.

Eccles: Would that billion and a quarter balance on July - does that contemplate the paying off of those bills?

Bell: No, it does not, rolling them over.

McKee: That contemplates rolling over everything now that is outstanding?

Bell: Yes. I might say that this new program also contemplates about a hundred million dollars a month of additional taxes beginning in August under the new tax program.

Eccles: That is on August?

Bell: That is beginning August, yes, and of course you get your big tax--

H.M. Jr: Are you counting on the tax bill to be through by August?
Bell: We are counting on it being through by July 1, and we will get the taxes the following month. (Laughter)

McKee: Aren't you (Jones) glad you don't get a big salary?

Jones: Yes.

H.M. Jr: I wouldn't want to underwrite that. (Referring to Mr. Bell's statement.)

Eccles: You don't want to pay off the bills at all?

H.M. Jr: This is what is going through our minds here. We are—we have got about a billion seven hundred million dollars worth of bills outstanding. I have changed a little bit as the times changed, and I wouldn't mind having even more bills outstanding because if the banks needed some money in a hurry, the way it is now with the exception of bills, they would be forced to sell their Governments. We kind of feel that if we had, oh, maybe two or three billion dollars worth of bills, it would be a kind of a cushion, so if at any time the banks wanted some cash, it is there; and, with the exception of the Treasury bills, there is nothing else that they can convert into cash quickly.

Eccles: Except they have got a lot of short term stuff that is running off here every quarter, and if you look at their analysis of the holding of securities—

H.M. Jr: I wish the Federal Reserve would take a look at that because—

McKee: I think it is a pretty good idea, myself.
Bell: They haven't got much short within a year, Marriner, because we haven't got anything due after this August maturity until next March.

McKee: You can't sell a fixed rate bill, can you?

H.M.Jr: Pardon?

McKee: You can't sell a fixed rate bill, you have got to ask for bids.

Bell: Yes.

McKee: Under the law.

H.M.Jr: I am just raising this because, as I say, if the war news or something was particularly bad and the banks wanted to get some money quickly, about the only thing they can sell is Governments and there they go, and I am just wishing the Federal would study that a little bit. If we had two or three billion dollars worth of bills, it is a cushion.

Goldenweiser: The only thing, Mr. Secretary, just off hand, is that they don't seem to do that. They seem to sell Governments whether they have bills or not.

H.M.Jr: Well, of course, since I have been here, they have had practically no bills. There have been no really short term stuff. There has been no short term - it has been years since there has been any short term.

Goldenweiser: Well, in '37, the last time that the banks were selling was in '37, and they were selling Governments and not bills.

Eccles: They were buying short and selling the long, because they were afraid that the longs
were the ones that were lowering in value.

H.M.Jr: We don't have to settle it today, but I would appreciate it if the Federal would study it a little bit and talk it over. It has been suggested and it sounded pretty good, but we don't have to settle it today.

Jones: When are you doing this financing?

H.M.Jr: We want to do it Thursday morning. We have got to make up our minds in the next twenty-four hours. If the Federal met this morning and would give us the benefit of what they think, I would appreciate it.

Eccles: Well, we discussed this afternoon, as a matter of fact, just before coming over here - Mr. Sproul and Mr. Rouse got down and Mr. Leach got in and we discussed it after lunch. We favor a refunding of the existing outstanding--

H.M.Jr: Marriner, can you talk louder?

Eccles: Yes.

A refunding of the outstanding maturing issue on a basis of two and a half's, as well as get the new money on the basis of two and a half, same issue.

In other words, we think in new money that you can get at least seven hundred million. That would make a total issue of a billion and a half, eight hundred million of refunding and seven hundred million of new money.

H.M.Jr: Jesse, we are doing an August refunding of eight hundred thirty-four million three and a quarter percent bonds that we are proposing
Jones:  
Yes.

Eccles:  
The maturity that I think we would favor, maybe some slight differences of view on it, there is 56-59 or 57-59 if you put out a billion and a half in toto. We would favor, or not have any objection, certainly, to the option of giving the note, the three-quarter note that was used in the last two financing periods. Now, as to giving the option for the two and a half or the two, we were unanimous in feeling that it was not advisable, that it was not necessary. We feel that the market is for the two and a half bonds. It is true the banks have a substantial holding, maybe close to fifty percent of the maturing issues. It is our feeling that they will largely take the two and a half bond even if you gave the option. If they didn't want to hold it, they would sell the two and a half and pick up the tax exempt issue, which is the thing that most of them want. The insurance companies and the investors who don't want the two, they want the two and a half. They would provide the market for your two and a half's in case the banks wanted to sell, and the banks in turn would be in the market for the taxable - the tax free issues which the insurance companies may, or very likely would want to sell, or want to sell some of them. We understand that there is quite a substantial amount of the two's that are available in the market. I mean, the two's can be readily bought today. It is the two's and a half that seem to be in real short supply and where the market is the strongest. To put out a two percent issue would only add another issue to the numerous issues that are out and it would likely be a very small issue, and we feel that if you are only going to get 

to refund.
seven hundred million of new money that it would not be either necessary or possibly desirable to put out more than the one two and a half issue.

H.M.Jr: Is that what you people have got from New York?

Sproul: I will put it this way. The market--

H.M.Jr: Talk louder.

Sproul: The market wants a two and a half percent bond, primarily. That is the best piece of merchandise that is on the market right now, and they are still interested in it. The banks would do whatever job of underwriting there is to do on the two and a half percent bond even though they don't want to hold a bond of the maturity which that would have to be because they have found with the last issue and they believe that with this issue there would be a substantial continuing demand from savings banks and others for the new two and a half, and they could sell the two and a half which they have taken as underwriters and buy partially tax exempts in the market which they would like to have. That being the case, there doesn't seem to be any necessity, in fact some lack of desirability, of putting out the two issues, a two and a half and a two, the two being not of interest to the savings banks nor to the insurance companies. Perhaps it would be of interest to some banks, but not the kind of a piece of paper I think we should be putting into the banks. If we have to finance through the banks and to the extent we do, I think you can do it with shorter paper at lower rates and that it would be better to do it, and that ties in somewhat
with your bill selling idea, so that we come out at the same place with some perhaps differences of approach on one issue of two and a half's, a billion and a half refunding and cash, and on the maturity, Mr. Eccles and perhaps some others are feeling a little stronger than I do on that. I and our banks are now looking at the maturity date rather than the call date on these two and a half taxable issues.

H.M.Jr: How far out would you go?
Sproul: I would go out to '56-'58 or something of that sort.
Eccles: We would go out one year further, '59.

H.M.Jr: Jesse, the way we feel today, the subject is this. For the first time we know where these August bonds are. We have never known before but we know. We not only know the percentage but we know who holds them and seventy-nine percent of these bonds are - commercial banks have forty-six percent, the mutuals nine, insurance companies seventeen, and the Federal Reserves seven percent. In going through this thing we find that the banks, I think - oh, they only have somewhere near ten or twelve percent of their total investments in anything over ten years. Is that about right, George?

Haas: Over twelve years.
H.M.Jr: Over twelve years. We differ a little bit, as I say, until we see some of these customers. We sort of feel that we say to the banks who own a large proportion of these things, "Now, you have got to buy fifteen, sixteen, seventeen year bonds, where we know you never have.
You have got to take it and like it." And since we have got to come back again and again, we just wonder whether it is wise. As I say, we have invited the largest holders of these things to come down tomorrow morning to see me, and I will know better when I see them. It is not that we are afraid of one issue. A billion and a half or a billion three hundred million doesn't bother me, but it is just - well, I don't like to sort of have to say to these fellows, "Well, now, just because you have got a lot of money, I am going to make you take something and like it." Because I may come back six months from now, and they will say, "Well, now, you take this and like it." So that is where, as of today, we differ a little bit, and we were thinking of a two percent bond and giving the banks the choice that they could either take, on the refunding, a two percent or a two and a half; but for the new money, we would stock to the two and a half. But that is about where we are today, and if you would care to express yourself, I would be very glad to hear what you have got to say.

Jones: Well, I think fifteen years would be a pretty good time to run it on the two and a half bonds. These boys are talking about seventeen years.

Eccles: Well, '56 is the call date.

Jones: That is fifteen years.

Eccles: That is the call date, Jesse.

Jones: I think the public are ready to take a fifteen year bond, sort of moving up from ten. That would be my general opinion, although I have made no check of it.
On the two's, my guess is that they would go about as well as a two and a half, if there is five years difference, but I might be wrong about that. They might jump for the two and a half.

H.M.Jr: Well, if they did we wouldn't care.
Jones: Yes.

H.M.Jr: We wouldn't care, but I always go on the theory I want to satisfy a customer.
Jones: I would certainly see no objection in the world to offering the two and give them the shorter time at two percent.

H.M.Jr: If they didn't take it, what the hell.
Jones: Well, you would find out how they feel about it, too.

H.M.Jr: I will know better when I see them in the morning and talk with them face to face, just how they feel.

McKee: Mr. Secretary, May I ask not only you but the rest of your crew here, whether or not we don't think that this is going to be a condition at future maturities of tax free bonds? Aren't these going to fall in the hands of bankers by trades, just as Mr. Sproul said? They will take your two and a half and they will trade them for a tax exempt bond, and at your future refundings, aren't you going to find yourself just with that kind of accumulation? Isn't there a good prospect of finding yourself in that kind of a thing?

H.M.Jr: You may be right. I don't know. I mean, so far, with good luck and a little work, we have
been able to keep ahead of the sheriff and
the acceptance of the public of the last two
taxable bonds has been much better than I
even could have hoped for. I mean, there
has been a steady demand, and we were in
uncharted seas, and we have still got your
states and municipals partially tax free
as competent, and I think that it speaks
awfully well for the credit of the Govern-
ment that it has gone as well as it has,
and, of course, I don't kid myself, I know
there is a hell of a lot of money around to
be invested.

McKee: Well, the question that I wanted to raise,
the circumstances that are presented to you
in this issue, is that note going to be
similar in every other refunding bond issue
that you have to look forward to in the
future?

Bell: Sure.

H.M.Jr: Oh, yes.

McKee: Concentrated--

Bell: It may be different holders.

Eccles: Isn't the pattern important? It seems to me
the importance of this thing is to get a
pattern established because there is going
to be so much financing, and you need to get
the market accustomed, it seems to me, to a
certain rate. A two and a half rate will
pay for financing, say, long financing, or
less. Not more. On every refunding of the
tax free securities, the banks are likely
to have a substantial amount of it, more
or less fluctuating, depending, of course,
on the issue. If we are justified in giving
the option at this time, it seems to me that
we may, for the same reason, do it each time and it does create an awful lot of issues and it would seem to me that the whole problem would be simplified. You establish a pattern here that could be continued. The banks are not going to be penalized if they take the two and a half bonds in any way because there are two's in the market. They could sell the two's and a half in exchanges for the two's, but what most of the banks really need is a tax exempt bond. The tax exempt bond is a very much better buy today in spite of the premium, twenty-four percent tax, than either the two or the two and a half, so that if they took the two's and a half, those that - they would likely sell a substantial amount of them just as the insurance companies are likely to sell the taxable - or the tax free securities and take the taxable because they are not subject to taxes.

H.M. Jr:

Well, of course where I differ a little bit from you, Marriner, is this, that I have never felt that I wanted to use the position here of the Treasury to force anything on the financial community just because there happens to be a lot of money around, because it has happened a half dozen different times since I have been here that it has been tough going, and I never forget and I know that there will be a half dozen more times it is going to be tough going, and just because the bond market is particularly good now, I just don't want to take advantage of it.

Now, after I talk to these fellows tomorrow, and they are down here and they say, "We will take your two and a half," I may go along, but I mean I have just never felt that just because we happened to have a good time we
should force something down these fellows' throats because they may get indigestion and spit it up.

Eccles: Of course they don't agree among themselves. You get different opinions from different banks and different sections, so that it isn't - I don't believe that you should consider it as forcing anything. You have got a certain thing to offer and inasmuch as there is a diverse opinion, I am sure you will find it may well be that the majority of the big holders might want the option.

H.M.Jr: Of course a two percent bond is cheaper money for the Treasury. Don't forget that. The two percent works out to one eighty-four as against the two and a half at two thirty-eight, so it is - you always want cheap money.

Eccles: That is right. (Laughter)

H.M.Jr: You are always talking about cheap money. You are arguing as though I was asking - that it was three percent money.

Eccles: I would get it less than two if you were going to have banks take it. What I would do is use the two and a half in exchange and then find a short two percent security, and let the banks, if they want to convert the bond they have got in to a two and a half and sell it, they want a shorter security, I would like to see us work out a program for the banks on their refunding of the securities they have got coming due with shorter issues of some kind, real bank securities.

H.M.Jr: But Marriner, if my boys are right, I don't know who close they are, but we think we can
borrow two percent, and it figures out one eighty-four yield basis, which is pretty damn cheap. Is that any where near what you have got, Piser?

Piser: What maturity is that, Mr. Secretary?

H.M.Jr: We are figuring eight to ten years.

Piser: I have--

Eccles: 49-51.

Piser: I have approximately the same thing. March 49-51, I have a yield of one eighty-two.

H.M.Jr: Well, one eighty-two and one eighty-four is very close.

Piser: Yes.

Eccles: In other words, the premium would be about one and a quarter, the same as on the other. You would have to have the same premium.

Sproul: On this question of a satisfied customer, I can only reflect what we have heard from the customers we have talked to, and you will see some more in the morning. The reflection we got was that they would like a two and a half percent bond.

H.M.Jr: Well, I can see that they would, because they are going to get two point three eight, we figure, on their money, as against a possible one point eighty-four, but they don’t have to take the two percent unless they want to.

Sproul: No, and my guess is they won’t to any great extent.
Mind you, we are arguing, that is the purpose here, and I am waiting to see these people, but if they don't take it, then we were wrong, and if they do take it, we are right.

Mr. Secretary, do you intend opening the note issue, too?

No.

I am not arguing for a high yielding piece of paper for the banks, because my expectation is that this will go into insurance companies and savings banks, which is where you want to do your financing rather than through the commercial banks.

That is right.

When you want to go to them, I would go to them with a lower coupon piece of paper than a two percent coupon.

But don't forget, right now forty-six percent of this August issue is held by commercial banks.

Well, they have held some and they have bought up some rights in expectation of a new financing, and they are ready to do an underwriting job as well as an investing job.

It is largely underwriting for the fellow that has bought the rights.

Some of those people have held them all through the eight years, but there are a good many of them that have been bought within the last two years.

For the rights?
Rouse: Yes.
H.M.Jr: Piser, we thought we could go out to sixty on this, on the two and a half.
Piser: Is that the maturity or the call?
H.M.Jr: We had down '55-'60.
Piser: That is what I have.
Eccles: Yes. If you go out to sixty, it would be an earlier call date and a longer maturity.
H.M.Jr: Is that about where you are?
Piser: Yes, December.
H.M.Jr: We are very close.
Eccles: You see, we did the '56-'59. That is a one year later call date, but an earlier maturity date by a year.
Sproul: I don't think you ought to go out that far. I don't think the market would take to it very well.
Draper: What do you think, Sproul?
Sproul: A '56-'58 would be my idea.
Bell: I think we have to be a little careful in extending the maturity because the banks are beginning to look at maturities instead of call date.
McKee: Do you get that too, Dan?
Bell: I think so.
Well, a low coupon is going to force them into that.

Sproul: They don't expect you to refinance in '58 with a lower coupon than two and a half. They expect you to go to maturity on these issues.

Eccles: There is a very strong underlying investment demand. I would like to see a pretty large amount of this put out, and I would like to see the maturity put off a bit so that you wrote - we would avoid having such a rapid run up as we did on the last two and a half. It went up nearly four points there in pretty short order, and it was - it reflected the very large unsupplied investment demand, and I think that that still exists on - outside of the bank on a very large scale, because your capital market is pretty - in every war economy becomes pretty dead. It gets almost to the - about the only opportunity for investment becomes the Government or agencies of the Government and the savings are increasing, the national income is increasing, and the opportunity for investment is decreasing and the demand is exceptionally strong, and I find in talking to some of the insurance people and others that they are just - they don't know what the hell to do with the money. I wouldn't mind if the banks did sell and take the two's and a half and then sell them to help to supply this market. I think it might be a good thing, and they are available then at such time as you may need them for bills or for short term issues at a lower rate.

H.M.Jr: Well, what I would like to do is this, if I could. We will work on this thing hard tomorrow morning and then either just before lunch or just after I would like to call you up,
Marriner, and I would like to call you up, Jesse, and if either of you get any ideas during the morning would you give me a ring?

Jones: Sure.

H.M.Jr: But I am seeing these half dozen fellows tomorrow who are the biggest holders, and I would like to see how sharp their teeth are.

Jones: Good.
VASSAR COLLEGE
Poughkeepsie, New York

Department of Economics & Sociology

May 28, 1941.

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

Dear Mr. Morgenthau:

Replying to your letter of May 22nd, I shall be very glad to assist in the inquiry into Federal-State-Local revenue needs and tax systems. I have discussed the matter with President MacCracken and he is willing to release me from my work here in so far as this proves to be necessary. I shall discuss detailed plans with Luther Gulick.

Sincerely yours,

/s/ Mabel Newcomer
1. The figures in the table show the value of undelivered materials (i.e., advances outstanding plus balance of payments due) as of May 1, except in the few cases of contracts signed after May 1, where they are shown as of a current date.

2. No contracts have been taken over by the War Department or the R.F.C. The contracts for machine-guns for whose transfer negotiations are proceeding do not appear in this table, as they were signed before January 1. However, the Navy propose to purchase the product of a contract for Oerlikon 20 mm. guns, value of materials (all undelivered) $8,500,000 which by itself constitutes the heading in the table: “Contract not yet signed – approved by the Treasury – first payment made before January 17”.

3. Capital payments are excluded from this table.

4. Options exercised during the relevant periods on British contracts made in 1940 are included on the same basis as new contracts (Treasury approval was obtained for these options from January 16 to March 15 as they came up).

5. It will be noted that contracts were sometimes signed between January 16 and March 15 which had not been approved by the Treasury. The reason for this in most if not all cases was that a commitment had already been made (by letter of intent or otherwise) and reported to the Treasury before the requirement of prior approval instituted on January 16. For a similar reason contracts approved by the Treasury often appear as having been signed after March 15, or indeed have not been signed at all.

An examination of each case individually would have to be made to discover whether this or some other reason caused the apparent anomaly.
6. There may be cases not in this table of Letters of Intent issued before January 1 where the contract was not signed till after January 1. Owing to the form in which our records are kept it is impossible to be sure that all such cases have been picked up.

Washington, D. C.,
May 28, 1941.
# STATEMENT OF CONTRACTS SIGNED AFTER JANUARY 1, 1941

**Showing Number of Contracts and Value of Undelivered Material by Date of Signature and First Payment**

**As of May 1, 1941**

<table>
<thead>
<tr>
<th>Date of First Payment</th>
<th>Date of Contract Signed</th>
<th>U.S. Treasury Approval</th>
<th>Value Before January 17</th>
<th>Value January 17 to March 15</th>
<th>Value After March 15</th>
<th>No Payment to Date</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>No. $ 000</td>
<td>No. $ 000</td>
<td>No. $ 000</td>
<td>No. $ 000</td>
<td>No. $ 000</td>
</tr>
<tr>
<td><strong>Before Jan. 17, 1941</strong></td>
<td>yes</td>
<td>1</td>
<td>15 5,155</td>
<td>62</td>
<td>16 5,205</td>
<td>56 71,860</td>
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<td></td>
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<td>29</td>
<td>60,766</td>
<td>10,503</td>
<td>3 152</td>
<td>2 401</td>
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<tr>
<td><strong>Jan. 17 to Mar. 15</strong></td>
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<td>3</td>
<td>26,905</td>
<td>59,501</td>
<td>6 1,815</td>
<td>13 71,189</td>
<td></td>
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<tr>
<td></td>
<td>no</td>
<td>5</td>
<td>26,905</td>
<td>23,916</td>
<td>2 5,192</td>
<td>34 56,534</td>
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</tr>
<tr>
<td><strong>After March 15</strong></td>
<td>yes</td>
<td>2</td>
<td>9,966</td>
<td>2 5,080</td>
<td>2 144</td>
<td>14 12,961</td>
<td></td>
</tr>
<tr>
<td></td>
<td>no</td>
<td>2</td>
<td>10,000</td>
<td>6 2,668</td>
<td>2 806</td>
<td>14 12,961</td>
<td></td>
</tr>
<tr>
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<td>8,484</td>
<td>29,289</td>
<td>6 5,080</td>
<td>11 57,773</td>
<td></td>
</tr>
<tr>
<td>issued but no contract signed</td>
<td>no</td>
<td>2</td>
<td>10,000</td>
<td>8,670</td>
<td>5 10,080</td>
<td>14 21,760</td>
<td></td>
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<tr>
<td><strong>TOTAL</strong></td>
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<td>1</td>
<td>8,484</td>
<td>95,945</td>
<td>6 1,987</td>
<td>161 119,815</td>
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</tr>
<tr>
<td></td>
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<td>56</td>
<td>107,536</td>
<td>41,117</td>
<td>7 5,902</td>
<td>118 165,085</td>
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</tr>
<tr>
<td><strong>GRAND TOTAL</strong></td>
<td></td>
<td>57</td>
<td>116,020</td>
<td>135,060</td>
<td>84 25,972</td>
<td>299 252,911</td>
<td></td>
</tr>
</tbody>
</table>

Washington, D.C.
May 25, 1941
Dear Secretary Morgenthau,

When I was in Washington last week we were so preoccupied with the Viscose business that it was not possible to bring up other matters, otherwise I should have mentioned the Coates-Clark group of thread companies to you.

