

DIARY

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Harold D. Smith, Director of the Bureau of the Budget, stated today that the numerous changes which have taken place in the Government's fiscal picture have made it desirable to review and revise the estimates of receipts and expenditures for the fiscal year 1942.

The estimates included in the Budget submitted last January were predicated upon a program of expenditures as foreseen at that time. The outstanding factor in the size of these estimates was the defense program. As of January 3, 1941, the total of appropriations, authorizations, and recommendations for defense amounted to 28.5 billions of dollars. Since that time, a lend lease appropriation of 7 billions has been enacted and our program for the production of planes, ships and other vital defense materials has been greatly expanded. Today the defense program, as reflected in appropriations and authorizations already made and in recommendations now pending before the Congress, is 43 billions of dollars, or 14.5 billion greater than the amount on which the January estimates of expenditures were based. This program represents obligations already incurred as well as contracts to be let and work to be undertaken by June 30, 1942. Necessarily, many things begun in the next fiscal year will not be completed within that year and thus part of the expenditures under this program will occur in the following fiscal year.

Appropriations, authorizations,
and pending recommendations.
(Fiscal Year 1941-1942)
(In billions of dollars)

Army	20
Navy	14
Other agencies	2
Lend Lease	7
	<hr/>
	43
	<hr/> <hr/>

On the basis of this program we can now expect, during the fiscal year 1942, expenditures for defense substantially greater than those included in the Budget. The present estimate is 15,500 millions - the January 1941 estimate was 10,811 millions.

Increased expenditures of 51 million dollars for agricultural aid and 50 millions for interest on the public debt are offset by a reduction of 105 millions in prospective expenditures for work relief.

The Treasury now estimates that the receipts for the fiscal year 1942 will amount to 9,402 millions - an increase of 1,127 millions over the estimate included in the Budget. 910 millions of this increase in revenues will be derived from income taxes.

The gain in revenues, while appreciable, will not, of course, match the increase in expenditures and we now face a budgetary deficit for the next year of 12,767 millions - 3,557 millions greater than originally estimated. The tax bill now pending in the Congress will reduce this deficit.

In a world at war, estimates of any government's financial program are subject to constant change. If the present defense program progresses at the rate now contemplated there is every reason to believe that the estimates here presented accurately reflect the amount of cash to be paid out in the fiscal year 1942.

The following summary compares the estimates for fiscal year 1942 as set forth in the Budget of last January with the revised estimates as of June 1, 1941.

COMPARISON OF JANUARY 3, 1941 AND JUNE 1, 1941 ESTIMATES
OF RECEIPTS AND EXPENDITURES FISCAL YEAR 1942

(In millions of dollars)

	January 3, 1941 Budget Estimates	June 1, 1941 Revised Estimates
<u>RECEIPTS</u>		
Internal Revenue	8,500	9,547
Railroad Unemployment Insurance Act	7	7
Customs	295	390
Miscellaneous Receipts	169	170
TOTAL RECEIPTS	8,971	10,114
Deduct net appropriations for Federal old-age and survivors insurance trust fund	696	712
NET RECEIPTS	8,275	9,402
<u>EXPENDITURES</u>		
Legislative, Judicial and Executive	41	41
Civil departments and agencies	1,455	1,459
National defense	10,811	15,500
Veterans' pensions and benefits	569	569
Aids to agriculturc	1,062	1,113
Aids to youth	363	363
Social Security	462	462
Work relief	1,034	929
Refunds	89	90
Interest on the public debt	1,225	1,275
Transfers to trust accounts	274	268
Supplemental items - regular	100	100
TOTAL EXPENDITURES, EXCLUDING DEBT RETIREMENT	17,485	22,167
NET DEFICIT	9,210	12,767
DEBT RETIREMENT	100	100
GROSS DEFICIT	9,310	12,867

CONFIDENTIAL

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Paraphrase of Code Cablegram
Received at the War Department
at 06:09, June 1, 1941

London, filed 12:30, June 1, 1941.

1. German Air Activities over Britain.

a. Night of May 31-June 1. There were 75 bombers attacking Merseyside but damage was not material. 50 bombers operated in the vicinity of the Irish Sea, but reports concerning their activities have not yet been received. ✓

2. British Air Activities over the Continent.

Operations over the Continent were insignificant. ✓

3. Aircraft Losses British Theater.

a. There were no reports of British losses. ✓

b. During the German attacks on the night, May 31-June 1, ✓

three planes were shot down.