The British authorities regard the work of these companies as of particular importance because eighty per cent of the output of the British mills is being exported and producing foreign exchange.

In order to safeguard the position as much as possible, arrangements were made many months ago by which, should one or more of the large mills in Scotland be put out of action, the American company could carry on such part of the foreign business as was affected.

Experts were sent out here some months ago, designs, gauges and all other elements necessary to produce for each country what it has been accustomed to. The British authorities would regard it as a real misfortune if anything were to happen to interfere with these arrangements.

In any event the more I looked into the matter, the more I felt that these companies were not likely to prove very satisfactory from a sale point of view. I am glad to be able to tell you, therefore, that with the help of Mr. Clarence Dillon I have been able to bring arrangements almost to completion under which a loan will be made to the company, partly by banks, partly by insurance companies, of sixteen million dollars with a favorable rate of interest. This is a great deal more than I had at one time expected, and I have no hesitation in saying that from every point of view it will be a satisfactory transaction.

If I may do so I propose to telephone on Monday afternoon, to ask if you approve of what I am provisionally arranging in order that I may have the matter closed without delay.

Yours sincerely,

[Signature]

Sir Edward Peacock

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

2150, twenty-eighth.
FOR TREASURY.

In reply to a question in the House of Commons yesterday as to whether he would give facilities for the conversion of stocks in respect of which the Commonwealth of Australia and the various state governments were in a position to exercise an option of repayment, the Chancellor or the Exchequer replied in the affirmative, adding that: "An offer of conversion in respect of those stocks carrying a higher rate of interest than 4 per cent will be made at an early date" and that "in order to facilitate this operation without interference with the government's operations I have agreed to advance from the vote of credit to the Commonwealth of Australia such sum as may be necessary to repay any unconverted stock". The TIMES' city editor comments that while the conversion operation was not unexpected there had been no expectation that the British Government would itself advance to the Commonwealth the
2-2150, May 28, from London

the sums necessary to repay unconverted stock. He also says that such a step "is quite without precedent and it constitutes one of the best examples yet afforded that Empire cooperation in the war is as close in the financial as in the military field."

JOHNSON

NPL
Secretary of State,
Washington.

2159, twenty-eighth.

It will be appreciated if the Department will obtain from the Treasury Department a reply to the following inquiry:

Mr. W. H. A. Bell, a British subject and administrator of the estate of his father, the late William A. Bell by appointment of the County Court, El Paso County, Colorado, has been ordered by the court to return to the United States trust assets removed by him to the United Kingdom now knowing prohibition against removal. Assets include $42,300 worth of United States Treasury bearer bonds 1944/54 insurance on which if transmitted by air mail would cost nearly $300. He inquires whether bonds can be re-issued in the United States if (a) destroyed in the presence of an American consular officer in London, (b) canceled in the presence of an American consular officer in London, or (c) registered at the American Consulate General in London, in each case detailed confirmation being forwarded by Consulate General directly to Treasury.

JOHNSON

KLP
PARAPHERASE OF TELEGRAM RECEIVED

FROM: American Embassy, Berlin, Germany

DATE: May 29, 1941, 4 p.m.

No. 2126

In commenting on the development of French foreign trade since the armistice the DITYT AND DEUTSCHLAND tonight states:

"The exchange of goods with Germany naturally takes first place, since France has numerous payments obligations to meet including those towards the occupying powers, Germany and Italy, an effort was made in France to increase exports more than imports. This effort succeeded. It adds that with German assistance France has made new economic agreements with Finland, Netherlands, Norway, Sweden and Switzerland and is at present negotiating with Denmark, Spain, Italy, Hungary and Turkey. It declares that French overseas trade has only slightly recovered although "it is already clear today that by going along with the Axis Powers France will lose nothing in the sphere of foreign economic relations compared to its former position."

It can hardly be supposed that the delivery by France to the occupying powers of large quantities of raw materials and manufactured goods is normal commerce; nevertheless, a certain amount of actual French trade on a barter basis with other German-dominated areas, as well as Germany itself, appears to be growing up. Going with this development, German penetration of finance and industry in both unoccupied and occupied France has been noticeable."

REBiV

[Signature]
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMBASSADOR, BERLIN
TO: Secretary of State, Washington.
DATED: May 28, 1941 - 9 p.m.
NO: 2105.

The DIENST AUS DEUTSCHLAND states tonight, in commenting on the development of French foreign trade since the Armistice:

"First place is naturally given to the exchange of goods with Germany. An effort was made in France to increase exports more than imports since France has numerous payments obligations to meet, including those towards Germany and Italy, the occupying powers. The efforts made by France were successful." The article continues that France with German assistance has made new economic agreements with Switzerland, Sweden, Norway, Netherlands and Finland and is negotiating at present with Hungary, Turkey, Italy, Spain and Denmark. French overseas trade, it declares, has only slightly recovered, although "today it is already clear that France by going along with the Axis Powers compared to its former position will lose nothing in the sphere of foreign economic relations."

Although delivery by France of large quantities of raw materials and manufactures to the occupying powers can hardly be regarded as normal commerce, there appears, nevertheless, that there is a growth of a certain amount of actual French trade on a barter basis with Germany itself, as well as with other German dominated countries. In both occupied and unoccupied France, this development is accompanied by a noticeable German penetration of industry and finance.

Inform Commerce and Treasury.

MORRIS
By dear Mr. Secretary:

Recent significant developments indicate the need of coordinating existing Federal authority over oil and gas and insuring that the supply of petroleum and its products will be accommodated to the needs of the Nation and the national defense program. Government functions relating to petroleum problems are now divided among numerous officers and agencies of the Federal Government and the principal oil-producing States. The various phases of operation in the petroleum industry itself are numerous and complex. One of the essential requirements of the national defense program, which must be made the basis of our petroleum defense policy in the unlimited national emergency declared on May 27, 1941, is the development and utilization with maximum efficiency of our petroleum resources and our facilities, present and future, for making petroleum and petroleum products available, adequately and continuously, in the proper form, at the proper places, and at reasonable prices to meet military and civilian needs.

Some of the problems with which we are now confronted and which require immediate action are: The proper development, production, and utilization of those reserves of crude oils and natural gas that are of strategic importance both in quality and location; elimination or reduction of cross healing of petroleum and its products and the development of transportation facilities and of methods by which more efficient use can be made of existing transportation and storage facilities; balancing refining operations to secure the maximum yields of specific products with full consideration for requirements, the most economical use of the raw materials, and efficiency of production and distribution; and the elimination of the drilling of unnecessary wells in proven fields and of other unnecessary activities and equipment.

In order to provide the desired coordination, I am hereby designating you as Petroleum Coordinator for National Defense. In that capacity it will be your function and responsibility as my representative:

1. To obtain currently from the States and their agencies, from the petroleum and allied industries, from the officers and agencies of your Department, and from other appropriate Federal departments and agencies information as to (a) the military and civilian needs for petroleum and petroleum products, (b) the factors affecting the continuous, ready availability of petroleum and
petroleum products for those needs, and (c) any action proposed which will affect such availability of petroleum and petroleum products.

2. To make specific recommendations to any appropriate department, officer, corporation or other agency of the Federal Government, particularly the Office of Production Management and the Office of Price Administration and Civilian Supply, to the appropriate agency representing any State or any combination of States, and to any appropriate industry or part thereof, as to action which is necessary or desirable, on the basis of your determinations, to insure the maintenance of a ready and adequate supply of petroleum and petroleum products.

In carrying out these responsibilities, it is expected that you will consult with the several officers and agencies of the Federal Government, and with the States acting severally or in any joint capacity, to the end that all governmental participation shall consistently further the purposes above outlined. It is also expected that you will consult with the petroleum industry and those industries which affect its functioning, to aid them in shaping their policies and operations in the discovery, development, production, processing, transportation, storage, distribution, marketing, consumption, and import and export of petroleum and petroleum products.

In order to facilitate your work and efforts, I am requesting that the several departments and agencies having functions related to the petroleum problem give you进展情况 advice of any action proposed which may affect the continuous, ready availability of petroleum or petroleum products for military and civilian needs, so that you may have opportunity to make specific recommendation concerning such action. I am also requesting that they notify you of all meetings and conferences dealing with these problems, so that your representatives may be in attendance when you deem it advisable.

It is suggested that from time to time you call together all or any of the heads of such departments and agencies, or their representatives, as a committee to discuss such problems as may arise and to develop ways and means of effectuating the highest degree of coordination of Federal functions for the furtherance of the policy herein outlined. The heads of the departments and agencies concerned are being informed of this suggestion and of the contents of this letter, and I am sure you will find them ready to cooperate fully in rendering the assistance requested herein or otherwise needed to assure success of the program.

Within the limits of such funds as may be made available to you, you may employ necessary personnel, including a Deputy Coordinator whose appointment shall be approved by me and to whom you may make any necessary delegation of functions, and may make provision for necessary supplies, facilities, services and for actual and necessary transportation, subsistence, and other expenses incidental to the performance of their duties. You will, of course, make use of such statistical, informational, fiscal, personnel, and other general services and facilities as you now have available or as may be made available to you through the Office of Emergency Management or other agencies of the Government.

Yours sincerely,

FRANKLIN D. ROOSEVELT

The Honorable
The Secretary of the Interior
In response to a telephone message from Miss McGuire, I left the office of Mr. James Ryan, Assistant Chief Counsel of the Bureau of Internal Revenue, at about 4:45 o'clock yesterday afternoon and came directly to your office. You told me that the Attorney General had telephoned you from the White House and asked that a representative of the Treasury proceed immediately to the Cabinet Room at the Executive Offices, and you instructed me to go there at once.

Upon arriving at the Cabinet Room I was ushered in and greeted by the Attorney General who introduced me to Justice Samuel Rosenman of the Supreme Court of New York and Green H. Hackworth, legal adviser to the Secretary of State. The Attorney General handed me a draft of a proposed proclamation by the President declaring an unqualified national emergency and asked me to read it.

When I had finished reading the proposed proclamation, the Attorney General asked me if I had any suggestions. I said that I would like to read it once more. The Attorney General smilingly said there was hardly time.

Several paragraphs of the proposed proclamation ended with phrases relating to "predatory incursion by foreign agents" and "foreign directed subversion". I said that, unless it was intended to emphasize this aspect of the proclamation, I thought the order of the objectives stated should be altered. The Attorney General replied that he thought that was a good suggestion and he rephrased the paragraphs accordingly.

The proposed proclamation did not contain specific findings, such as that war was imminent, which caused me to ask the Attorney General whether it was intended to bring any specific statutes into operation, such as, for example, §120 of the National Defense Act. The Attorney General replied that although the proclamation would probably furnish the basis for the exercise by the President of hitherto unexercised powers, such as, for example, certain provisions in the Espionage and Alien Sedition laws, an unqualified national emergency was being proclaimed primarily for its psychological effect in impressing upon the country the threat of aggression and the need for strengthening our defenses in all respects.
The Attorney General then asked me if I thought there was anything unreasonable in the document. I replied that I thought it was eminently reasonable and asked whether there was anything further I could do. The Attorney General said he thought not, and thereupon I returned to the Treasury.

Just as I was leaving, Judge Rosenman made a call on the telephone, saying that the proposed proclamation was not ready to be cut on the stencil but was now in such shape that it could be shown to the President. The proclamation as issued does not differ substantially from the proclamation I saw. To the extent that it does differ it has been made terse and emphatic. For example, I do not recall the use of the word "unlimited" which I assume, therefore, was inserted by the President.

Copy of Proclamation
Filed under date 5/27/41
May 28, 1941

The Secretary, Henry Morgenthau Jr.
Treasury Department
WASHINGTON, D. C.
U.S.A.

Dear Secretary Morgenthau:

I appreciate very much your letter of May 8 which arrived this morning, telling your interest in the memorandum on "Possible American Aid for China."

I am pleased to learn that technical and professional assistance are included as possible forms of aid under the Lend-Lease Program. I have received favorable reaction to the idea both from Minister Wong Wan-hao of Economic Affairs and Minister Chen Li-fu of Education.

In my last letter, I mentioned my leave of absence, due this June. On account of the large number of students studying Agricultural Economics and our limited staff, the University has requested that I postpone my return another year. I have consented to do this and, therefore, do not expect to be returning to the States before July 1942.

With best personal regards,

Sincerely yours,

J. Lossing Buck

[Signature]
TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £26,000
Purchased from commercial concerns £ 3,000

Open market sterling was again quoted at 4.03-1/2. The only reported transactions consisted of £1,000 sold to commercial concerns.

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

Canadian dollar 12-1/2% discount
Swiss franc 2321-1/2
Swedish krona 2385
Reichsmark 4005
Lira 0526-1/4
Argentine peso (free) 2380
Brazilian milreis (free) 0505
Mexican peso 2070
Cuban peso 2-1/4% discount

In Shanghai, the yuan was unchanged at 5-7/16¢, and sterling was again quoted at 3.90-1/4¢.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, a price of 23-3/8d was again fixed for both spot and forward silver, equivalent to 42,34¢.

The Treasury’s purchase price for foreign silver was unchanged at 35¢. Handy and Harman’s settlement price for foreign silver was also unchanged at 34-3/4¢.

We made five purchases of silver totaling 175,000 ounces under the Silver Purchase Act, all of which was bought for forward delivery. Of this amount, 75,000 ounces consisted of new production from Honduras, and the remaining 100,000 ounces represented new production from various foreign countries.
The Federal Reserve Bank's report of May 21, listing deposits of banks in Asia with the New York agencies of Japanese banks, showed that such deposits totaled $76,175,000, an increase of $209,000 since May 14. Also shown were the Yokohama Specie Bank New York agency's principal dollar liabilities to and dollar claims on Japanese banks in Asia. These stood as follows on May 21:

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>May 21</th>
<th>Change from May 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits for Japan and Manchuria</td>
<td>$51,585,000</td>
<td>+$ 350,000</td>
</tr>
<tr>
<td>Deposits for China</td>
<td>$17,225,000</td>
<td>- 116,000</td>
</tr>
<tr>
<td>U.S. Treas. Bills, comm. paper, etc</td>
<td>27,152,000</td>
<td>+ 1,725,000</td>
</tr>
<tr>
<td>Claims</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>$37,359,000</td>
<td>-$3,667,000</td>
</tr>
<tr>
<td>Other - mainly Jap. import bills</td>
<td>7,667,000</td>
<td>+ 136,000</td>
</tr>
</tbody>
</table>

The last three categories refer mainly to Japanese banks in Japan and Manchuria. It is interesting to note that deposits and bills held by the Agency for such banks together rose $1,639,000 (an increase of $1,289,000 in bills held being included in the $1,725,000 shown above), while Agency loans to Japanese and Manchurian banks were reduced by $3,514,000 (included in the $3,667,000 given above). Credits to Japanese and Manchurian deposits, then, amounted to at least $5,153,000 during the week of May 21.
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MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, May 28, 1941

TENTATIVE LESSONS BULLETIN
No. 110
G-2/2657-235

NOTICE

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

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FURTHER NOTES ON GERMAN TRAINING IN MARCHING AND MARCH DISCIPLINE

SOURCE

TENTATIVE LESSONS BULLETIN No. 56 presented the view of an American official observer in Berlin on German marching and march discipline. This bulletin contains the translation of an article on the same subject, published in the Militär Wochenblatt, authoritative German military journal, in October 1940, along with comment by an American official observer.

CONTENTS

1. TRANSLATION
2. COMMENT BY OBSERVER

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-1-
There is no doubt that the nature of a march to battle has a great influence on the battle itself. In order to win a battlefield decision, troops should arrive at the point of battle in good physical condition so that they will be able to function efficiently in combat. Troops that are exhausted and over-exerted after a mismanaged march are not likely to win in battle.

Marching is particularly difficult when mixed units are included in the same column. Even the march of a battalion or a regiment is not simple if it is made under unfavorable circumstances.

According to German training instructions, the distances maintained between units in a marching column are for buffer purposes; they ensure uniformity and steadiness in the march. These distances, therefore, vary in length, and if a column commander demands a fixed distance between individual units, the purpose of instructions is defeated. Units the size of a company will have to vary their rate of march constantly in order to maintain the designated distance, and troops will become prematurely and unnecessarily fatigued.

The excellence of a march does not depend upon distances involved, and it might be desirable to increase distances now prescribed by instructions. In peacetime only "normal" marches are made, with distances reduced and vehicles closed up behind either the company or the battalion. Various complications arise in war which were not taken into account in peace, but the condition of troops is always the chief consideration.

Young, untrained, and unconditioned horses cannot maintain the infantry rate of march; they lag behind. Horses from flat and low countries experience great difficulties in high and hilly terrain, and in peacetime training such terrain is usually avoided. But in war the enemy dictates the route of march, and this route often leads over difficult ground.

Vehicles always carry heavier loads in war than in peace, and the war load is generally too heavy for two horses. In peacetime the field kitchen is the heaviest vehicle in the combat company, but in war the three pneumatic-tired munition and tool wagons are the heaviest.

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How, then, can a company help itself when marching on a difficult route? Vehicles may be pulled uphill by four horses instead of two, but since this procedure either decreases the rate of march or separates the unit from its vehicles, it is suitable only for occasional short slopes.

A pulling detail designated for each vehicle may, by using drag ropes, assist in pulling the vehicle up slopes, through mud and sand, or over other difficult terrain. Drag ropes are attached to the outside of the vehicle in such a way that they can be taken off even when the vehicle is in motion. Each pulling detail includes at least ten men, so that each company has a total of 50 men on such details. In each company 36 men are needed as light machine gunners for active antiaircraft defense during the march.

Each company has to furnish pulling details for at least three vehicles hauling battalion staff or baggage equipment, since battalion headquarters itself cannot furnish these details. Hence the entire company is employed on pulling details. The men will be prematurely fatigued after such duty; the rate of march will decrease and distances between units will be greatly increased.

Another solution is to divide all vehicles in the battalion equally among the companies and then allot about 15 men to each vehicle as a pulling and pushing detail. As long as the men are fresh, horses will be spared from heavy pulls. But the march will soon develop into a matter of running and halting, and often the distances between units will be greatly increased; the men will soon become fatigued and cling to vehicles, thus increasing the load for the horses. This method, however, has one advantage—the men are always available to assist in case of air attacks, accidents, or other emergencies. This method is suitable for marches up to 25 kilometers, or 15 miles.

The three solutions which have been outlined are not satisfactory for long marches. Vehicles can be unloaded, of course, and such procedure constitutes a satisfactory peacetime solution, but in war every commander, to include the platoon commander, will carry as much ammunition as possible.

There is only one effective measure against overloading—reduction of the capacity of the vehicle. We cannot decide here whether that is possible. Our present overload results from the fact that the munition and tool wagon was originally intended for three rifle squads, a mortar squad, and platoon headquarters. Today, in addition to the load for which it was designed, the vehicle must accommodate a fourth squad, a larger platoon headquarters, and one-third of the excess load resulting from an increased company headquarters.
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While the present munition and tool wagon is retained, the rifle platoon needs two vehicles. These vehicles can be drawn over any terrain by two medium-sized horses.

If water is to be prepared for issue to marching troops, a non-commissioned officer with some men on bicycles should be sent ahead with the company canteens. If the march rate is decreased voluntarily, it is possible to serve all men, but whether a decrease is permissible depends upon the situation. Even during this war pumps have been poisoned, and this fact must be taken into consideration. It is an exaggeration to state that a company will get entirely out of hand while being watered, although if water is not immediately available some men may leave the column momentarily to get it. Such men should be arbitrarily punished.

In addition to an extended midday rest, troops should have rest periods covering the last ten minutes of each hour, and such periods should be made uniform throughout the entire column. These rests have proved their value during this war. At first troops objected to the short periods; they preferred to go on marching, but they soon realized that short and regular halts improved their marching performance.

The French have used the ten-minute rest periods in their marches for a long time. This accounts for the slower marching rate of the French infantry.

Many commanders prescribe that the rifle be carried in a uniform manner, but this provision fatigues personnel unduly and unnecessarily. The manner of carrying the rifle should be optional, as permitted by our training instructions. It is true that the company will not present a uniform appearance, but that is not the main purpose of a march into combat.

Men with sore feet are always a problem on a march. Mounting them on vehicles is not always practical or expedient, for there are only a few unoccupied seats on battalion vehicles. The regular peacetime soldier shuns riding as a matter of pride; he does not want to be known as a man who “can’t take it”. But a difficult situation obtains with unconditioned conscripts, and the few available seats are soon occupied. Generally it is better to collect those who “can’t take it” and leave them in a village under the command of a reliable non-commissioned officer. These men should continue the march on the next day. If a man knows that he must march in any case, he will strain every nerve in order to remain with the company.

If munition and tool wagon horses are lacking in marching ability, it is hardly due to a deficiency in horse-training or
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driving instruction within the battalion. Poor marching performance on the part of animal transportation may be due to one or more of the following:

a. Horses are unconditioned and too young;
b. Drivers are insufficiently trained in driving and handling horses;
c. Vehicles are overloaded;
d. Roads, weather, or both are bad.

In wartime we always have to take these factors into consideration. The adoption of lighter and smaller vehicles may be the final solution, for they facilitate a good march even in the face of unfavorable conditions. Pneumatic-tired vehicles may be hard to pull on soft footing, but they are correspondingly easy to pull on hard footing. They possess so many other advantages that they should be retained.

2. COMMENT BY OBSERVER

This article is evidently based upon considerable practical marching experience in Poland, on the Western Front, or both. It is interesting to note that even in the German Army, where peacetime field training is designed to approach combat conditions as closely as possible, peacetime marching exercises did not completely prepare men and animals for the conditions actually encountered in war.

In combat, the size, weight, and distribution of the vehicle load were discovered to differ considerably from these factors in peace conditions.

The author notes that selection of routes, terrain, and weather conditions in peacetime marching exercises are generally based upon the comfort and convenience of the troops. This is likely to be detrimental to the training and conditioning of troops for the theater of war, where marching conditions are usually dictated by the enemy.

German officers have repeatedly stated that they found it to be a mistake for company officers to show too much sympathy and concern over complaints of sore feet, especially at the beginning of a long march. They found that such sympathy only encouraged more complaints. They do not, however, neglect such complaints altogether, for appropriate inspections of feet and footwear are made during halts and at the end of the day’s march.

The importance of keeping the personnel of a marching unit in good humor and spirits is continually emphasized.

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-5-
SITUATION REPORT

I. Western Theater of War.

Air: German. Extremely limited activity.

British: Relatively light night attacks, with Cologne the main objective.

II. Crete.

Indications are that British resistance in Crete is weakening as the British have been forced to withdraw to new positions. According to the German High Command the British evacuation has begun. German air-borne reinforcements continue to arrive.

III. Mediterranean and African Theaters.

Ground: North Africa. Halfaya Pass, southeast of Sollum, has been reoccupied by German and Italian troops. (Note: This Pass controls the approach from the desert escarpment to the coastal road, and was captured by the British May 15th.)

Air: Axis. Harassing attacks in the Sollum area.

IV. Iraq:

No concrete information available.
London, filed 15:30, May 28, 1941.

1. **British Air Activity over the Continent**
   a. **Day of May 27.** Planes from the Bomber Command attacked French airfields destroying several planes on the ground and one hangar. Other British planes attacked shipping off the Dutch coast scoring hits on merchant vessels and one tanker. Planes from the Fighter Command patrolled the French and Belgian coast but encountered no opposition.
   b. **Night of May 26 - 27.** The only British air activities were sea mining missions.

2. **German Air Activity over Britain**
   a. **Night of May 27 - 28.** Operations were on a small scale consisting for the most part of mining and anti-shipping operations over the coast of Cornwall, East Anglia, Thames estuary, and the east coast of Scotland. There was one small raid on Milford Haven and four planes over east Scotland.
   b. **Daylight of May 27.** Enemy activity was again on a small scale consisting for the most part of defensive patrols over the Channel. One bomber was over Aberdeen, Scotland and one over the southeast coast of England.

3. **Aircraft Losses in the British Theater.**
   a. No British losses reported.
b. During the German operations on the day of May 27, British fighters shot down one German fighter and damaged two others over the coast of England.

4. British Air Activity. Other Theaters.
   a. Egypt. Planes of the Royal Air Force based in Egypt attacked Benghazi and Sollum airfields and bombed the beach and airport at Malek. A number of German planes were set afire at Malek, and Hurricanes destroyed six Junker Ju-52's filled with troops and machine-gunned about 100 Junker Ju-52's on the ground inflicting considerable damage. Planes from Malta struck three large enemy merchant ships, all of which are believed to have been sunk. Other British planes from Palestine attacked German planes at Faluya airfield in Syria.

b. Iraqi Theater. Three enemy occupied airfields in Iraq were bombed by British planes.

5. Axis Air Activity. Other Theaters.
   a. Crete Theater. Additional air troop landings continued. These landings were coordinated with intensive bombings by the German Air Force.

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A.G. of S., G-3

CONFIDENTIAL
Paraphrase of Code Cablegram
Received at the War Department
at 10:42, May 26, 1941.

Cairo, filed 23:50, May 27, 1941.

1. The Axis has nine destroyers and five cruisers in eastern Sicily.

2. The British have suffered reverses in Crete but the extent of these remains undisclosed.

3. There are increased armed car activities in the vicinity of Sollum.

4. In the harbor of Tripoli there are 16 vessels whose estimated tonnage totals 80,000 tons. There is one destroyer, torpodo boats and nine seaplanes.

FELLERS

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Paraphrase of Code Telegram
Received at the War Department
at 14:00, May 26, 1941

Vicky, filed 18:30, May 26, 1941.

German troops in Libya estimated at 4 divisions, of
which 2 armored and 2 motorized.

LEAKY

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Paraphrase of Cfe Telegram
Received at the War Department
at 12:45, May 26, 1941.

Dispatch, filed May 26, 1941.

The demobilization of the Hungarian army has been completed and
Hungary will now concentrate on furnishing supplies to the Reich.

German troop movements are proceeding in all directions, but
mostly north and south.

One report states that German units have moved from opposite
Turkish border into southwestern Greece possibly on route to Syria. Units
stationed in eastern Slovakia have gone northward into Poland.

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War Plans Division
Office of Naval Intelligence

Confidential
London, filed 1510, May 28, 1941.

In addition to a report on air operations made in a separate cable of this date, the following is a summary of British Military Intelligence to the morning of May 28.

1. ORDS.

2. The last report concerning the situation in Cusa revealed that the Germans were holding the line northwest of Calais Bay and that aggressive attacks were being made on the British both from the air and on the ground. In the eastern neighborhood of Calais, delaying detachments of British troops were being attacked by German forces disembarking in their rear from seaplanes. In the St. Omen area the British lines have retired to Stiles and Calibes about 10 miles southeast of Cusa.

3. The Germans have had undisputed air superiority over Crous from the beginning of the operations despite a few small air units which have been sent by the British from other theaters.

4. In private conversation with me on May 26th, the Chief of Staff revealed the fact that he was extremely worried about Crous and that the situation there was very serious. He felt that none of the allied forces there would be evacuated and then commented bitterly on the fact that General Freyberg had not been granted any air support. On questioning if he considered
SECRET

that this might be a subject for bad feelings, especially with New Zealand, he answered that there could be no question about it.

1. At Retimo the Germans have been massed up successfully with the aid of infantry tanks. At Heraklion, however, several reinforcements have been received east of the airport and south and west of the town.

2. British Military Intelligence estimates the force of Germans successfully landed in Crete up to the night of May 25-27 at 15,000, of which 12,000 are in the vicinity of Rethimno. They are thought to have with them 55 pieces of artillery, chiefly 75 mm. and about 800 infantry mortars, chiefly of 2-inch calibre, also largely in the Rethimno area.

3. The Allied forces opposed organized units to the number about equal to 15 British battalions of the usual strength, made up of Greek, New Zealand, British and Australian groups, troops and a force of Royal Marines who had been stationed at Suda Bay. This force is supported by a small number of artillery pieces, a few light anti-aircraft guns and very few tanks.

4. Brief.

5. The British positions at Mafjana in the Sollum sector were attacked by an enemy force supported by tanks and artillery. Two counterattacks were launched without success and five British tanks were lost. The British lines have been withdrawn to a position 15 miles east of Sollum.
SECRET

b. Two separate Axis forces of all arms attacked the British lines south of the Reservoir where again the British withdrew under pressure, and on the night of May 27-28 were defending Bir Habata 50 miles southeast of Helwan with the enemy reported 20 miles away.

c. In the vicinity of Fort Moll passing an Axis force with four armored cars and air support made an attack on an Egyptian Frontier Force station at Bir Shagga. The defensive detachment was driven away and the Axis force occupied the station. The defending detachment was a part of the Egyptian Government Forces.

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-3-
Japanese Military Attaché in Mexico, Toshio Hisho, is reliably reported to have recently visited Cucuta, Colombia. He left Cali, Colombia, on May 16th for Quito, Ecuador. Cucuta, Colombia, is said to have fields suitable for aeroplane landings and to be location of a Japanese agricultural colony.

Distribution:
Secretary of War
State Department
Secretary of Treasury
Assistant Chief of Staff, G-2
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Office of Naval Intelligence
SUB-CONTRACTING OF DEFENSE ORDERS

A critical situation is fast developing on the sub-contracting of defense articles for two reasons:

(1) Many medium sized and small firms with trained personnel and useable machinery and machine tools are being utilized to a minimum extent or not at all for defense work; and

(2) Many medium sized and small firms are now faced with the essential choice of going out of business or taking defense orders because priorities have become so stringent that they cannot get materials to fill their non-defense orders.

There are two possible major ways of meeting this situation. The first would be for the Government procurement agencies such as War and Navy to order direct from these medium and smaller companies the parts which are to go into completed defense articles. As a practical matter, however, this can only be done to a limited extent. To do so on a wide basis would put an administrative burden upon the Government departments which they could not be expected to handle adequately.

The other solution which seems more practicable is to put the administrative burden on prime contractors. Under such a solution it would seem desirable to map out the United States into
defined areas of a hundred or two hundred miles each. When a contract is to be awarded to a prime contractor, the War or Navy Department should ascertain from the information which it already has available approximately what part of the contract can be sub-contracted within the stated area. It ought to be able to do this approximately on the basis of the information which it has about the medium sized and small plants in the area. Then the contract should contain a provision by which the prime contractor agrees to sub-contract a definite percentage of this contract. A sufficient margin of error can be allowed so that the burden on the prime contractor will not be too onerous. If, for example, the War Department estimate is that approximately 25% or $10,000,000 of a $40,000,000 prime contract can be sub-contracted, it can allow a safety margin of 5% or 10% and require the prime contractor to sub-contract $8,000,000 or $6,000,000 of his prime contract.

Under such a solution it would be the duty of the prime contractor to scout out the sub-contractors in his area who are competent and reliable and to see to it that they do their job adequately and on time. This would not be an unreasonable burden to place on the prime contractors. As I understand it, some prime contractors, such as Smith & Wesson, have done this on their own without a specific provision in the contract requiring them to do so.
The reasons for suggesting a specified geographical area are to simplify the administrative job of estimating the amount of a prime contract which can be sub-contracted and to minimize the burden on transportation by cutting down on the cross-country shuttling of supplies and parts.

The suggested solution would bring into defense work many men and machines and would prevent the dislocation resulting from many manufacturers going out of business because they cannot get the materials to fill non-defense orders.
At 12 o'clock today I received Mr. Gantier, the representative of the Swiss National Bank who has recently come to United States to act as Financial Counsellor to the Swiss Legation in Washington. The appointment had been requested by the Swiss Minister, Dr. Ewazmann.

Mr. Gantier left with me a strictly confidential memorandum upon the control of foreign exchange in Switzerland, which I have copied before returning to him. A copy of this document is attached as enclosure number 1. It should be noted that the control system is not one decreed by law, but one set up informally by the National Bank of Switzerland.

As enclosure number 2 there is attached a translation of a letter addressed under date of October 26, 1939, by the Swiss National Bank at Zurich to the Swiss Associaiton which has its headquarters at Basel. It should be mentioned that in Switzerland the banks have very close connection with each other within the Association and that the Central Bank has quite a strict supervision over them. Mr. Gantier informed me that the letter to the Association was made the subject of a circular by that group which went out to all banks in Switzerland.

There is appended as enclosure number 3 a translation of a circular letter of the Zurich Stock Exchange dated November 5, 1939.
The control of foreign exchange in Switzerland.

I. In May 1940 at the time of the German invasion into Holland and Belgium the ceiling of Swiss francs against dollars assumed wholly proportionate which compelled the National Bank of Switzerland to consider the introduction of a system of restrictions and control. After consultation with the Swiss Government it was decided to maintain the reigning principle of liberty in foreign exchange transactions and not to introduce a legal control based upon written regulations. A system resting upon verbal instructions from the National Bank of Switzerland to the Swiss Banks and bankers was preferred and has been maintained through the following months.

As early as the end of June 1940 the sales of Swiss francs declined in importance. During the summer season and after were approximately even and compensated themselves. Since October the fear of the American blockade has been the motive for a repatriation of funds in Switzerland which created a strong offer of dollars and obliged the National Bank of Switzerland to put in force a control of the dollar sales on the same line chosen for the control of the dollar purchases.

II. The following regulations were given by the N.B.S. to the Swiss banks and bankers in May 1940:

(a) to persons resident in Switzerland dollar against Swiss francs can only be sold for commercial purposes that is, when the purchase of goods to be imported in Switzerland can be proved by the delivery of invoice bills.

(b) to persons non-resident in Switzerland dollar against Swiss francs may be sold if the Swiss francs were deposited in Switzerland in the name of the buyer before May the 10th 1940 (old accounts).

Transfer of funds in Swiss francs from a Swiss account to a foreign account obey the same rule.

With this ruling a discrimination was made between residents and non-residents in Switzerland. The criterion being the domicile of the purchaser of foreign exchange; the residents were strictly limited to trade transactions the non-residents kept practically their complete freedom to dispose of their funds deposited in Switzerland before May 10th 1940.

For every purchase of dollars non-consistent with these regulations an application was to be made at the N.B.S.
Securities were handled in the same manner. The residents being forbidden to buy foreign exchange with the proceeds of their sale, non-residents being free to do so if the securities were deposited under their name by a Swiss bank before May 10th, 1940. Sales of gold against foreign exchange were not allowed.

Besides, the S.N.B. invited the banks to give written notice on special forms of every purchase of foreign exchange exceeding 2000 francs made through them, with indication of the name of the buyer, the aim of the transaction and if such should be the case, of the nature, the quantity and the place of storage of the same. This requirement was the occasion of some discussion with a few of the banks who considered it contrary to the secret to which the banks are pledged towards their clients, but the S.N.B. remained uncompromising on this point.

III. Very soon, the every day practice established a sort of jurisprudence in the solution of the cases put before the S.N.B.

A. For the commercial transactions no permission was given for the purchase of foreign exchange reserves destined to cover the future buying of wares not already settled but the authorization was given as a rule if the bills produced indicated that for a transaction already settled the payment would take place later on.

B. For non-commercial transactions of persons resident in Switzerland it had to be admitted that certain mitigations to the strict principle mentioned before were unavoidable:

(a) for payments in foreign countries connected with an insurance policy;
(b) for payments abroad to relatives for their living expenses;
(c) for purchases of foreign exchange made by emigrants leaving the country or by persons traveling for business purposes;
(d) for Swiss firms trying to expend their business abroad by financing their foreign branches or purchasing participations;
(e) for payments to be made by residents in Switzerland who acquired businesses at the person residing abroad, for instance from an emigrant;
(f) for the fulfilment of legal obligations towards a non-resident.

Each instance is subjected to a close study by the S.N.B. who requires that every document giving information about the purported transaction be submitted to her.

C. For transactions of non-residents. For this category the S.N.B. tried to give a large interpretation of its own prescriptions. The notion of ancient account was not maintained rigidly. As soon as the dollar purchase was feared to be excessive the S.N.B. unwilling to limit the liberty of non residents more than was necessary, gave readily her consent to the dollar purchases awaiting her decision. For instance the emigrants who have not been able to take with them the whole of their assets were given permission to transfer to their new domicile the part of their fortune left in Switzerland under the condition, however, that the Swiss taxes had been duly acquitted.
his country. The U.S.S.R. is no more compell'd to burden herself with state secrets than Britain, but because the economic conditions under which the rights of neutrals abroad of a free country have not been respected. No application made by the U.S.S.R. violates the principles above and her neutral status has never been seen as a matter of negotiation to date. The economic, cultural and political interests of other nations are protected today in Switzerland as before but the defense of the country, economic as well as political, is still very much exercised.

May 10, 1945.
The General Direction of the
Swiss National Bank

The Association of Swiss Banks in Basle *

Davos, October 21, 1961.

The United States of America having blocked the assets of citizens of various
states, the American Government officials are doing their utmost to prevent that
these blocked assets be disposed of without approval. The control of these assets
is relatively easy for the authorities as long as these funds or securities are
registered in America under the name of the foreign creditor himself subject to
the blocking measure. More difficult is the enforcement of the blockade in the
case in which funds and securities deposited in the states are registered not
under the name of the creditor but under the name of a third party, private or
corporation, belonging to a country which has not been touched by the blockade
act. The American authorities are aware that citizens of states against which
the blockade has been declared may possess securities and deposits in the states
registered under the Swiss denomination. There is a suspicion spreading in American
circles that the Swiss banks are willing to help in the liquidation of such assets
registered under their name but for account of their foreign clients who cannot
dispose of them themselves. The danger rises, therefore, that the United States
Authority, in order to stop these liquidations, may decide to freeze also the
Swiss funds and securities deposited in the states, a measure that would be highly
detrimental to our country. The Swiss National Bank holds forth that the Swiss
banks and baselare when buying dollars consider it an absolute rule not to liquidate
any assets belonging to clients, citizens of countries against which the blockade
has been put in force. But taking into consideration the danger that would be
threatening the Swiss assets in the states if our banks acted otherwise and consi-
dering that the Swiss National Bank has always insisted that prohibitions in
force in other countries must be strictly complied with here, we beg you to draw
the attention of your members to the importance of this matter for our country.
We expect that the banks in order to safeguard the counterparty interests of
clients for Switzerland will observe strictly the terms of the United States block-
ade act and avoid in any circumstances to offer no dollars coming from assets of such
origin as has been mentioned before. We consider it highly desirable if the
executive arises to be able to declare to the Federal Reserve Bank that our own
dollar reserves have not in any case been increased through the selling to us of
dollars coming from foreign countries, the assets of whom would have remained blocked in
the states if those assets had been registered under their own name.

Sincerely yours,

NATIONAL BANK OF SWITZERLAND

Von der
Schmorf

* This is the central organization of the banks of Switzerland.
Every bank of note standing in a member of this organization.

Date 5-16-61
BOARD OF THE SWITZER STOCK EXCHANGE

To the members of the Swiss Stock Exchange

Strictly Confidential

Referring to the circular No. 702 of November 1, 1940 of the Association of Swiss Banks, we want to impart to you the following communication:

As known to you, the United States of America have blocked funds and securities deposits of nationals of various states and the American Government officials are doing their utmost to prevent that these blocked assets be disposed of without approval.

To avoid damaging repercussions of these measures - and considering particularly the funds and securities deposits of Swiss banks in the United States of America - our own interest compels us to avoid until further advice the liquidation of American securities belonging to clients, who are nationals of one of the countries against whom the blockade has been declared.

In consequence, all securities from North America (U.S.A.) listed at our stock exchange and which were at November the 6th or have been since in ownership of persons or corporations situated in such countries (Poland, Czechoslovakia, Denmark, Burma, Holland, Belgium, Luxembourg, France and colonies, Romania, Portugal, Lithuania, Latvia) against which the blockade has been put in force, are no more regarded as of good delivery at the Swiss Stock Exchange.

The members are requested, the more so if securities are handed over by persons who are not regular clients, to control strictly the origin of the securities. The seller remains responsible towards the buyer in case of irregular delivery.

This decision is to be regarded as provisory. Any changes resulting from new prescriptions put in force by the United States of America Government, for instance the subsequent requirement of an affidavit, remain reserved.