4. British Air Activities other Theaters.

a. Mediterranean Theater. Aerial reconnaissance was the only activity engaged in over Libya and Egypt.

5. Activities in Iraq were of minor importance. Troops are heading for Baghdad but they are embarrassed by floods.

6. No reports have been received concerning fighting in Crete.

7. Information has been received that German planes in Crete towed six gliders at one time, but this lacks confirmation.

LHE

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
G-3

CONFIDENTIAL

June 2, 1941
9:20 a.m.

H.M.Jr: Hello.

Frank
Knox: Hello. How's the sailor, home from
the sea.

H.M.Jr: Well, the sailor is fine.

K: Did you have a good trip?

H.M.Jr: Frank, you don't know how much I
enjoyed it and how much I am indebted
to you.

K: Well, that's fine. Don't you like King?

H.M.Jr: Oh, he's wonderful.

K: I thought you'd like him. He's a real
sailor man.

H.M.Jr: He is and I'm ever so much obliged to
you.

K: That's great. I'm glad you liked it.

H.M.Jr: I wondered if you were free tomorrow
to have lunch with me. I'd like to tell
you a little bit about it.

K: Just a minute and let me look, Henry.
(Pause). O.K., Henry, delighted.

H.M.Jr: Tomorrow around 1 o'clock?

K: Tomorrow, Tuesday, at 1 o'clock.

H.M.Jr: That'll be swell.

K: All right, Henry.

H.M.Jr: Thank you so much.

June 2, 1941
9:42 a.m.

HMJr:two things I'd like to have by 9:30 tomorrow morning. If my memory serves me correctly you divided up for me the number of bombers that the Army was going to get, have on order; the number of flying boats the Navy is going to get. Hello?

George Haas: Yes sir.

HMJr: And also what's on order for England, the land bomber and Navy boats, is that right?

H: Yes, I divided up all those boats for you.

HMJr: Well, when does the next report come in?

H: Let's see - we had one in Wednesday - it's a week from this Wednesday. The report that you have in there now, I sent in this morning was as of last Saturday, not this Saturday.

HMJr: Well, did you divide it up this way?

H: No.

HMJr: Well, you did that for me once before.

H: Yes, special job for you.

HMJr: Bring me in when you come in at 10...

H: Yes sir.

HMJr: The last job to see whether that's the way I want it.

H: All right.

HMJr: See?

H: Yes sir.

HMJr: And if it's any different, I'll let you know.

H: All right, fine.

HMJr: And then that's number one. Task number two: find out how much money has been allotted to the Army for the base at Bermuda and for what purposes.

H: Yes sir.

HMJr: See? The thing that I'm particularly interested in is how much money has been allotted to them for the airfield there.

H: Airfield?

HMJr: Well, the airfield and what goes with it.

H: I see.

HMJr: I think it's 30 million dollars. See?

H: I'll find out.

HMJr: I've got to have both those things by 9:30 tomorrow.

H: I'll have them for you, Mr. Secretary

June 2, 1941

It seems to me that we are making a great mistake in building a land air base at Bermuda. In the first place, it will not be finished for a year and a half to two years.

It seems to me that all planes being based at Bermuda should be under the Navy. The advantages are that you can base as many planes as we want to and, second, that any planes flying out of Bermuda should be flown by Navy officers so that they can be synchronized with the Fleet. It seems to me that a Navy plane could do everything that an Army plane could do. Lastly, the disadvantage of having a land airfield at Bermuda is that, after all, one cannot overlook the fact that the Island might be taken and this field used by the enemy. The Germans, as far as we know, have long distance flying land planes, but do not have any, or hardly any, flying boats. Another advantage for the flying boat is that you can scatter them all around, making it next to impossible to bomb them where the Army planes have to be concentrated all in one spot.

Therefore, I am going to recommend to the President that they stop building the airport at Bermuda, and increase the number of flying boats, particularly the long distance one, which I understand we have very few of.