The Board of the Stock Exchange Association, Zurich

The Chairman
Friedrich

The Vice President
Graf

COPY - 6m - 6/3/41

Regraded Unclassified
May 29, 1941

Dear Mr. Secretary:

Secretary Morgenthau asked me to pass along to you information I have in regard to the overlapping stockholdings of the American and Canadian Aluminum Companies.

As you probably know, E. K. Davis, younger brother of Arthur Davis, President of the Aluminum Company of America, has been President of the Canadian company since its formation in 1928. I understand that the holders of $1.53 per cent of the common stock of the Aluminum Company of America hold $1.93 per cent of the stock of the Canadian company.

Thurman Arnold has made a pretty thorough investigation of the stock ownership and can give you further particulars if you have need for them.

Sincerely yours,

(Signed) E. H. Foley, Jr.

The Honorable

The Secretary of the Interior

EF15 5-29-41
TO
Secretary Morgenthau

FROM
H. D. White

Subject: Hemingway's and Bond's comments on Chinese Transportation

1. The construction of a Burma Yunnan railroad will take too long to be of much use in the present emergency.

2. The Irrawaddy is navigable all year up to Bhamo 70 miles from the border. A road is being constructed from Bhamo to Wangting on the main Burma Road inside the Chinese border. While this new road will be of some assistance, increased traffic from it will only intensify the bottlenecks on the main road.

3. The most effective immediate practical step would be the initiation of an aerial freight shuttle service on the lines of the existing service delivering tin and wolfram from Nam Yung to Hong Kong from Myitkyina to Tali, a distance of less than 200 miles.

Myitkyina in Burma is the northwestern terminus of the Burma railroad and is navigable only part of the year and with shallow draft boats. The railroad is good and freight's costs from Rangoon to Myitkyina are about $9 a ton. Myitkyina is also better placed for an airport than Lashio; an airport could be constructed within 3 - 4 months. Tali is on the main road to Kunming and is beyond the worst bottlenecks on the road.

The shuttle service would reduce the trucking distance from the Burma railhead to Kunming by 500 miles. The best plane for the purpose would be the DC-3. Carrying sufficient gas for the return journey it could move 125 tons per month. (The present truck capacity of the main Burma Road is about 2,400 tons a month.) Bond suggests the scheme would need U. S. Army flight crews for its successful operation.

4. Hemingway suggests that there be some sort of U. S. observation and then control working through the newly-appointed commission on the Burma side of the road.
5. The best solution of the Chinese transportation problems would be the opening up of Canton, which is not impossible from a military point of view. In case of war with Japan, this would be an excellent way of providing us both with good communications with the interior and with the naval base at Hong Kong.

6. Hemingway conveys his regards and best wishes for your work "in these difficult times."
The stock market prices in Berlin of leading German armaments and steel companies which have steadily advanced since Hitler's indication on May 4 of additional arm production spatred upwards yesterday and today with such war babies as the BMW Air Craft concern gaining 7 points the DWM small arms 7 points, Daimler Benz 5½ points, and Chemische Heyden 5 points. It would appear that German speculators are convinced that the armament industry will undergo renewed expansion in view of recent world developments and this appears confirmed today by specific rumors that the BMW is to expand its operations with a large new capital issue. The financial editors of leading Berlin newspapers comment on this rise in prices which they attribute to various technical financial causes and warn the public against further speculation in view of forthcoming legislation restricting profits.

Inform Treasury,

MORRIS

CSB
DEPARTMENT OF STATE
Washington

In reply refer to
No. 8723-7362/148

May 20, 1941

CONFIDENTIAL

My dear Mr. Secretary:

With reference to my letter dated May 20, 1941, with enclosures, regarding a proposed procedure under which financial transactions between American armed forces in Greenland and natives thereof are to be affected, there is enclosed a paraphrase of telegram no. 86, dated May 24, 1941 from the American Consul at Godthaab, Greenland, making certain comments on the Department's telegram no. 54 to him, a copy of which was enclosed with my letter referred to above.

In order that the authorities in Greenland may be duly apprised of this Government's reaction to the proposal outlined by the Consul in his telegram no. 86, I should appreciate your informing me whether the procedure outlined is feasible.

The Secretary of War and the Secretary of the Navy are being furnished with a copy of this letter for their information.

Sincerely yours,

For the Secretary of State:

A. A. Berle, Jr.
Assistant Secretary

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

Enclosure:
Paraphrase of telegram no. 86,
from Godthaab, May 24, 1941.

sh: copy
To: Secretary of State, Washington.
From: American Consulate, Godthaab.
Date: May 24, 1941.
No. 1 86

In regard to the qualification described in paragraph 1 of your telegram no. 51 of May 17, Governor Brun suggests that United States ships and forces in Greenland secure supplies from Greenland Government organizations by means of requisitions which they would give to the Greenland officials from whom they make purchases. The Governor states that regular United States Government requisition forms would be acceptable for such purposes. The Greenland Government representatives to whom such requisitions are given would forward the forms to the central office in Godthaab which would in turn present to the United States forces periodical accounts, either through the medium of the Consulate or directly to the units which made the purchases. Such accounts would be supported by the original copy of each requisition and would be settled in dollars in accordance with a price list effective throughout the Island which would be previously agreed upon by the Greenland Government organizations and the United States armed forces.

sh: copy
5-31-41
HSK:

Should Rabbi Wise have an answer?
Came back from Secretary's desk.

nmc
PERSONAL

Honorable Henry Morgenthau
Treasury Department
Washington, D. C.

Dear Friend:

May I send you the enclosure, which comes to us straight out of Palestine. I feel that you ought to see it and know how strongly it is felt that the one way of saving Palestine would be through the British army taking the offensive while there is yet time, and moving swiftly and adequately into Syria. That would be the one possibility of keeping the war out of Palestine. I assume that opportunity will come to you to discuss the problem with Winant during his stay in Washington. I believe that Dr. Weizmann is bringing this today, before he leaves for the West, to the attention of Arthur Sulzberger.

With most cordial greeting, I am

Faithfully yours,

[Signature]

Stephen S. Wise

SSW:FE
Regraded Uclassified
The majority of the native inhabitants would help them. There was also good reason to believe that many of the French would join them openly while others would lack the will to effective resistance.

III. The latest information is to the effect that one of the reasons why the British were hesitating to enter Syria was consideration of the influence of such action on American public opinion. It is feared that American reactions may be adverse, first, because it might be interpreted as an English attack upon France; secondly, because it might be interpreted as an attempt at British imperialistic expansion at the expense of the French. The English felt sensitive about a possible charge that they are utilizing the opportunity for increasing the sphere of their influence in the Near East for the future. These considerations, among others, appear to stand in the way of what is realized to be an urgent military necessity. Unless these inhibitions are overcome and action taken at once, the Germans will establish themselves firmly in Syria and that might mean the collapse of the British position in the Middle East with the loss of Mosul, Suez and Eastern Mediterranean.

On the basis of these advices from well informed pro-British sources it would seem desirable to take such measures as would make it clear that American opinion would not react unfavorably but, on the contrary, would favor energetic measures calculated to safeguard the security of Syria and of the whole Middle East.
May 29, 1941

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

Dear Henry:

Many thanks for your kind note on my appointment.

I agree with you that the assignment is a difficult one. I warn you that I hope to make it less difficult by frequent calls upon you and your department for assistance.

Very sincerely yours,

F. H. LaGuardia
May 22, 1941.

Dear Fiorello:

I know that it is not necessary for me to tell you that I was deeply pleased by the President's appointment of the new Director of Civilian Defense. I do want, however, to send you my warm congratulations on this choice.

Your new assignment is a difficult one, but those who knew you feel that its duties are in good hands.

All good wishes to you as you take up the work.

Sincerely,

(Signed) Henry

Respectfully, Fiorello LaGuardia,
Director of Civilian Defense,
Room 5006, Federal Reserve Building,
Washington, D. C.
THE UNIVERSITY OF WISCONSIN

Madison

Office of the President

May 29, 1941.

My dear Mr. Secretary:

I am very glad to hear that it is your intention to carry through, during the next year, a comprehensive study of Federal-State-Local revenue needs and tax systems. You may recall how interested I was in trying to get something done about this when I was still city manager in Cincinnati. As a matter of fact, we did get up some committees and try to work through your office on such a program. Because of this background, you are quite correct in indicating that I need no convincing as to the importance of this very major emergency problem. I agree also with you that Harold Groves is a unique person for carrying out such a study. I shall discuss the whole matter with him and with the department and let you know what the result of these conversations is.

With kindest regards, I am

Yours very sincerely,

/s/ C. A. Dykstra

The Secretary of the Treasury
Washington, D. C.
May 29, 1941.

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

Dear Secretary Morgenthau:

This is in answer to your recent letter concerning the Treasury inquiry into Federal-State-local revenue needs and tax systems. This impresses me as a very important project, and I am very much interested in it. If arrangements with the University can be made, I shall be happy to accept your invitation. The arrangements involve considerable difficulty, and will take more time, I fear, than that suggested in your letter. However, I shall try to get the matter settled as soon as possible, and another week should suffice.

I shall follow your instructions about announcements.

I much appreciate your confidence in my ability to handle this assignment.

Sincerely yours,

[Signature]

Harold M. Groves
DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 29, 1941

TO Ferdinand Kuhn, Jr.
FROM Helen Dallas

DEFENSE SAVINGS: PEBBLES IN A POND

Last week's newspaper pessimism about the defense savings campaign in a part of the Eastern press has now rippled out across the country. In occasional news columns of small city dailies, and in editorials here and there, the Treasury's efforts are said to be disappointing.

Probably this is imitation on the part of smaller newspapers, which tend to follow the lead of metropolitan dailies in financial news. It can be expected that the editorial position taken this week by the New York Times and the Herald Tribune, in which the defeatism of last week is called unwarranted and the Treasury's methods are praised, will in turn be reflected in/ou-

ly press.

The investment bankers have intensified their publicity pressure on the Government to let them sell defense savings bonds on a commission basis. In this they have received some encourage-
ment from financial writers in the important banking centers of New York, Chicago and Philadelphia.

The twelve-fold oversubscription of the Treasury offering
of $600,000,000 has been held as proof of "what a good job the investment bankers would do on the defense bonds if they were given a chance". Halsey, Stuart & Company, Chicago, had announced at the start of the sale that it would throw the force of its nation-wide bond selling staff into an experimental test of its power, to prove to the company's own satisfaction that it and other bond houses would be the logical channels for sale of defense bonds.

No Ballyhoo

Although some papers have suggested that it might be necessary to find new defense bond selling techniques, the press has almost unanimously disapproved any return to the fanfare and hysterical appeals that accompanied Liberty Loan drives.

The flag-waving, four-minute speakers and high-pressure methods of World War days are remembered by editorial writers as having done more harm to public morale and patriotic unity than they were worth in dollars and cents. An exception to this general view was the syndicated humorist H. I. Phillips, who wrote a column suggesting that Secretary Morgenthau drag out the steam calliopes, the cannon crackers and the bonfire builders, to give the American public some gusto with their bond sales campaign.

Building Morale with Bonds

Newspapers seem to take pride in the fact that the purchase of defense savings bonds is on a voluntary basis. Generally the
Attitude seems to be that this is the "democratic way" of getting money for defense of the nation, as contrasted with compulsory measures used in fascist states.

English and foreign language newspapers have given prominence to the statements made by Paderewski and Hendrik Willem van Loon, emphasizing the democratic theme of the savings bond program. One Middle Western German editor, writing in the *Taegliche Omaha Tribuene*, did not seem to have his tongue in his cheek when he wrote: "It is to be hoped that the Treasury will succeed, through convincing arguments, in making the different bonds popular. Every kind of pressure should be avoided. An effort to increase general saving now by the use of force could easily lead to total stoppage of voluntary savings ... In any case, the Treasury has excellent sales arguments ..."

German-American and Italo-American editors have urged their readers to invest in the bonds. There has been little fence-sitting, although a few weeks after the important *New Yorker Staats-Zeitung* and *Herald* gave a big play to the first announcement of the savings campaign, it gave almost as much space to a summary of the pessimistic comments of the English-language press on the first sales figures. For the most part the foreign language press in this country has been favorable to the campaign.
Ferdinand Kuhn, Jr.

Herbert Merillat

OPINION ON TAXES: SUBDUED VOICES

The editorial outpouring which followed the announcement of the Treasury's tax program a month ago has subsided, doubtless to swell again when the tax bill has been drafted. This seems to be an appropriate time to summarize that comment.

For the most part, interest has been confined to the individual income tax and particular excises -- those taxes which affect the average man most directly. There was loud protest at the recommendation of heavy increases in the lower taxable brackets, coupled with a widespread demand for lower personal exemptions. Although there was general acceptance in theory of the Henderson-Eccles proposal of heavy excises on goods competing with defense production, there was strong reaction against a 20% tax on cars. The subject of corporation income and excess profits taxes has received relatively little attention, except in large city newspapers featuring financial news. A general sales tax has been widely discussed in the press, but no strong trend in favor of such a tax has developed.
Those "Untaxed Millions"

In its attack on the Treasury's recommendations regarding the individual income tax, the press has failed to pay any attention to figures showing the present distribution of the total tax burden, although those figures have several times been emphasized by witnesses before the Ways and Means Committee.

Those persons at present exempt from income tax are referred to as the untaxed millions. No mention is made of the many indirect taxes they pay. The "middle classes" -- defined as those in the lower present taxable brackets -- are being told that the Treasury proposes intolerable burdens on them while allowing persons with less income to escape scot-free.

This demand for a broader base and less heavy increases in the low income brackets is the only tax proposal on which the press in general is united.

Excess Profits Tax

The gist of recent editorial comment on the Treasury's EPT proposals is that the present EPT is inadequate and changes are necessary to make the tax really effective to check profiteering from the defense program.

Those papers which have analyzed the Treasury plan in detail generally have been critical of it, but Mr. Sullivan's statement before the Ways and Means Committee has aroused the press to the
need for changes in the present law. The most remarkable development of the week in the field of tax comment is the Washington Post's kindly attitude toward the Treasury's EPT plan. It is the first conservative paper to suggest that the plan has merit despite some shortcomings and that it should receive serious consideration.

The line of attack in papers opposing the Treasury recommendations has followed that developed in the New York financial journals. It is said that the Treasury seeks to tax heavily "normal" profits not attributable to the defense program and to place a ceiling on profits as part of a share-the-wealth plan.

The press has been predicting that Congress will reject the Treasury's EPT plan and will content itself with modifying the present law by reducing the present credits and boosting the rates. There is reported to be some congressional sentiment for abandoning the EPT in favor of an undistributed profits tax, but newspaper prophets think that the EPT will be retained in modified form.

3½ Billions Revenue Goal

Some witnesses before the Ways and Means Committee and some Republican Committee members have suggested that the revenue goal of the new tax bill should be less than 3½ billion dollars. This suggestion has failed to strike fire in the press. Except for a few isolated cases, the press has shown no disposition to
retract its almost unanimous approval of the 3½ billions goal, even though its demand for reduction of non-defense spending continues unabated.

Keynes Plan

Keynes' "compulsory savings" plan is condemned out of hand by most papers, probably on the theory that any idea emanating from the originator of "pump-priming" is bound to be unsound. Nevertheless, there is growing editorial opinion that the Keynes plan should and will be seriously considered by the Administration, at least if the problem of raising revenue becomes more acute.

Gallup Poll

So far the Gallup Poll of May 25th has not been commented on by editorial writers. That Poll reported that 56% of those canvassed favor an income tax on all persons not on relief, and that 59% would be willing to pay two weeks' salary in additional taxes.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE May 29, 1941

TO
Ferdinand Kuhn, Jr.

FROM
Alan Barth

APPLAUSE FOR THE PRESIDENT

Leadership

The American press, almost unanimously, found in President Roosevelt's speech the leadership which it has been exhorting him to assert. The speech was accepted as fully and satisfactorily responsive to the major questions which have kept commentators frustrated and perplexed these recent weeks.

The national sense of direction appears to have been regained. There are still uncertainties, to be sure -- uncertainties as to the precise course to be pursued. Some editorial writers still want to know if American warships on patrol will sink German submarines -- or merely report them; if German occupation of Dakar will be the signal for combat -- or if we shall beat the Germans to the punch; if the Neutrality Act is to be repealed -- or merely disregarded.

In the main, however, there seems to be recognition that these are questions of military strategy, for the time being best left unanswered. There seems to be general recognition, too, of
the idea that leadership had to be exerted through executive action, rather than through an appeal to Congress. There has been little editorial support for the somewhat hysterical overstatement of former Governor Landon that the speech marked "the end of democratic government in the United States, temporarily at least." The cry of dictatorship is scarcely heard above the tumult of applause for effective action. The press has lost its appetite for congressional debate and filibustering delay. It welcomes a strong hand.

Definition

The highest possible praise was accorded the President's analysis of the Nazi menace and his definition of American policy. Terms such as "magnificent", "courageous", "statesmanly", "candid" were commonly applied by Republican and Democratic newspapers alike. Certainly no other speech delivered by Mr. Roosevelt, with the possible exception of his first inaugural, has evoked such widespread and enthusiastic applause. There was particular gratification at the absence of rancor in his words. Their tone and temper, it was felt, called for wholehearted co-operation from every faction.

It is clear that the timing of the talk had much to do with the response it received. Newspapers which for weeks had been beseeching the President to take energetic action could scarcely
now cavil at his doing so. Commentators agree, moreover, that public opinion had ripened to a full readiness for just such action. This view is substantially supported by the Fortune Magazine poll for June which discloses that 79.5 per cent of the American people believe we are already in the war for all practical purposes.

The dramatic sinkings of the Hood and Bismarck, just prior to the President's speech, heavily underscored his thesis that the war is now perilously close to the Western Hemisphere and must be kept from coming closer. At least as far as the editorial writers are concerned, there was a ready acceptance of the concept that self-defense compels the United States to forbid Axis occupation of bases threatening to this hemisphere. Only the die-hard isolationist newspapers, now relatively few in number, look upon such preventive action as "involvement in foreign wars." The President's insistence upon freedom of the seas seems to be regarded equally as a purely defensive doctrine.

Expectations

The enthusiasm over the declaration of a national emergency suggests that the commentators expect it to accomplish rather miraculous results. They see in it, among other things, the full solution to the battle of production.

It is plain from the character of their comments that the editors were especially heartened by the President's stricures
against strikes. Manifestly the conservatives among them hope that the long awaited crackdown on labor is now at hand. Some, indeed, seemed to feel that Mr. Roosevelt had declared war on John L. Lewis, rather than on Adolf Hitler. Justification of the unlimited emergency status, as they see it, will lie primarily in increased output of the materials for defense.

In the field of foreign affairs there is now general anticipation of drastic action. As to the form it will take, most commentators have so far judiciously refrained from prophecy. But their imaginations are now alive to the wisdom of rapid, forceful economic measures against the Axis, full mobilization of resources at home, and naval defense in whatever form it may be needed to protect the outposts specified by the President.

The particular thought most frequently selected for acclaim was contained in the sentence: "We in the Americas will decide for ourselves when and where our American interests are attacked or our security threatened." The common assumption is that war with the Axis must result from the decision. There is sadness, but little shrinking from this consequence. Everywhere there is expressed a hearty disposition to close ranks behind President Roosevelt's leadership on this issue.
MR. WILEY

FBI reports:

May 27. By April 16, 1941, there had been collected in the United States and sent to Italy for the Italian Red Cross about 7½ million lire.
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE May 29, 1931.

TO Secretary Morgenthau
FROM Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £69,000
Purchased from commercial concerns £24,000

The Federal Reserve Bank of New York sold £10,000 in registered sterling to the American Express Company.

Open market sterling was steady all day at 4,05-3/4. There were no reported transactions.

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

- Canadian dollar 12-5/16% discount
- Swiss franc 285
- Swedish krona 2385
- Reichsmark 4005
- Lira .0526-1/4
- Argentine peso (free) .2375
- Brazilian milreis (free) .0505
- Mexican peso .2070
- Cuban peso 2-1/8% discount

The Federal Reserve Bank of New York reported that it purchased 700,000 Swiss francs in New York this morning by order of the Norwegian Minister in Washington. The Swiss francs are to be paid into the Swiss Bank Corporation, Basle, for account of the Royal Norwegian Ministry of Finance, for application to the sinking fund of the Norwegian Government's 3½ Swiss loan. An identical transaction took place a year ago.

In Shanghai, the yuan in terms of our currency was quoted at 5-13/32¢, off 1/32¢. Sterling was 3/8¢ lower at 3.89-7/8.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

The price fixed in London for both spot and forward silver was 23-7/16d, or 1/16d higher than yesterday's quotation. The U.S. equivalent of this price is 42¢, 55¢.

Regraded Unclassified
The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Harman's settlement price for foreign silver was also unchanged at 34 3/4¢.

There were no purchases of silver under the Silver Purchase Act.
Personal and Secret.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.
Telegram from London dated May 27th.

1. **Bismarck.** At 15.00 hours May 26th naval aircraft flown off carrier experienced difficulty in locating Bismarck but Sheffield made contact at 17.40 at ten miles range. At 19.30 Naval torpedo aircraft again attacked, scoring one hit amidships, one probable hit starboard quarter. Bismarck reduced speed and turned two complete circles.

2. Fourth destroyer flotilla attacked during night May 26th/27th, Cossack and Maori probably scoring one hit each. **Commander-in-Chief, Home Forces in King George V,** whose speed was reduced to conserve fuel, now in company with Rodney commenced to work into advantageous position to attack early on May 27th. Details of final engagement not available but by 11.07 May 27th, Drestashire had torpedoed the Bismarck from both sides and sank her in position 48° 9' north 16° 7' west. Bismarck had ceased firing and went down with colours flying.

3. "Formidable" between Crete and Alexandria was hit and damaged by aircraft afternoon of May 26th. "Glenroy" on Government service was bombed and set on fire 50 miles south of Crete afternoon of May 26th. Fire controlled and she returned towards Alexandria.

4. "Grisby" sloop, and British tanker - 3,400 tons - feared sunk by aircraft off Tobruk on May 25th.

5. No material change in military situation in Crete but Retimo and Heraklion have been again heavily bombed. At 10.00 May 25th enemy aircraft heavily bombed and machine gunned Gana and our forward troops west of the town; enemy then attacked and our line was forced to yield somewhat. Attempts are being made to stabilise position; situation is obscure but given/
gives cause for anxiety. Retimo Sector. Enemy holds road from Perivolea to the west for 2,000 yards.

6. May 25th. Our aircraft attacked aerodrome and landing grounds at Salerno, destroying at least 24 aircraft for loss of two Hurricanes, three Blenheim, and one Maryland.

7. Malta, May 25th. Enemy fighters destroyed two grounded Hurricanes at an aerodrome and probably lost one fighter to our anti-aircraft.

8. Afternoon May 20th. "Upholder" hit leading ship, 4,000 ton laden tanker, of convoy off southern entrance Messina Straits. Afternoon May 23rd, she torpedoed 5,000 ton ship in convoy in same area and saw her sinking.

9. "Unbeaten" torpedoed and probably sunk 5,000 ton merchant ship 50 miles northeast Palermo afternoon May 19th. Troop ship southbound in escorted convoy torpedoed and sunk by the "Upholder" on May 24th, thought to be of Conte Grande class 23,000 tons.
NO OBJECTION TO PUBLICATION IN SERVICE JOURNALS

MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, May 29, 1941

TENTATIVE LESSONS BULLETIN
No. 111
G-2/2657-235

NOTICE

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

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GERMAN TRAINING BY COMBAT EXERCISE

SOURCE

This bulletin contains a translation of an article which appeared on January 17, 1941, in the Militär Wochenblatt, authoritative German military journal.

NO OBJECTION TO PUBLICATION IN SERVICE JOURNALS
GERMAN TRAINING BY COMBAT EXERCISE

All military service is important, but the acme of such service is the combat exercise, for it provides direct training for combat and victory. Other branches of training prepare the soldier directly or indirectly for combat training—for example, the parade march or goose step, develops rigidity of body and self-control and exerts an educational influence of the type essential for victory on the battlefield.

The suggestions presented here regarding combat exercises are not new; they are made because again and again we violate established principles and instructions, partly through ignorance and partly through a lack of knowledge of their importance.

Most combat maneuvers suffer by reason of umpires' lack of skill. It may be surprising to speak of training umpires in time of war, but commanders down to those of company grade must realize that without well trained umpires, profitable combat training cannot be accomplished in any unit at any time. The training of umpires is not an object in itself, but a very necessary means to an end. Officers and men of every rank must know so much about the umpire system and the purposes of umpiring that they will be able at any time to take over the duties of the umpire corresponding to their rank, and they must be able to function in such a manner as to promote the tactical training of the unit. If each leader will examine his subordinates in the light of this principle, it is not likely that he will find them 100% effective.

Each combat exercise, whether in a large unit or in a small one, is a fight between two parties. In war the following points are decisive:

1. Superior efficiency of arms;
2. Superior efficiency of command;

It is the duty of the umpire to evaluate combat efficiency within his assigned limits—that is, to evaluate orders of commanders and performance of troops, with troop performance judged by accomplishment and combat activity. The umpire must also evaluate the mutual effect of opposed weapons with regard to time and space, and he must report to the proper authorities on a form designed for effective presentation.

In order to prove that fruitful combat training is impossible without well trained umpires, let us choose for an example the combat maneuver of a rifle company reinforced by heavy infantry weapons.
Normally this rifle company operates during combat in an area about 300 meters in frontage and 500 meters in depth. In the defense the distance might be greater, and in the attack perhaps a bit smaller.

It is an undeniable fact that the commander can see very little of his unit in a maneuver, especially on rough terrain, and in extreme cases maneuvers must be carried out in darkness or fog. Umpires must see all things which the commander cannot see, and by correcting small defects and mistakes, they must facilitate instruction in combat technique during the exercise. In addition, they must later report to responsible commanders the defects which they have observed in order that additional training may begin at the right place.

Mistakes mentioned in one day's discussions are often repeated the next day. This is tiresome and unprofitable. A thorough and continuous training of umpires is the only means of removing this defect.

Umpires must be given advance information regarding the purpose, anticipated results, and all other necessary details of each maneuver, preferably on the terrain itself. No detail can be overlooked as unimportant. Distribution of the orders of the troop commander is equally as important as the behavior of each individual rifleman and each driver of a combat wagon. Nothing must escape the expert and critical eye of the umpire.

One well planned and well accomplished combat exercise is of more training value than many maneuvers in which defects and mistakes remain unnoticed. During actual battle there will be a certain number of losses, but it is senseless to place many men out of action at the beginning of a maneuver and to leave them in this position until the final signal. The removal of such "losses" impairs the true picture of the troop, and they learn nothing.

Umpires often do not conduct themselves correctly. For example, they stand in the open around a well camouflaged machine gun nest with the result that they reveal that which the enemy would not have recognized in actual battle. Judges must conduct themselves as if in combat; they must be quick and dexterous, and they must develop a clear tactical eye in order to note at the decisive time and at the decisive point whether friend or enemy is in the most favorable tactical position. A quick and clear decision is of greater value than a later compromise decision, although the latter might be more technically correct.

During all combat exercises - even when only the smallest unit of a group is participating - an enemy is represented in some form. As a general rule troops, perhaps reinforced by placards, are used, but in exceptional circumstances placards alone can be used. The primary purpose of each combat sham fight is training for the participating
unit, but the enemy must also gain knowledge and experience, especially in exercises involving very small units. It is a waste of time to forget or neglect this consideration, and sometimes such neglect impairs the discipline and training of troops representing the enemy.

It is not necessary in each case to draw up a great situation for troops representing the enemy. Perhaps not even a written situation is necessary. But it is possible for troops representing the enemy to learn something, and the information gained must become common property of the unit.

The following example will illustrate what sort of exercises can be given troops representing the enemy:

A reinforced rifle company is to practice preparation for action against an enemy who has disposed himself for defense behind a stream. This situation would be training material for two, perhaps even three, combat exercises.

Let us suppose that the enemy has the strength of a section reinforced by heavy infantry weapons. What can troops representing the enemy, whose mission it is to defend, practice and learn? First they can be given intensive work in reconnaissance and practice in signal communication. Where is the attacker? Where will he try to cross? What will result from the topographical reconnaissance and estimate of the terrain? What measures are to be taken by the defender as a result of the estimate of the situation? These questions give an idea of the unlimited possibilities that exist for making combat training for troops representing the enemy instructive and interesting, even within the smallest limits.

A plan of fire should be made for all infantry weapons and for the artillery, even if it is simulated. It is not practicable to attach a battery of artillery for a company problem, for such procedure would disrupt the training of the artillery. But the neighboring artillery can be asked to send a lieutenant or an experienced non-commissioned officer to represent the battery upon which the infantry is dependent. He disposes his simulated battery for action, presents the artillery point of view on all matters, and helps emphasize the necessity for cooperation between arms. Every artillery commander would welcome such an arrangement, but the proposal must come from the infantry. If this method is used, the commander of troops representing the enemy has theoretical and practical missions, and these troops become real soldiers who not only have missions but also the means of accomplishing them.

All heavy infantry weapons with troops representing the enemy can simulate attacks on worthwhile targets; objectives can be selected, ranges determined, and various types of fire laid in a realistic manner.
All men observing combat terrain and all special reconnaissance detachments should be instructed to remember what they see and hear with regard to time and place and to report during the discussion of the maneuvers. Such procedure facilitates discovery of mistakes and subsequent correction.

During an attack exercise some time ago, a smoke screen was being used. The men making the attack shouted too loud, however, and although the enemy could see nothing, the attacker revealed himself by his commands and calls. All sounds heard were remembered according to time and place and reported at the critique, and participants became firmly impressed with the inadvisability of using their voices in a smoke screen or under conditions of night or fog. In this case the referee was a well trained instructor.

More variety must be brought into combat maneuvers by a mental mobility which enlivens both parties and protects troops from surprises of the type which have frequently occurred during this war and to which our troops are very sensitive. The counterattack, for example, must be made from a direction other than that from which it is expected; sudden flank pressure must be applied; the attack must meet resistance necessitating employment of additional and heavier weapons. There are thousands of possibilities.

Our combat maneuver consists of having troops form up without being disturbed for the attack and then in due time having them fired upon. Why does not a strong enemy detachment or patrol penetrate into the point of assembly? Why does not the attack remain in its first phase occasionally? These are things which often happen in real combat but are much too seldom - possibly never - practiced.

Long waiting periods can be reduced to a minimum with great psychological benefit and with great saving of time. The less time men spend in waiting, the better their service is organized.

There are many possibilities of enlivening combat training, the finest of all military training. No other phase of military service offers so much opportunity for exercising the faculties of care, energy, and power of decision.
RESTRICTED

0-2/2657-220; No. 404, M.I.D., W.D. 12:00 M., May 29, 1941.

SITUATION REPORT

I. Western Theater of War.

Air: German. Some daylight sweeps over England on the 28th. Last night fairly large forces were employed in widely scattered raids, which included the Thames estuary, Liverpool and Belfast.

British. A light attack was made last night on the northwest German coast, probably Bremen or Emden.

II. Crete.

German troops have captured Canea and the Suda Bay naval base and, with strong air support, are driving east to the shores of Amyro Bay. The British situation is critical. Axis sea-borne troops are now reaching Crete. Some Italian troops have reached the island.

III. Mediterranean and African Theaters.

Ground: North Africa. The Germans report fairly heavy fighting in North Africa. Axis mechanized units in the Sollum area have advanced to the east and southeast to a distance of 15 and 20 miles respectively. There are no indications as yet that a major offensive is under way.

Air: Axis. Raids on Tobruk and support of the Sollum operations.

British. Attacks on Derna and Benghazi.

IV. Iraq.

The British ground forces are advancing slowly and methodically on Baghdad.

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Paraphrase of Cable from
Received at the War Department
at 8:30, May 20, 1941.

Dublin, filed 17:15, May 20, 1941.

1. Air activity over Nore last night and again today was on an increasing scale.

2. A dog fight between two British Hurricanes and a German bomber took place slightly east of Dublin at 3 a.m. The planes, which were flying at approximately 500 feet altitude, were fired upon by antiaircraft guns.

3. The Nore General Staff looks upon such episodes as a part of the German drive against the British Navy.

MITFORD

Distribution
Secretary of War
State Department
Secretary of Treasury
Under Secretary of War
Chief of Staff
Assistant Chief of Staff, 0-3
War Plans Division
Office of Naval Intelligence
Air Corps
0-3

CONFIDENTIAL
London, filed 14130, May 20, 1941.

1. British Air Activity Over the Continent.

2. Day of May 20. The Fighter Command sent five offensive patrols over northern France, which destroyed one German plane and probably destroyed five and damaged one other. The Bomber Command attacked and sunk a small Axis merchant vessel off the German coast. Planes from the Coastal Command sank another ship off Ushant and shot down one German plane.

3. Night of May 26-27. Sixty-three bombers operated over Cologne and 17 over Boulogne. Planes from the Coastal Command attacked the air-drome at Caza.

4. German Air Activity Over Britain.

5. Night of May 26-27. Activities on this night were on a larger scale than they had been previously. There were raids on Liverpool, east coast of Humber, the Thames Estuary, and on St. George's Channel. Other raids were made on the Dublin-Belfast area.

6. Day of May 20. Activities on this day were larger and more active than they have been for the past week. Several fighter sweeps were over Kent and bombing planes were over Swensa, Newhaven, Devonshire, and Dumfries.


A. During the British operations of the night of May 27-28 one plane was lost.
3. In the British attacks over northern France one enemy plane was destroyed, five probable and one damaged, as previously stated herein. During the German operations on the day of May 26 one plane was lost and two probable. As a result of activities on the night of May 26-27, three planes were lost.

4. British Air Activity, Other Theaters.

A. Egypt. Planes of the Royal Air Force based at Deiaaig struck a merchant ship in Sfax Harbor (Tunisia). Other planes patrolled the Tunisian and Sicilyan coast as well as the harbor at Kapsina.

B. Syria. German troops and airforce were attacked and a large number of Junker Ju-88's were destroyed on the ground. Four of this same type of planes were destroyed in the air. A hangar was destroyed at Aleppo (Syria) and in Crute the British ground troop advance were supported.

5. Axis Air Activity, Other Theaters.

A. Syria. Continuous and intensive bombing and dive-bombing attacks of all defending troops and positions were carried out. Supplies and parachutists were dropped at Mersaka and troops were landed by seaplane at Said Bay.

B. Egypt. Axis planes made an attack on Tobruk.

6. Air Losses, Other Theaters.

A. No reports of British losses.

B. During the attack on Tobruk three planes were lost.
The Secretary of the Treasury, by this public notice, invites tenders for $200,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated June 4, 1941, and will mature September 3, 1941, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, June 2, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made.
be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on June 4, 1941.

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

Treasury Department Circular No. 413, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.
A confidential telegram of May 30, 1941 from the American Consul at Rangoon reads substantially as follows:

Steps are being taken by the Rangoon Port Commission for the purpose of easing traffic congestion on the wharves at Rangoon, which has become disturbing and which has been brought about to a great extent by China transit trade. The Chairman of the Port Commission feels certain that improvement can be brought about rapidly in the situation. The existing storage facilities are extensive and the clearing of cargo from the docks is the immediate problem. Godowns having a capacity of several thousand tons have been taken over to be used as emergency wharves and ground next to the wharves has been obtained for materials which can be kept in the open temporarily.

It is estimated by Chinese that at the present time there are 10,000 tons of China cargo on the wharves, exclusive of explosives and petrol which are stored and unloaded separately. American vessels discharged 10,000 tons of supplies, including 420 meter trucks, mostly destined for China, during the month of May. 40,000 tons of American cargo, including several thousand tons of gasoline and the above-mentioned 420 trucks, have been discharged by sixteen American vessels since the first day of January.

Due to heavy movement of rice and government priority demands, supply of cars by Burma railways for the China traffic has been reduced. It is the expectation of the railway management that by the middle of June conditions will be almost normal. The movement of material into the interior of China continues to be limited. Reports of the Southwest transportation company indicate that in April 12,219 tons were moved from Lashio into China and that from May 1 to May 20, 8,376 tons were moved.
PARAPHRASE OF TELEGRAM RECEIVED
FROM: American Consulate, Dakar, French West Africa.
DATE: May 30, 1941, noon.
NO.: 209.

This telegram is for the Treasury Department.

Between 50 and 200 kiles of Polish or Belgian gold is now being carried by passenger planes bound for France. The Germans, it is reported, have protested that this gold is being returned too slowly. As a consequence it is stated that barges on the Niger have been loaded with 3000 cases (each case weighing about 50 kiles) for the long trip down the river to Beuermenge. At Beuermenge trans-Saharan trucks will pick up these cases and take them overland to North Africa.

WASSON

KANSAS
Under existing law the income tax on corporations is levied upon the incomes after they have been reduced by a credit for the amount of interest received on obligations of the United States or its corporations, which interest is subject to surtax but not to normal tax. Under the Treasury's proposal a surtax of five and six percent, would be levied upon incomes of corporations which would not be reduced by the amount of that credit. The result would be therefore that the surtax would apply to the Federal partially tax-exempt securities but only to the extent that this interest plus income from other sources is in excess of the deductions allowed by law. The Treasury's proposal in no way affects the outstanding issues of Federal wholly tax-exempt securities or outstanding issues of State and local securities. The only securities affected are the partially tax-exempt Federal securities which have always been subject to surtax. At the present time they are subject to the surtax on personal holding companies and the surtax imposed by Section 102 and the declared value excess profits tax.
33.5% 1939
31.8% 1940 Wagon

9.0% 1939 Profit
9.0% 1940

2.2% 1939 Fall from Paris
4.7% 1940
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<tr>
<th>Corporation</th>
<th>1939</th>
<th>1940</th>
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<tr>
<td></td>
<td>Sales</td>
<td>Wages</td>
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<td>1,376,828</td>
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<td>United States Steel Corp.</td>
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<td>368,600</td>
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<td>Bethlehem Steel Corp.</td>
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<td>National Steel Corp.</td>
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<td>Inland Steel Co.</td>
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<td>American Rolling Mill Co.</td>
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<td>Douglas Aircraft Co., Inc.</td>
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<td>American Locomotive Co.</td>
<td>22,359</td>
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<td><strong>Total</strong></td>
<td><strong>3,114,218</strong></td>
<td><strong>1,042,374</strong></td>
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Source: From data made available by the Securities and Exchange Commission and from Moody's Industrials, published semi-weekly, February 15 - April 2, 1941.

* Designated "Income Taxes".

Treasury Department, Division of Research and Statistics.

April 5, 1941
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<th>Percent of total</th>
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<td>American Car &amp; Foundry</td>
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1/ Excludes contracts of less than $10,000.
### Defense contracts awarded to February 28, 1941
(excluding contracts to Government arsenals and shipyards)

(in millions of dollars)

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<thead>
<tr>
<th>Number</th>
<th>Name of company</th>
<th>Amount of defense contracts</th>
<th>Cumulative Percent of total</th>
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</thead>
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<td>32</td>
<td>Ingalls Shipbuilding Corp.</td>
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<td>33</td>
<td>General Electric</td>
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<td>Grumman Aircraft</td>
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<td>American Woolen Co.</td>
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<td>Day &amp; Zimmerman, Inc.</td>
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<td>Lockheed Aircraft</td>
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<td>Budd Wheel Co.</td>
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<td>6,754</td>
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</tr>
<tr>
<td>45</td>
<td>Studebaker Corp.</td>
<td>6,788</td>
<td>64.4</td>
</tr>
<tr>
<td>46</td>
<td>Hawaiian Dredging Co. &amp; Assoc.</td>
<td>6,821</td>
<td>64.7</td>
</tr>
<tr>
<td>47</td>
<td>Colt’s Patent Firearms</td>
<td>6,853</td>
<td>65.0</td>
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<tr>
<td>48</td>
<td>Gulf Shipbuilding</td>
<td>6,884</td>
<td>65.3</td>
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<tr>
<td>49</td>
<td>Manitowoc Ship Bldg. Co.</td>
<td>6,935</td>
<td>65.6</td>
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<tr>
<td>50</td>
<td>Northern Pump Co.</td>
<td>6,946</td>
<td>65.9</td>
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<tr>
<td>51</td>
<td>Winston Bros. Company</td>
<td>6,976</td>
<td>66.2</td>
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<tr>
<td>52</td>
<td>Prector &amp; Gamble Defense Corp.</td>
<td>7,004</td>
<td>66.4</td>
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<tr>
<td>53</td>
<td>Todd &amp; Brown Inc.</td>
<td>7,031</td>
<td>66.7</td>
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<tr>
<td>54</td>
<td>J. A. Jones Construction Co.</td>
<td>7,058</td>
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<tr>
<td>55</td>
<td>Scoville Manufacturing Co.</td>
<td>7,085</td>
<td>67.2</td>
</tr>
<tr>
<td>56</td>
<td>Eastman Kodak Company</td>
<td>7,111</td>
<td>67.4</td>
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<tr>
<td>57</td>
<td>Willamette Iron &amp; Steel Corp.</td>
<td>7,137</td>
<td>67.7</td>
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<tr>
<td>58</td>
<td>Beech Aircraft Corp.</td>
<td>7,162</td>
<td>67.9</td>
</tr>
<tr>
<td>59</td>
<td>Radio Corporation of America</td>
<td>7,186</td>
<td>68.1</td>
</tr>
<tr>
<td>60</td>
<td>Bell Aircraft Corp.</td>
<td>7,209</td>
<td>68.4</td>
</tr>
</tbody>
</table>

1/ Excludes contracts of less than $10,000.
### Defense contracts awarded to February 22, 1941
(excluding contracts to Government arsenals and shipyards)

(in millions of dollars)

<table>
<thead>
<tr>
<th>Number</th>
<th>Name of company</th>
<th>Amount of defense contracts</th>
<th>Cumulative Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>61</td>
<td>Diamond T. Motor Car Co.</td>
<td>23 7,232</td>
<td>68.6</td>
</tr>
<tr>
<td>62</td>
<td>J. P. Stevens Co.</td>
<td>23 7,295</td>
<td>68.8</td>
</tr>
<tr>
<td>63</td>
<td>Western Electric</td>
<td>22 7,277</td>
<td>69.0</td>
</tr>
<tr>
<td>64</td>
<td>Fairbanks Morse &amp; Co.</td>
<td>21 7,298</td>
<td>69.2</td>
</tr>
<tr>
<td>65</td>
<td>Autocar Company</td>
<td>21 7,319</td>
<td>69.4</td>
</tr>
<tr>
<td>66</td>
<td>Brewster Aeronautical Corp.</td>
<td>20 7,339</td>
<td>69.6</td>
</tr>
<tr>
<td>67</td>
<td>E. B. Badger &amp; Sons</td>
<td>19 7,358</td>
<td>69.8</td>
</tr>
<tr>
<td>68</td>
<td>A. Guthrie &amp; Co.</td>
<td>19 7,377</td>
<td>70.0</td>
</tr>
<tr>
<td>69</td>
<td>Lansdowne Steel &amp; Iron Co.</td>
<td>19 7,396</td>
<td>70.1</td>
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<tr>
<td>70</td>
<td>Guy F. Atkinson Co.</td>
<td>18 7,414</td>
<td>70.3</td>
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<tr>
<td>71</td>
<td>Standard Oil of N. J.</td>
<td>16 7,432</td>
<td>70.5</td>
</tr>
<tr>
<td>72</td>
<td>William Whitman</td>
<td>16 7,450</td>
<td>70.6</td>
</tr>
<tr>
<td>73</td>
<td>Mason &amp; Hangar Co.</td>
<td>15 7,468</td>
<td>70.8</td>
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<tr>
<td>74</td>
<td>Virginia Engineering Co.</td>
<td>17 7,485</td>
<td>71.0</td>
</tr>
<tr>
<td>75</td>
<td>National Pneumatic Co., Inc.</td>
<td>17 7,502</td>
<td>71.1</td>
</tr>
<tr>
<td>76</td>
<td>Borg-Warner Corp.</td>
<td>16 7,518</td>
<td>71.3</td>
</tr>
<tr>
<td>77</td>
<td>Aviation Mfg. Corp.</td>
<td>15 7,533</td>
<td>71.4</td>
</tr>
<tr>
<td>78</td>
<td>Foley Bros., Inc.</td>
<td>15 7,548</td>
<td>71.6</td>
</tr>
<tr>
<td>79</td>
<td>Fred Snare Corp.</td>
<td>15 7,563</td>
<td>71.7</td>
</tr>
<tr>
<td>80</td>
<td>York Safe &amp; Lock Co.</td>
<td>14 7,577</td>
<td>71.9</td>
</tr>
<tr>
<td>81</td>
<td>Westinghouse</td>
<td>14 7,591</td>
<td>72.0</td>
</tr>
<tr>
<td>82</td>
<td>T. A. Loving &amp; Co.</td>
<td>14 7,605</td>
<td>72.2</td>
</tr>
<tr>
<td>83</td>
<td>Pullman Standard Car Mfg. Co.</td>
<td>14 7,619</td>
<td>72.3</td>
</tr>
<tr>
<td>84</td>
<td>Sanderson &amp; Porter</td>
<td>14 7,633</td>
<td>72.4</td>
</tr>
<tr>
<td>85</td>
<td>Botany Worsted Mills</td>
<td>13 7,646</td>
<td>72.5</td>
</tr>
<tr>
<td>86</td>
<td>Defoe Boat &amp; Motor Works</td>
<td>13 7,659</td>
<td>72.6</td>
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<tr>
<td>87</td>
<td>Hardaway Construction Co.</td>
<td>13 7,672</td>
<td>72.8</td>
</tr>
<tr>
<td>88</td>
<td>Crucible Steel</td>
<td>12 7,684</td>
<td>72.9</td>
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<tr>
<td>89</td>
<td>Dunn Construction Co., Inc.</td>
<td>12 7,696</td>
<td>73.0</td>
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<tr>
<td>90</td>
<td>Willys Overland Motors Inc.</td>
<td>12 7,708</td>
<td>73.1</td>
</tr>
</tbody>
</table>

1/ Excludes contracts of less than $10,000.
Defense contracts awarded to February 28, 1941 1/
(excluding contracts to Government arsenals and shipyards)

(in millions of dollars)

<table>
<thead>
<tr>
<th>Number</th>
<th>Name of company</th>
<th>Amount of contracts</th>
<th>defense contracts</th>
<th>Amount</th>
<th>Percent of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>91</td>
<td>Cramp Shipbuilding</td>
<td>12</td>
<td>7,720</td>
<td>73.2</td>
<td></td>
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<tr>
<td>92</td>
<td>Hooven, Owens, Rentschler</td>
<td>12</td>
<td>7,732</td>
<td>73.3</td>
<td></td>
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<tr>
<td>93</td>
<td>Johnston, Drake &amp; Piper Co.</td>
<td>12</td>
<td>7,744</td>
<td>73.4</td>
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<tr>
<td>94</td>
<td>Allis-Chalmers Mfg. Co.</td>
<td>11</td>
<td>7,755</td>
<td>73.5</td>
<td></td>
</tr>
<tr>
<td>95</td>
<td>Fraser-Brace Engineering Co. Inc.</td>
<td>11</td>
<td>7,766</td>
<td>73.6</td>
<td></td>
</tr>
<tr>
<td>96</td>
<td>Fruein-Colnon Contracting Co.</td>
<td>11</td>
<td>7,777</td>
<td>73.8</td>
<td></td>
</tr>
<tr>
<td>97</td>
<td>H. W. Williams Co.</td>
<td>11</td>
<td>7,788</td>
<td>73.9</td>
<td></td>
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<tr>
<td>98</td>
<td>Mesta Machine Company</td>
<td>10</td>
<td>7,798</td>
<td>73.9</td>
<td></td>
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<tr>
<td>99</td>
<td>Mullins Mfg. Corporation</td>
<td>10</td>
<td>7,808</td>
<td>74.0</td>
<td></td>
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<tr>
<td>100</td>
<td>Mergenthaler Linotype Company</td>
<td>10</td>
<td>7,818</td>
<td>74.1</td>
<td></td>
</tr>
</tbody>
</table>

Subtotal 7,818 7,818 74.1
All other companies 2,727 10,545 100.0
Total all contracts of $10,000 or more 10,545 10,545 100.0

1/ Excludes contracts of less than $10,000.
MEMORANDUM

May 30, 1941

To: Mr. Harry L. Hopkins

From: Oscar Cox

Subject: Future Lend-Lease Operations

1. You suggested that some planning be done on the lend-
   lease operations to come.

2. The guts of the lend-lease plan is finished defense
   articles: if we don't have planes, ships and tanks we
   can't lend-lease them.

3. The financial part of lend-lease operations is only an
   incidental part of the picture: the main part is to get
   the goods produced.

4. The Lend-Lease Act is primarily a distribution mechanism.

5. The funds with which to get the goods to distribute can
   be obtained either by a direct lend-lease appropriation,
   such as the $7,000,000,000 appropriation, or by appro-
   priations directly to War, Navy, Maritime, Agriculture
   and Procurement. Or both methods can be combined.

6. The recent request of $3,233,000,000 for aircraft for the
   Army and Navy is a good concrete illustration of the way

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in which lend-lease can be handled by direct appropriations to the War and Navy Departments.

a) It will take many months before this $3,233,000,000 — when appropriated — can be turned into planes.

b) Before these planes start coming off the line a change in the appropriation language can be requested authorizing the transfer of all or a stated part of these planes under the Lend-Lease Act. If we are at war when the planes are finished all bets on Lend-Lease will probably be off. If we are not at war and the attitude on aid to Britain is the same or stronger than it is today there should be no difficulty in getting the appropriation language changed to authorize the lend-lease transfer of the planes.

RECOMMENDATIONS

a) Since the major part of the future expenditures — as has been the case to date — will be for defense articles procured by the Army and Navy they should start as soon as possible to prepare requests for appropriations to meet both their own and/or lend-lease needs for such things as ordnance, tanks, ships etc. in the same way as was done for aircraft. It will probably take some time to get these requests to Congress so they will not run into the requests now pending before Congress.
b) The Maritime Commission should follow the same procedure for cargo ships and oil tankers.

c) Since the requests by Agriculture and Treasury can probably not be handled in the same way as those by Army, Navy and Maritime, as much as possible of what is left of the 7 billion appropriation should be conserved and used for those purposes.

Politically and otherwise it would be better to go up for another lend-lease appropriation in January 1942, for example, than in July 1941. By that time the material aid given under the Land-Lease Act should make a strong showing and public opinion on aid to Britain may be stronger than it is today.

I see no practical reason for giving the Wheelers and Ryers any more sounding boards. They will doubtless yell that we have just appropriated 7 billion and now we are back in a few months for more billions. On the other hand a request such as the one for more than 3 billion for aircraft will doubtless go through without any particular public discussion. Similarly a request of the Army and Navy for an additional ordnance program and the Maritime Commission for an additional ship program would doubtless have little difficulty.

d) Attention should be focused now on the distribution of defense articles. Since the Land-Lease Act was passed on March 11, 1941 the War and Navy Departments particularly have gotten and are
daily getting material procured from funds appropriated prior to March 11, 1941. This material can be disposed of under the 1 billion $3 limitation. Aside from the merits of getting part of these defense articles to Britain, China, etc., it will be better to go up to Congress in the future for more funds if it can be shown that the powers granted by the Lend-Lease Act have been substantially used rather than just touched.

e) In connection with the major job of getting the goods, I think that the President should talk to or send a directive to the Secretaries of War and Navy directing them to inform him what aircraft and aeronautical equipment, ordnance and ordnance stores, tanks and armored cars, miscellaneous military equipment, vessels and other defense articles are available for disposition under the Lend-Lease Act from: 1) Stock on hand; 2) Material coming off the line and to come off the line from appropriations made prior to March 11, 1941; and 3) Material being produced from appropriations made after March 11, 1941.

f) On the new procurement done under Lend-Lease, the problem is the same as that for other defense procurement—to get the stuff produced as soon as humanly possible.
May 30th, 1941.

PERSONAL AND SECRET.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.
TELEGRAM FROM LONDON ON MAY 28TH, 1941.

Naval.

In Denmark Straits engagement at 08.52/24

Hood, Prince of Wales opened fire 25,000 yards on Bismarck who replied with extreme accuracy on the Hood, second or third salvo straddling. Fire broke out in Hood port side abreast after superstructure spreading rapidly to main mast. Our ships turned away to enable all guns to bear. 060 Hood again straddled, huge explosion occurred between after funnel and main mast, sank in 3 to 4 minutes. Bismarck shifted to Prince of Wales who two minutes later was hit on bridge and suffered some damage to fire control. Prince of Wales with 2 Officers 11 ratings killed 2 officers 7 ratings wounded then turned away behind smoke screen. Action was not resumed until 10.30.

2. 08.48/24 Bismarck engaged by King George V & Rodney and kept under heavy fire until 10.20 ranges down 3500 yards. Norfolk after flank marking joined in before the end. Heavily damaged, no guns in action, Bismarck torpedoed by Dorsetshire sank 11 hours. While picking up survivors Dorsetshire compelled to abandon search on sight- ing possible partly submerged submarine. During action only Cossack Zulu suffered slight damage few casualties.

3. Registan ocean boarding vessel bombed set on fire off Land's End night of May 27th-28th assistance sent.

4. Barham hit by one bomb on Y turret May 27th 120 miles North West of Alexandria also damaged by near miss. Rubian damaged by bomb still capable of 25 knots.

5. Convoy of eight enemy merchant ships 2 cruisers 6 destroyers sighted 120 miles South East of Malta 11 hours May 27th course South South-West 15.30 aircraft made successful attacks on two merchant ships and reported /cruisers
cruisers retiring northward.

6. May 27th coastal command aircraft bombed, hit 1000 ton merchant vessel Bay of Biscay.

7. Bomber command report following successes May 26th: direct hit 5000 ton ship off Den Helder resulting in explosion and flames; direct hit 6000 ton ship in large convoy off Ameland resulting in large column of black smoke; also several direct hits 6000 ton ship and believed 4000 ton ship same convoy seriously damaged.

8. **Royal Air Force.**
   May 27th. Afternoon 8 Blenheim attacked aerodrome northern France scored several direct hits on grounded enemy fighters and on hangar which was destroyed.

9. **Night of May 27th-28th.**
   68 aircraft were sent to industrial centre of Cologne, 17 to Boulogne; one bomber missing.

10. **Greece.**
    Night of May 26th-27th and on day May 26th aerodrome and beach at Maleme heavily bombed, many enemy aircraft on the ground set on fire. Our fighters shot down at least 5 fully loaded troop carriers and machine gunned 100 others on the ground damaging several. Three Blenheim missing.

11. Heraklion May 26th enemy continued building up his troops east of aerodrome and south and west of the town.

12. Matino May 26th practically all enemy positions cleared by my midday.

13. **Canea-Maleme:** in spite of destruction of many of their aircraft, Germans continued to land reinforcements. May 27th - Canea has fallen. Situation obscure but probability that penetration has reached area North west of Suda Bay. Enemy forces landed by seaplane are reported to have

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have moved behind our rearguard to the east of Suda Bay.

**L****i****b**y**a** May 25th enemy attacked and occupied Egyptian frontier post at Bir Shegga 60 miles south of Solum.

Afternoon May 26th enemy attacked with tanks and artillery support in Halfaya district, obliged our troops to withdraw by morning of May 27th to area 15 miles east of Solum. South of encampment enemy advanced to Bir Habata 50 miles south east of Halfaya.
Paraphrase of Code Cabledgram
Received at the War Department
at 08:19, May 30, 1941.

London, filed 13:00, May 30, 1941.

1. **British Air Activity Over the Continent.**
   a. **Daylight, May 30.**
      All planes were grounded.
   b. **Night of May 29-30.**
      The projected attack on Kiel by 14 bombers was forced to
      change its objective on account of weather and attacked airfields in
      Occupied France. The Coastal Command performed offensive missions
      against St. Nazaire with ten planes. Results were not observed.

2. **German Air Activity Over Britain.**
   a. **Night of May 29-30.**
      Operations were on a minor scale with three planes observed
      over Cheltenham, one over Scilly Isles and two over the Orkneys.
   b. **Daylight, May 30.**
      Air operations were reduced to a minimum with fighter
      missions being performed by a small number of planes over the Calais-
      Dover area and widely scattered by a total of 11 planes.

3. **German Air Activity, Middle East Theater.**
   a. **May 30.**
      (1) **Libya.** Derna, Bengazi and Scarpanto airfields were
      attacked by bombers based on Egypt.
      (2) **Malta.** The coast of Tunisia and south Greece were

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reconnoitered by Marylands based on Malta. A unit of Wellingtons attacked Germans at Malevi on the Island of Crete.

(3) Palestine. German aircraft on the airfields of Rayak, Deir Ez Zor, and Palmyra in Syria were bombed by planes based on Palestine.

(4) Iraq. British planes performed support missions for troops advancing on Baghdad.

5. German Air Activity, Middle East Theater.

There were no offensive missions for German aircraft elsewhere than Crete where dive bombers attacked Allied forces and covered landing of reinforcements by planes on beaches and from parachutes elsewhere. These activities were uninterrupted during daylight hours.

Distribution:
Secretary of War
State Department
Secretary of Treasury
Under Secretary of War
Chief of Staff
Assistant Chief of Staff, G-2
War Plans Division
Office of Naval Intelligence
Air Corps
G-3
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE May 31, 1941

TO Acting Secretary Ball
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 4:30 p.m. on Thursday, May 29, Mr. Ball assembled in his office:
Messrs. Young, Cox, White and Cochran, to discuss the possibility of relieving the
British to the extent of the Secretary's commitment, that is, from $300,000,000 to
$400,000,000.

The group had before them the tables presented the preceding day by Messrs.
Phillips and Keynes. The two representatives from Mr. Hopkins' office thought it
impossible to take over under Lend-Lease the total of $253,000,000 of contracts
signed after January 1, 1941. They thought this would be contrary to commitments
made both by the Secretary of the Treasury and by the Director of the Budget to
Congress. They did think it possible to take over all contracts signed after
March 11, 1941. These would total around $80,000,000.

From Mr. McCloy's statements, as recorded in my memorandum of May 17, and from
Secretary Stimson's letter of May 20, it appears that through the E. F. C. the
Army has already taken the British out of $48,300,000 on account of plant facilities.
The War Department is recommending that in the interest of national defense an ad-
ditional $85,600,000 of contracts entered into by the British Purchasing Mission
for certain plant facilities should be taken over. The British inform us, however,
that it may not be feasible to transfer more than around $52,000,000 of these con-
tracts, thus making a total of $100,000,000 of which the British may be relieved
from contracts for plant facilities.

Mr. McCloy also reported that the Ordnance people had taken the British out
of $49,600,000 of a $230,000,000 program on supply contracts. To do anything
beyond this would require a presidential instruction to the Secretary of War.

In his letter of May 21 Sir Frederick Phillips agreed that the sum be realized
through the United States Government taking over Vultee aircraft should be counted
as a part of the relief to their cash position. This will probably amount to
around $25,000,000.

During our conversation Mr. Cox advanced a new idea which it was thought
might prove the means of giving the remainder of relief necessary to bring the
total to a figure between $300,000,000 and $400,000,000. The idea would be for
the War Department to enter into new contracts with firms having contracts with
the British for supplies, and postponing cash liability of the British on such
contracts until 1942, for example. As material is produced under these new con-
tracts the Army can make such disposal of it as desired, including making it
available to the British under Lend-Lease.

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The following shows, therefore, possible means of relief to the desired total:

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Relief under Lend-Lease from all listed contracts signed after March 11, 1941</td>
<td>$80,000,000</td>
</tr>
<tr>
<td>2</td>
<td>Relief by Army through R.F.C. of plant facilities</td>
<td>100,000,000</td>
</tr>
<tr>
<td>3</td>
<td>Relief by Army of supply contracts</td>
<td>50,000,000</td>
</tr>
<tr>
<td>4</td>
<td>Relief by Lend-Leasing Vultee contracts</td>
<td>25,000,000</td>
</tr>
<tr>
<td>5</td>
<td>Relief by War Department substituting on British contracts and deferring British cash liabilities</td>
<td>95,000,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$350,000,000</td>
</tr>
</tbody>
</table>

It was agreed that the foregoing suggestions should be submitted to Secretary Morgenthau on Monday so that he may discuss the question with Mr. Hopkins if the plan is acceptable.
TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Airplane Deliveries

Summary

1. In the latest week reported, ten heavy bombers were sent to England. This compares with thirteen in the preceding week and a total of ten in all the other previous reports.

2. With this last report, the total number of planes shipped to England to date passed for the first time the total number of planes sent to the Middle East.
Airplane Shipments to the British
(From February 1 to May 25 by air
January 11 to May 3 by sea)

Table A. - Shipments by Area

<table>
<thead>
<tr>
<th>To the United Kingdom</th>
<th>Latest Week</th>
<th>Total Reported To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light and medium bombers</td>
<td>30</td>
<td>321</td>
</tr>
<tr>
<td>Heavy bombers</td>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>Naval patrol bombers</td>
<td>0</td>
<td>46</td>
</tr>
<tr>
<td>(Consolidated PBY)</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Total to United Kingdom</td>
<td>40</td>
<td>409</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>To the Middle East</th>
<th>Latest Week</th>
<th>Total Reported To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light and medium bombers</td>
<td>0</td>
<td>136</td>
</tr>
<tr>
<td>Pursuit</td>
<td>25</td>
<td>265</td>
</tr>
<tr>
<td>Total to Middle East</td>
<td>25</td>
<td>401</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>To the Far East</th>
<th>Latest Week</th>
<th>Total Reported To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light and medium bombers</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Heavy bombers</td>
<td>10</td>
<td>53</td>
</tr>
<tr>
<td>Naval patrol bombers</td>
<td>25</td>
<td>376</td>
</tr>
<tr>
<td>(Consolidated PBY)</td>
<td>0</td>
<td>55</td>
</tr>
<tr>
<td>Total to Far East</td>
<td>65</td>
<td>980</td>
</tr>
</tbody>
</table>

Totals

| Light and medium bombers | 30          | 463                    |
| Heavy bombers           | 10          | 33                     |
| Naval patrol bombers    | 25          | 376                    |
| (Consolidated PBY)      | 0           | 55                     |
| Pursuit                 | 65          | 980                    |

Grand Total
<table>
<thead>
<tr>
<th>Model</th>
<th>Latest Week</th>
<th>Total Reported To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing B-17</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Brewster Buffalo</td>
<td>0</td>
<td>102</td>
</tr>
<tr>
<td>Consolidated Catalina (PBY)</td>
<td>4</td>
<td>53</td>
</tr>
<tr>
<td>Liberator</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Curtiss Tomahawk</td>
<td>25</td>
<td>265</td>
</tr>
<tr>
<td>Douglas - Boston</td>
<td>1</td>
<td>94</td>
</tr>
<tr>
<td>Glenn Martin Maryland</td>
<td>0</td>
<td>136</td>
</tr>
<tr>
<td>Grumman Martlett II</td>
<td>0</td>
<td>9</td>
</tr>
<tr>
<td>Lockheed Hudson I</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Hudson III</td>
<td>5</td>
<td>41</td>
</tr>
<tr>
<td>Hudson IV</td>
<td>0</td>
<td>18</td>
</tr>
<tr>
<td>Hudson V</td>
<td>23</td>
<td>164</td>
</tr>
<tr>
<td>Electra</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>North American Harvard II</td>
<td>0</td>
<td>55</td>
</tr>
<tr>
<td>United Chesapeake</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td><strong>Grand Total - All Types</strong></td>
<td><strong>65</strong></td>
<td><strong>980</strong></td>
</tr>
</tbody>
</table>
Table C. - Plane Deliveries to the British by Weeks

<table>
<thead>
<tr>
<th>Week Ended</th>
<th>Light and Medium Bombers</th>
<th>Heavy Bombers</th>
<th>Naval Patrol Bombers</th>
<th>Pursuit</th>
<th>Trainers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 8 *</td>
<td>22</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>25</td>
</tr>
<tr>
<td>Feb. 15 *</td>
<td>42</td>
<td>-</td>
<td>-</td>
<td>100</td>
<td>-</td>
<td>142</td>
</tr>
<tr>
<td>Feb. 22 *</td>
<td>35</td>
<td>-</td>
<td>-</td>
<td>27</td>
<td>-</td>
<td>62</td>
</tr>
<tr>
<td>Mar. 1 *</td>
<td>7</td>
<td>-</td>
<td>5</td>
<td>25</td>
<td>-</td>
<td>37</td>
</tr>
<tr>
<td>Mar. 8 *</td>
<td>16</td>
<td>-</td>
<td>3</td>
<td>10</td>
<td>-</td>
<td>29</td>
</tr>
<tr>
<td>Mar. 15 *</td>
<td>26</td>
<td>1</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>31</td>
</tr>
<tr>
<td>Mar. 22 *</td>
<td>17</td>
<td>-</td>
<td>2</td>
<td>22</td>
<td>-</td>
<td>41</td>
</tr>
<tr>
<td>Mar. 29 *</td>
<td>25</td>
<td>-</td>
<td>3</td>
<td>18</td>
<td>-</td>
<td>46</td>
</tr>
<tr>
<td>Apr. 5 *</td>
<td>21</td>
<td>-</td>
<td>7</td>
<td>73</td>
<td>-</td>
<td>101</td>
</tr>
<tr>
<td>Apr. 12 *</td>
<td>21</td>
<td>2</td>
<td>2</td>
<td>27</td>
<td>-</td>
<td>52</td>
</tr>
<tr>
<td>Apr. 19 *</td>
<td>20</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>-</td>
<td>32</td>
</tr>
<tr>
<td>Apr. 26 *</td>
<td>23</td>
<td>2</td>
<td>3</td>
<td>-</td>
<td>28</td>
<td>56</td>
</tr>
<tr>
<td>May 3 *</td>
<td>61</td>
<td>1</td>
<td>2</td>
<td>15</td>
<td>27</td>
<td>106</td>
</tr>
<tr>
<td>May 10 *</td>
<td>36</td>
<td>1</td>
<td>8</td>
<td>10</td>
<td>-</td>
<td>55</td>
</tr>
<tr>
<td>May 17 *</td>
<td>61</td>
<td>13</td>
<td>7</td>
<td>19</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>May 25 *</td>
<td>30</td>
<td>10</td>
<td>-</td>
<td>25</td>
<td>-</td>
<td>65</td>
</tr>
</tbody>
</table>

|       | 463                        | 33            | 53                  | 376   | 55      | 980   |

* The date given is for shipments by air. Shipments by water start three weeks earlier. That is, the statement reporting the shipment of planes by air for the week ending May 25 would report the shipment of planes by water for the week ending May 3.
Memorandum to the Secretary:

Weekly Report - Lease-Lend Purchases
(5/23 - 5/31/41)

Purchases to 5/23/41..........................$ 4,502,606.90
Purchases 5/23 to 5/31/41....................1,113,324.85

Total to 5/31/41..............................$ 5,615,931.25

During the week contracts have been negotiated for steel and other metals as follows:

<table>
<thead>
<tr>
<th>Req. #</th>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>#483</td>
<td>Carbon Steel</td>
<td>$38,800,000.00</td>
</tr>
<tr>
<td>#485</td>
<td>Molybdenum</td>
<td>2,116,800.00</td>
</tr>
<tr>
<td>#486</td>
<td>Scrap Metal</td>
<td>1,408,000.00</td>
</tr>
</tbody>
</table>

Total $42,324,800.00

Requisitions Pending

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleared by O.P.M.</td>
<td>$171,902,188.36</td>
</tr>
<tr>
<td>Awaiting clearance by O.P.M.</td>
<td>3,672,750.50</td>
</tr>
</tbody>
</table>

Total pending requisitions..............................$ 175,574,938.86 *

* Included in this total are requisitions for iron, steel and other metals approximating $118,800,000.00. This total includes the requirements for $42,324,800.00 negotiated this week and commitments for the balance are being actively undertaken.

Clifton E. Mack
Director of Procurement

Attachment
<table>
<thead>
<tr>
<th>CONTRACT NUMBER</th>
<th>CONTRACTOR'S NAME</th>
<th>REQUISITIONER</th>
<th>COMMODITY</th>
<th>QUANTITY</th>
<th>TOTAL VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA-TPS-34</td>
<td>The Dicalite Company</td>
<td>U.K.</td>
<td>Diatomaceous Earth (Kieselguhr)</td>
<td>600</td>
<td>$99,700.00</td>
</tr>
<tr>
<td>DA-TPS-49</td>
<td>American Steel Foundries</td>
<td>U.K.</td>
<td>Armor for A-22 Tanks 500 sets</td>
<td>424,830.00</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-59</td>
<td>Catalina Air Transport</td>
<td>U.K.</td>
<td>Airplanes &amp; equipment 2</td>
<td>200,308.90</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-64</td>
<td>Ingersoll-Rand Company</td>
<td>U.K.</td>
<td>Air Compressors, etc. 2</td>
<td>8,177.20</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-67</td>
<td>Oliver Farm Equipment Company</td>
<td>U.K.</td>
<td>Grain Combines</td>
<td>11,803.75</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-92</td>
<td>Bostitch Incorporated</td>
<td>U.K.</td>
<td>Pliers, Stapling 100 Staples for above 2,000 bxs</td>
<td>3,250.00</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-104</td>
<td>United Air Lines Transport Corp.</td>
<td>U.K.</td>
<td>Lockheed Airplane Parts &amp; Supplies</td>
<td>28,622.45</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-108</td>
<td>Pan American Airways System</td>
<td>U.K.</td>
<td>Douglas DC-2 Airplane engines, etc.</td>
<td>21,256.63</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-111</td>
<td>Waterbury Clock Co.</td>
<td>U.K.</td>
<td>Watches, pocket 27,634</td>
<td>10,915.40</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-136</td>
<td>The Phosphate Mining Co.</td>
<td>U.K.</td>
<td>Phosphatic Fertilizer 500 T.</td>
<td>14,175.00</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-137</td>
<td>The Phosphate Mining Company</td>
<td>U.K.</td>
<td>Phosphatic Fertilizer 500 T.</td>
<td>14,737.50</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-138</td>
<td>U.S. Phosphoric Products Corp.</td>
<td>U.K.</td>
<td>Phosphatic Fertilizer 4,500 T.</td>
<td>127,575.00</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-146</td>
<td>Stackpole Carbon Co., Inc.</td>
<td>U.K.</td>
<td>Carbons, Battery 90,000,000</td>
<td>110,250.00</td>
<td></td>
</tr>
<tr>
<td>DA-TPS-147</td>
<td>Firestone Tire &amp; Rubber Co.</td>
<td>U.K.</td>
<td>Tires and Tubes</td>
<td>37,722.52</td>
<td></td>
</tr>
</tbody>
</table>

Total Purchases 5/23-5/31/41...$1,113,324.35
THE WHITE HOUSE
WASHINGTON

May 31, 1941

My dear Mr. Secretary:

I find that:

(1) The defense of the United Kingdom is vital to the defense of the United States;

(2) Sections 4 and 7 of the Act of March 11, 1941 have been complied with by the necessary agreement on the part of His Majesty's Government in the United Kingdom;

(3) It would be in the interests of our national defense to transfer the defense articles set forth in the annexed schedule.

I therefore authorize you to make the transfer to His Majesty's Government in the United Kingdom of the defense articles set forth in the annexed schedule.

I would appreciate it if you would arrange with the Chairman of the British Supply Council in North America for the time, method, and other details of the disposition.

Very sincerely yours,

[Signature]

The Honorable
The Secretary of the Treasury
Defense Articles Authorized for Transfer to the United Kingdom by the Secretary of the Treasury

<table>
<thead>
<tr>
<th>Requisition Number</th>
<th>Quantity</th>
<th>Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>466</td>
<td>360,000 Tons</td>
<td>Iron and Steel Scrap</td>
</tr>
<tr>
<td>626</td>
<td>2,735</td>
<td>Spare parts for Caterpillar Tractors</td>
</tr>
<tr>
<td>694</td>
<td>56,962</td>
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</tbody>
</table>

Mar. 31, 1941
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WASHINGTON

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</tr>
</tbody>
</table>

May 31, 1941
This is the first draft of an outline for HM Jr's talk at Amherst. Written on the farm Saturday, May 31st.

DUTCHESS COUNTY, NEW YORK
TELEPHONE BEACON 331

1. What is calculated risk as to our future.
2. One hand we risk physical destruction against intellectual destruction.
3. Must take the risk and fight for our freedoms.
4. I am willing to let the coming generation decide rather than Berlin what kind of a government we should have.
Dear Mr. Morgenthau:

There is no doubt in my mind that the best way to sell anything from baby carriages to baby bonds is newspaper advertising.

Sincerely,

(Signed) Robert R. McCormick

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

WORLJiA. May 21—Harold E. Ickes, Secretary of the Interior, who among other things has made a reputation for himself as a better of the mining laws, has come to the conclusion that the New Deal is a failure.

This is because the New Deal has not accomplished what it set out to do. The government has failed to provide adequate facilities and to ensure a stable currency system.

The Secretary of the Interior believes that a new approach is needed. He suggests that the government should focus on reducing the deficit and on providing more jobs for the unemployed.

He also calls for a more thorough investigation of the banks and the financial system to ensure that they are operating in a fair and transparent manner.

Ickes concludes that the New Deal has not lived up to its promises and that a new strategy is needed to address the economic problems facing the country.
May 31, 1941

Private Earl S. Robinson
72nd Air Base Group
Moffett Field, California

Dear Private Robinson:

As you know, two films were made at Moffett Field dealing with the Defense Bonds and Stamps. It was decided in the end, after much discussion, to use the one in which the dialogue is handled by Private Reitter.

I just wish you to know, however, that we were impressed with your own fine work, and all of us would like to congratulate you and thank you for it.

If it had not been for a very narrow division of opinion, yours would have been the version that we used.

It would be a real pleasure for me to meet you and to thank you personally if your duties should ever bring you to Washington.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Henry Morgenthau, Jr.
Secretary of the Treasury
TO THE FIELD STAFF:

A number of State organizations are so far advanced that we see evidences of much progress. In addition, there is a splendid reaction to the Defense Savings Program, from business, banking, labor, women’s groups, educational leaders, youth, and many others. The cooperation we are receiving is real evidence that the nation squarely backs National Defense and appreciates the seriousness of the National Emergency declared by the President on Tuesday night.

There is satisfaction to be derived from early indications. The actual amount of bonds and stamps sold is at least 25% ahead of Treasury expectations. For the initial month of May, bond sales of between three and four hundred million dollars are indicated. In the first twenty-three days of May, approximately 750,000 individual bonds and more than 7,000,000 stamps were sold. A most encouraging start.

Our Defense Savings Program is based upon these Principles:

Every man, woman, and child, who so desires, can have a part in the National Defense, as there is a suitable security in the price range of Defense Bonds and Stamps.

When an individual invests in our nation - "buys a share in America" - he becomes more vitally concerned in all that the Government must do.

The success of our effort will be judged by the number of our citizens that backs the Government by purchasing Defense securities, more than by the volume of sales.

The task is to educate every one, so that millions will systematically and regularly purchase securities, thus endorsing a philosophy of economy in the face of a rapidly rising income, due to Defense spending.

The program is one of long-time thrift. Save for the future. Build a reserve against uncertainties, and at the same time back the Government, when such backing is vitally needed.

Many prominent financial institutions have announced installation of continuous purchase plans for their depositors. Many well-known corporations have announced that they are cooperating with labor in the establishment of payroll savings plans; retail establishments, schools, utilities, shops and many others have advised of the establishment of "Stamp Banks".

In all, our picture is sanguine, indeed.

Sincerely yours,

GALE F. JOHNSTON
Field Director, Defense Savings Staff
In the first issue of the Newsletter we presented some of the Honorary Chairman, Chairmen, State Administrators, and Deputy State Administrators of Defense Savings Committees.

In this issue we present some of the other outstanding business, professional and civic leaders who have accepted the invitation of the Secretary of the Treasury to serve on Defense Savings Committees:

**CONNECTICUT**

GEORGE J. BASSETT, New Haven
NATHAN BELCHER, New London
MORGAN B. BRAINARD, Hartford
A. DON BITGOOD, Danielson
MRS. CHESTER BOYLES, Essex
GEORGE L. BURKE, Hartford
J. OTIS FOX, JR., Putnam
ALONZO G. GRACE, Hartford
ALLEN HOLMES, Middletown
JAMES W. HOOK, New Haven
WALTER B. LASHER, Bridgeport
JAMES H. LENNON, Hartford
JOSEPH MAYO, Hartford

FRANCIS F. MCGUIRE, New London
HERBERT A. MILLER, Hartford
HARRY L. NADO, Greenwich
LYONEL H. PUTNAM, Hartford
WILLARD B. ROGERS, Hartford
PARRY D. SAYLOR, Waterbury
LOUIS M. SCHATZ, Hartford
ANTHONY SUNDERLAND, Danbury
D. L. VAILL, Winsted
C. W. VAN BEYNUM, Hartford
ERNEST D. WARREN, Danielson
EDWIN G. WOODWARD, Storrs
GEORGE L. WOODWARD, Norwalk

**MICHIGAN**

LEO V. CARD, Hillsdale
MRS. SEYMOUR BEACH CONGER, Ann Arbor
EARL W. DELANO, Allegan

JOSEPH E. FIELDS, Detroit
JOHN W. GIBSON, Lansing
EDWARD N. McFARLAND, Detroit

**NORTH CAROLINA**

JONATHAN DANIELS, Raleigh
DR. CLYDE A. ERWIN, Raleigh
GURNEY P. HOOD, Raleigh

W. KERR SCOTT, Raleigh
FORREST H. SHUFORD, Raleigh
STANLEY WINBORNE, Raleigh
MRS. JOHN D. ROBINSON, Wallace

State committees are nearly complete in a number of other States. Subsequent issues of this Newsletter will present the names of many more of the patriotic men and women who are devoting their services in connection with the Defense Savings Program.
MICHIGAN CAMPAIGN GETS UNDER WAY


Steps taken by the State Committee in the Michigan Campaign were outlined by Mr. Isbey as follows:

First - GOVERNOR MURRAY D. VAN HOUNSE, Honorary Chairman of the Michigan Committee, issued a stirring proclamation to all state and local leaders in the Defense Savings Program, calling upon them to make Michigan as preeminent in education for Defense Savings as in production of the tools of defense.

Second - MAYORS of cities and towns throughout the state were asked to serve as honorary chairmen of the program and to organize Defense Savings Committees in their communities.

Mayors in all parts of the state have given a generous response to this request and local committees have now been organized in more than 200 Michigan communities.

Third - TEACHERS AND SUPERINTENDENTS OF PUBLIC AND PAROCHIAL SCHOOLS in the Detroit area and elsewhere in state were informed of program and their cooperation secured.

The enthusiastic response of school teachers and school children generally, in Detroit and throughout the State, is indicated by the photographs reproduced on the next page of this Newsletter.

Fourth - RETAIL MERCHANTS, particularly grocery, drug and department store executives and the heads of public utilities, were asked to stock Defense Savings Stamps and to advertise their availability.

The first week of the Michigan campaign saw the establishment of 275 such "Stamp Banks." By the end of May, it is estimated that in Detroit alone there will be more than 1500 places where Defense Savings Stamps can be purchased, not counting the schools.

Fifth - LABOR AND INDUSTRIAL LEADERS prominent throughout the state were brought into conference on the Defense Savings Program and arrangements made for subsequent meetings to discuss stamp banks, payroll allotment plans, and investment of trust funds in Defense Savings Bonds.
ENTHUSIASM RUNS HIGH AMONG NATION'S SCHOOL CHILDREN

IN TEXAS—-.

School children of Cleburne, Texas, on the steps of the Post Office after purchasing Defense Savings Stamps.

IN MICHIGAN——

The Reverend Father Carroll F. Deady, Superintendent of Detroit Parochial Schools, with Frank Isbey, Chairman of the Defense Savings Committee for Michigan, and children of St. Vincent's School.

Pupils of the Stil School in Detroit at the window of their stamp bank. Costumes indicate a few of the 21 nationalities represented in the student body.
Frank Scofield, Texas State Administrator, reports that local Defense Savings Committees are now functioning in all the 254 counties of Texas. In addition, committees for each of the 21 Congressional Districts have been organized.

"The public reception of this offering on the part of our Government, which permits every individual to have a part in our all-out defense effort, has exceeded the fondest hopes of this office," reports Mr. Scofield. "Many organizations, such as the Houston Chamber of Commerce, the Attorney General's Department of Texas, the Tax Collector's Office of Travis County, the Land Office, and of course, my own organization, the Internal Revenue Office, have reported 100% participation. Also all the students in the High School at Marble Falls, Texas, have reported 100% participation, and I understand that this is to be a monthly affair, and not something that happens today and today only."

Endorsement of the program by Lee Brady, State Banking Commissioner, R. H. Collier, National Bank Examiner, R. R. Gilbert, President of the Federal Reserve Bank of Dallas, and Walter P. Napier, President of the Texas Bankers Association has been given wide publicity.

**CAMPAGN LAUNCHED IN TRUE TEXAN STYLE**

**Bands & Speakers** - In Hill County, the campaign began in front of the Hillsboro Post Office with a band concert by the Hillsboro High School Band. Short talks were made by leading citizens and first buyers introduced.

**Big Parade** - In Ector County, Toastmaster Bill Henderson of Odessa staged a parade with local bands, Boy Scouts, Firemen and an anti-aircraft battery from Midland.

**Sales Booths** - The McLennan County Committee opened booths for the sale of Defense Savings Stamps throughout the city of Waco.

**Newspaper Advertising** - In all parts of the state, organizations and individuals have contributed newspaper advertising to boost the sale of Defense Savings Bonds.

**Poster Contest** - The Kiwanis Club of Taylor, Texas has offered three prizes of Defense Savings Stamps for the best posters prepared by high school students to advertise Defense Savings Bonds.

**Employers Cooperate** - The El Paso County Chairman, Forrest C. Smith, reports that his committee has asked all employers in El Paso to explain the Defense Savings Program to their employees.

**Union Sponsored Essay Contest**

In Galveston, Texas, B. A. Critts on behalf of the Galveston Building Trades Council, has offered four $25 Defense Savings Bonds for the four best essays by school children on "Why I Should Buy a Defense Savings Bond."
The Hartford Committee for the Defense Savings Program has been holding weekly meetings in the office of its Chairman, Mayor Thomas J. Spellacy. Plans are being developed for an enormous rally in Hartford on June 12.

Chairmen of local committees have been appointed in more than 80 other Connecticut towns including Bridgeport, New Haven, New London, Meriden, Stamford and Waterbury.

Several of the trust and other funds of the State of Connecticut have purchased large blocks of Defense Savings Bonds.

Edwin C. Northrop, Mutual Savings Bank Chairman for the State of Connecticut is making every effort to enlist mutual savings bank support for the Defense Savings Program. The Waterbury Savings Bank of which he is the Vice President is organizing a voluntary employee salary allotment plan and developing a plan by which all depositors can conveniently make regular purchases of Defense Savings Bonds. When these plans are in operation, Mr. Northrop is going to undertake a personal canvass to encourage every savings bank in Connecticut to undertake a similar program.

Connecticut Chamber of Commerce, assembled for its 42nd annual dinner featured the Defense Savings Program.

RESOLUTION ADOPTED BY CONNECTICUT LEGISLATURE

"Be it resolved that the House of Representatives emphatically endorses and approves the U. S. Defense Savings Program and urges all of the citizens and inhabitants of this state to subscribe for and purchase in accordance with their ability, the stamps and bonds of the United States Treasury, and

"Be it further resolved that each representative or the representatives of every town in this state appoint a chairman in his town and that such chairman appoint a committee of citizens of his community to stimulate and encourage the sale of these stamps and bonds."

DEFENSE SAVINGS STAMPS HELP ALUMNI FUND

The Yale University Alumni Fund has hit upon a unique way of raising money. Plans are being made to send each of Yale's 25,000 alumni an album for 25 cent Defense Savings Stamps with the request that stamps be placed in the albums and then returned for conversion into bonds for the Alumni Fund.
J. J. Pelly, President of the Association of American Railroads, has announced the wholehearted cooperation of the railroads in the Defense Savings Program.

President Pelly said: "At a recent meeting of the Board of Directors and Members Roads of the Association, the Board recommended and the Member Roads unanimously approved the recommendation that the railroads cooperate with the United States Treasury Department in promoting the sale of Defense Savings Stamps and Bonds to aid in securing the funds required for the National Defense Program.

"It was the opinion of the executives in attendance at these meetings that the railroads should extend their cooperation along the following lines:

"1. Sell Defense Savings Stamps at the ticket windows of all railroad stations,

"2. Display posters in railroad stations, offices, shops and city ticket offices.

"3. Distribute Defense Savings literature with employee pay checks.

"4. Act as agent for employees who request railroad to allot a specified amount from their pay each month for purchase of Defense Savings Bonds and Stamps".

Many railroads have already signified their intention of installing salary allotment plans in cooperation with their workers.

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**LIFE UNDERWRITERS BEHIND NATIONAL DEFENSE**

An important action taken by N. Y. Life Underwriters' Association at its regular meeting on May 15th is reflected in the resolution transmitted to Secretary Morgenthau which is reproduced here in part:

"WHEREAS, The members of the Life Underwriters' Association of the City of New York, by nature of their work are exponents of thrift and security, and,

"WHEREAS, The members of the Association are vitally concerned in the progress of the National Defense Program in the present emergency, be it resolved that the Life Underwriters' Association go on record as urging its members to give all aid and cooperate in every way possible in the sale of Defense Bonds and Stamps."
Many business concerns report that their employees appreciate the convenience of payroll allotment plans which make possible the purchase of Defense Savings Bonds on installments.

The Clearing House Association of Hartford, Connecticut has announced that all member banks will make it possible for their employees to purchase Defense Savings Bonds by the payroll allotment method.

The Jonas S. Touchstone Agency, insurance brokers, has described its payroll savings plan for the purchase of Defense Savings Bonds in an attractive booklet now available.

The Seth Thomas Clock Company and the Michigan Bell Telephone Company are two others in which payroll savings plans are in effect, in addition to the thirty concerns listed in the first issue of this News Letter.

Many employers are making it possible for their employees to purchase Defense Savings Stamps at the time they receive their pay.

One concern in New York City wrote to Secretary Morgenthau telling that, on the firm's first pay day after Defense Savings Stamps went on sale, each of its 220 employees received an album and $5.00 in twenty-five cent Defense Savings Stamps, together with a letter urging all to save and lend for defense. It reports that two weeks later $400 worth of stamps were sold and fourteen books completely filled and exchanged for $25 bonds.

A committee to promote the sale of Defense Savings Bonds among all employees of the City of Detroit held its first meeting in the office of Mayor Edward J. Jeffries May 22. The Mayor is serving as the Honorary Chairman of the Committee and City Treasurer Albert E. Cobo as the Executive Chairman.

Treasurer Cobo emphasized that there would be no coercion in the sale of Defense Savings Bonds. He pointed out, as an indication of the soundness of these securities, that the Trustees of the City Retirement System had just invested $49,950.00 in Series G Bonds.
Here is the full text of the simple letter by which a customer of the RIGGS NATIONAL BANK in Washington, D. C. can authorize the purchase of a Defense Savings Bond each month by a draft on his account:

Washington, D. C.,
May 24, 1941

The Riggs National Bank
Washington, D. C.

Gentlemen:

This will be your authority to purchase each month, on the 24th of each month, one $25.00 (maturity value) Series "E" U. S. Defense Savings Bond, deducting the cost price thereof from my account. The bond should be registered in the name of ----------- with ----------- as co-owner, ----------- (address) -----------, Washington, D. C., and should be forwarded to the U. S. Treasury for safekeeping.

Very truly yours,

(Signature of depositor)

Many banks throughout the country are notifying their customers that it is possible for them to purchase Defense Savings Bonds in this simple and convenient way.

* * * * *

STATE OF WYOMING BUYS DEFENSE BONDS

Wyoming has purchased $50,000 worth of Defense Savings Bonds. State Treasurer Mart T. Christensen remarked, "We believe Wyoming should do its bit for national defense. If the Federal Government had permitted it, we would have purchased $100,000 worth of the bonds".

SMALL LOAN COMPANIES COOPERATE

The American Association of Personal Finance Companies through its executive committee has recommended that the small loan organizations represented in its membership arrange to have Defense Savings Stamps on sale at all of their offices. In announcing cooperation with the Defense Savings Program, the Association pointed out that member organizations with more than 1,600 offices had more than 5,000,000 contacts a month with individuals who appreciate the value of systematic saving.
Newburgh, N. Y.—St. John's Council, Knights of Columbus, of Goshen voted to invest $5,000 in Defense Savings Bonds, using money now in the organization's treasury.

New York, N. Y.—The Serb National Federation voted to purchase $50,000 worth of United States Defense Savings Bonds. Sam Werlich, president of the Federation, said: "Our purpose is to see that the national defense of America receives the greatest support."

New York, N. Y.—The Order of the Sons of Zion purchased a $10,000 Defense Savings Bond. At a meeting of the organization, a resolution was adopted calling upon all subordinate chapters to participate to the fullest extent in the purchase of Defense Savings Bonds.

Wilkes-Barre, Pa.—The Police Pension Fund invested $10,000 in Defense Savings Bonds. "We felt that purchase of these bonds would be one way of serving our country in a critical period of its history." Sergeant Joseph Murray commented.

Charleston, S. C.—Charleston Typographical Union No. 43 voted to purchase $500 worth of United States Defense Savings Bonds from reserve funds of the organization.

Gonzales, Texas—The Gonzales Rotary Club has bought a $25 Defense Savings Bond and offered a $5,000 prize to the Gonzales county school child writing the best essay on "Why We Should Buy Defense Stamps and Bonds".

Muskogee, Okla.—A local garage owner found one way to "do something" about national defense. He presented each of his employees $5 worth of Defense Savings Stamps with the comment, "I thought it would be a swell thing to have my shop go 100 percent on the drive toward purchase of national defense bonds".

Miles City, Mont.—The local Elks Lodge has invested $1,500 in Defense Savings Bonds.

Mercedes, Texas—The Mercedes American Legion Post purchased the first Defense Savings Bond in the Rio Grande Valley.

Lawton, Okla.—The local American Legion Post invested in a $100 Defense Savings Bond.

Helena, Mont.—State convention of Modern Woodmen of America adopted resolution calling for the purchase of at least one Defense Savings Bond by each of its 76 "camps" in Montana.

Paris, Texas—Dick Hooper hauled his money to the post office with a truck and used it to purchase defense bonds. He had $542, all in pennies, which he had been accumulating for two years.

A Jar Of Dimes This Week

Lawton, Okla.—Joan White, 12, took a pint jar filled with dimes to the post office and exchanged them for a $100 Defense Savings Bond. She had been saving dimes for a year.
MILES LABORATORIES GIVE QUIZ KIDS: The Quiz Kids have made a special half-hour transcription about Defense Savings. These transcriptions will be circulated to between 200 and 400 high schools before the closing of the school terms, and among summer schools throughout the summer. In the Fall they will go to other high schools and to colleges. It is estimated that this program will be heard by more than 4,000,000 students. The Miles Laboratories are awarding Defense Savings Bonds to the Quiz Kids every week and two announcements about Bonds and Stamps are made in every broadcast. Arrangements have been made for Mrs. Morgenthau to appear as guest observer on this broadcast the night of June 18th.

TEXAS CO. SPONSORS "MILLIONS FOR DEFENSE": The defiant slogan of 1776 provides the title of this new show which will feature the Defense Savings Program for thirteen weeks beginning July 2. At no expense to the Government a program is being built using the nation's top entertainment names as guest stars. Woven around them will be a highly entertaining hour of music, drama and comedy.

SOAP MFGRS. GIVE TIME: Lever Brothers have arranged a complete schedule for Defense Savings Bonds and Stamps promotion in all nine of their shows, for the duration of the campaign. The schedule is so arranged that Defense Savings Stamps and Bonds will be mentioned on two Lever Brothers daytime programs each week and on one nighttime show each week. Proctor and Gamble has set up a similar promotional campaign through its twenty-one regularly scheduled programs.

KRAFT CHEESE COMPANY: This program used Defense Savings Bond and Stamp material on the "KRAFT MUSIC HALL" broadcast Thursday night, May 22. Similar announcements will be made on this program from time to time throughout the campaign.

PEPSODENT COMPANY: Used copy about the program on its Bob Hope Show Tuesday night, May 27. Will continue this practice indefinitely on specific dates.

ARMOUR AND COMPANY: Using announcements at the conclusion of each Wayne King Broadcast every Saturday night.

FORD MOTOR COMPANY: The Ford Summer Hour on Sunday, May 18th, featured a question about Defense Savings in the five-minute quiz part of the program and this was followed by an announcement.

The sponsor of "Manhattan Merry-Go-Round," the R. L. Watkins Company, contributes its ENTIRE program Sunday to the promotion of Defense Savings Bonds and Stamps. This represents another variation of the excellent cooperation radio is giving the Defense Savings Staff. The entertainment on this program will be patriotic, with a special musical composition written for the occasion. The usual commercial announcements for the sponsor's product will be replaced by similar copy promoting the sale of Defense Savings Bonds and Stamps.
**MOVIES**

**JUST RELEASED:** The first of a series of motion picture short subjects was released nationally this last week. In all newreels was a shot of the well known comedians Abbott and Costello buying bonds and stamps.

Within the next few weeks, two similar news-shots will be released. Jack Benny and Carolyn Lee are featured in one and the other, with Jane Withers, carries a schoolroom background. The Benny subject will probably be shown in theatres starting Friday, June 6th.

It is suggested that committee chairmen get in touch with local theatre committees to determine when and where these short subjects will be shown. Try to have as many children as possible see them and get Stamp Clubs and Stamp Banks started at the same time.

**"AMERICA PREFERRED":** This excellent short, released nationally on May 30, has been booked by every first-run Broadway theatre for the week starting May 30th.

If arrangements can be made by local committees, there should be booths in the lobbies of all theatres during its engagement with attendants to answer questions, pass out literature and sell stamps.

**FAMOUS PERSONAGES AID PROGRAM**

Honrik Willem Van Loon, noted author, journalist and lecturer, has volunteered, as a special worker, to promote the sale of Defense Savings Bonds and Stamps. Mr. Van Loon will serve in an advisory capacity and contribute radio dramatizations, articles and speeches. He joins the distinguished list of notables now cooperating with the Defense Savings Staff including Ignace Paderewski, Emil Ludwig, Mile. Eve Curic, and Louis Adamic.

**SPEECHES AVAILABLE**

President Roosevelt launched the Defense Savings Program on the evening of April 30 when in a nation-wide radio broadcast he accepted the privilege of making the first purchases of Defense Savings Bonds and Defense Savings Stamps.

The President’s talk on that occasion, with the remarks of Secretary Morgenthau and Postmaster General Walker, and addresses made in connection with the opening of the Defense Savings Program by Daniel W. Bell, Under Secretary of the Treasury and Harold N. Graves, Special Assistant to the Secretary of the Treasury are now available in pamphlet form.
The local situation is something of a potpourri. Our Government doesn't exactly know in which direction to go. When Hess made his excursion to England, they had leanings towards the British and the failures of the English expeditionary force in Greece and Crete made them go in the different direction, while the sinking of the "Bismarck" had again the opposite effect. Enthusiasm here for one or the other side is more external and in no case excessive, excepting the German element which is still extremely active.

There is, however, a certain disillusion about the fact that the English have not yet surrendered and the splendid speech of Roosevelt has also had its effect upon sentiment among the Germans. Peculiarly enough, the German element doesn't seem to feel so absolutely sure about victory as before.
CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £10,000
Purchased from commercial concerns £35,000

The Federal Reserve Bank of New York purchased £3,500 in registered sterling from the Marine Midland Trust Company.

Open market sterling remained at 4-03-3/4. The only reported transactions consisted of the purchase of £2,000 from commercial concerns.

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

<table>
<thead>
<tr>
<th>Currency</th>
<th>Quotation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian dollar</td>
<td>12-1/4% discount</td>
</tr>
<tr>
<td>Swiss franc</td>
<td>.2521</td>
</tr>
<tr>
<td>Swedish krona</td>
<td>.2385</td>
</tr>
<tr>
<td>Reichsmark</td>
<td>.4005</td>
</tr>
<tr>
<td>Lira</td>
<td>.0526-1/4</td>
</tr>
<tr>
<td>Argentine peso (free)</td>
<td>.2360</td>
</tr>
<tr>
<td>Brazilian milreis (free)</td>
<td>.0505</td>
</tr>
<tr>
<td>Mexican peso</td>
<td>.2070</td>
</tr>
<tr>
<td>Cuban peso</td>
<td>2-1/6% discount</td>
</tr>
</tbody>
</table>

In Shanghai, the yuan was quoted at 5-3/8#, off 1/32# from the quotation of May 29. Sterling was 3/8# lower at 3.89-1/2.

There were no gold transactions consummated by us today.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped $3,544,000 in gold from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

The price fixed in London yesterday for both spot and forward silver was unchanged at 23-7/16d, equivalent to 42.55#.

During the month of May, our purchases of silver under the Silver Purchase Act amounted to 4,254,500 ounces, the sources of which were as follows:
<table>
<thead>
<tr>
<th>Type of Silver</th>
<th>Ounces</th>
</tr>
</thead>
<tbody>
<tr>
<td>New production</td>
<td></td>
</tr>
<tr>
<td>1. From various countries</td>
<td>3,474,500</td>
</tr>
<tr>
<td>2. From Canada under agreement</td>
<td>700,000</td>
</tr>
<tr>
<td>Secondary materials</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4,174,500</td>
</tr>
</tbody>
</table>

CONFIDENTIAL
May 31st, 1941.

Personal and Secret.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

[Signature]

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.
Telegram from London dated May 29th.

1. **Naval.** Norfolk Massoms, Tartar returning from Bismarck action 60 miles southwest of Glyne Head a.m. 28th were attacked by five Fokke-Fulfs. Massoms hit and abandoned; 183 survivors. From Bismarck four officers and 99 ratings have been saved.

2. **Registan is in tow.** 36 survivors picked up of whom 8 died, Captain and 5 ratings remaining on board.

3. On May 28th Tirpitz, Hipper and Admiral Scheer sighted in usual positions at Kiel.

4. **Suez Canal.** Northern section still closed.

5. Edinburgh, 400 miles off Azores p.m. 22nd, intercepted German Leuch 3,290 tons, who scuttled herself with explosive charges.

6. **Coastal Command.** A.m. 28th Beaufort aircraft attacked merchant vessel of 5,500 tons escorted by five trawlers off enemy coast, two direct hits estimated and possibly a third below water line. Ship left with list and appeared to be sinking.

7. Throughout 28th aircraft protection provided for Naval units returning from Bismarck action; off northwest coast of Ireland determined attacks made on enemy aircraft; one H.S. 111 shot down, others damaged.

8. Ten Blenheims sent to attack St. Nazaire night of the 28th/29th and bomber command night of 28th/29th sent 14 aircraft to attack docks, Naval units at Kiel but majority compelled to attack alternative targets owing to cloud.


10. Scale of air attack in Crete waters again heavy. Ajax hit p.m. 28th but carrying on. Hereward, Orion and Dido hit;
hit; no details about damage. Damage to Glenroy was not serious.


12. Royal Air Force. Bombers night of 26th/27th probably destroyed five aircraft Maleme aerodrome. On the 26th two squadrons of Blenheims attacked concentration of 100 aircraft at Maleme, destroying many on the ground, same day fighters intercepted 6 J.U. 88's proceeding from Greece to Maleme and shot down three for loss of one Blenheim fighter.

13. Situation in Crete causing grave anxiety. Suda Bay-Galatas after continuous dive bombing and three ground attacks the Germans captured Galatas. It was subsequently recaptured by us but it was then decided to shorten our line and link up with Australians south of the Alikenou Road. Communication difficulties make situation obscure. Maleme aerodrome now unusable and strewn with debris but enemy airlanding on beaches. Position at Heraklion stalemate, but enemy troops increasing. Position at Retimo believed fairly satisfactory. No definite news of enemy tanks being air-landed or of any sea-borne landings but Fokkers and light artillery air-landed in plenty. German reinforcements continually arriving.

14. Iraq. Early 28th advance troops reached Khan Nuqta about 20 miles west of Bagdad, elsewhere nothing important to report, though southeast of Fallujah one of our patrols was in action.
CONFIDENTIAL

Paraphrase of Code Cablesgram
Received at the War Department
at 24:23, May 31, 1941

London, Filed 15:30, May 31, 1941.

1. British Air Activity over the Continent.
   a. Day of May 29 and night of May 29-30. Bad weather prevailed during this period and no operations were carried out by British planes.

2. German Activity over Britain.
   a. Night of May 29-30 and day of May 29. German operations during this period were slight. There was one group of approximately twenty aircraft operating over western part of England but no damage or casualties have been reported.

3. Aircraft Losses, British Theater.
   a. No losses of any kind were reported.

4. British Air Activity, Other Theaters.
   a. Egyptian Theater. During the night of May 28-29, Royal Air Force planes based in Egypt bombed the airfield at Scearpanto and also Benghazi. Fires were started and an explosion was observed later.

b. Russian Theater. In support of ground troops, large number of air attacks and reconnaissance activity in the Al Khadimain-Baghdad area. Bombing attacks were also made on Rashid where fires were started at a motor transport depot.

CONFIDENTIAL
5. There is nothing to report on the situation in Crete.

6. Although no information or confirmation has been given out by the Air Ministry, the newspapers are carrying the story of a bombing of Dublin at 6 a.m., May 31.

LEE.

Distribution:
Secretary of War
State Department
Secretary of Treasury
Under Secretary of War
Chief of Staff
Assistant Chief of Staff, 0-2
War Plans Division
Office of Naval Intelligence
Air Corps
Assistant Chief of Staff, 0-3.
SITUATION REPORT

I. Western Theater

Air: German. Relatively light attacks on seaports in southern and western England. Last night bombs were dropped on Dublin.

British: No reports of activity.

II. Crete

The German High Command announces that operations in Crete are nearing a conclusion, and British resistance has collapsed everywhere. British attempts at evacuation are now in progress, strongly harassed by German aviation.

III. Mediterranean and African Theaters

Ground: No change in the situation.

Air: Normal Axis pressure on Tobruk.

The R.A.F. executed numerous scattered raids, including attacks on an Italian ship in the harbor of Sfax, Tunisia.

IV. Iraq

Rashid Ali Al Gailani and his government are reported to have fled to Mosul. The anti-British forces in the field have asked for an armistice.

British troops are at the gates of Baghdad and Abdul Illah, former regent, is reported to be forming a government.