If this applies to Bermuda, it applies even more so to the Azores and the Cape Verde Islands. It seems to me to be the height of stupidity for us to build airfields at these places rather than increase the number of long distance flying boats with which we can reach any spot within reason that we wish to.

June 2, 1941
10:00 a.m.

GROUP MEETING

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

H.M.Jr: Well, have you got everything fixed up with
Maynard Keynes, Dan?

Bell: Oh yes.

H.M.Jr: Well, when do we start on that?

Bell: I have got a little story for you on part
of it.

H.M.Jr: Have you got the story, what I did or didn't
say and the dates that I did or didn't say
it, about the three or four hundred million
to Phillips? Is that all ready?

White: Yes, sir, we have that.

H.M.Jr: Is the thing ready so we can just sort of
sit down and begin to work at it?

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Bell: Well, you mean your record as to what you said?

H.M.Jr: My record, what I said to the President.

Bell: I don't know, is it?

White: Yes. Well, we have everything what was said and the remark that you have reference to, we have got the day on which you said it and we examined it very carefully. It is available to you whenever you want to go over it.

H.M.Jr: What I would like to do, I would like to start at ten-fifteen tomorrow, Dan, and I will run through the whole morning. We will set the whole morning aside for me to assimilate this whole business, you see. I mean, I never read the Keynes memorandum carefully. But I mean - do you have a program ready for me telling me what the Budget will or won't do and what Hopkins will or won't do and the War Department and the Navy?

In other words, what we can do and the whole business.

Bell: Merle has sent you a memorandum this morning of our last conference with Phil Young and Cox and that --

H.M.Jr: Well, I won't read it.

Bell: That lays down our program for the three or four hundred million.

H.M.Jr: Well, I would like you, if you would, at ten-fifteen tomorrow. We will set aside the whole morning. We will just devote ourselves to this.

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- Bell: Now, on the six hundred fifty million, we haven't done anything. We think that is a matter that certainly should be delayed.
- H.M.Jr: Well, let's go into the whole thing and I have invited Jake Viner to be down here and sit in with us for a couple of days on this. Viner will be here tomorrow. I want his advice.
- But will you have the thing all organized for me?
- Bell: Yes, sir. I think it is pretty well organized now.
- H.M.Jr: Well I mean, particularly where I stand. Do you know where Smith stands and all the rest of that stuff?
- Bell: No, I think what you have got to do is have a conference with Hopkins on the things that we have worked out with Cox and Young.
- H.M.Jr: Have White and you been together?
- Bell: Yes.
- H.M.Jr: Well, have an agenda for me, you see, for tomorrow morning. Let's have an agenda. You had better have a preliminary meeting today, you see, so that you are all together and I would like Foley in on it, too. But have an agenda and a dress rehearsal so that you are all together or at least you know where you are not together in your recommendation.
- Bell: I think we are all together, at least Cochran and White and I are together.
- H.M.Jr: You are not?

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Cochran: We are.

H.M.Jr: Oh. Bring Foley up to date and then as I say, if you have a dress rehearsal and go through it some time today, will you, Dan?

Bell: Yes, sir.

H.M.Jr: The whole business and.....

I had a great time. It was a great privilege. It was one of the best experiences I ever had. I wish everybody could do the same thing. They were wonderful to me.

I had three quarters of a day on an aircraft carrier at sea. I saw them take off and come back. I had a chance to see them do long range firing from the cruiser I was on. I saw them do fifty caliber machine gun target practice, five inch anti-aircraft practice.

I was dunked in a submarine. It is quite an experience. I was on a destroyer. So I had quite a - and of course, while they were doing the Bismarck and the Hood, to watch the thing from an operations end was simply marvelous.

The President informs me that the Coast Guard cutter had a front row seat.

Gaston: Yes, I had to fight some of the people to keep them from giving this story out.

H.M.Jr: The President had it all.

Gaston: I thought we would leave it to the President.

H.M.Jr: He says she withdrew not to get caught between the two.

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Gaston: They were between the planes and the ship.

H.M.Jr: Which cutter was it?

Gaston: The Modoc.

H.M.Jr: Is that up there?

Gaston: Yes.

H.M.Jr: Could I see a picture of it?

Gaston: Yes indeed.

H.M.Jr: Who can give me a report on where the bill stands in the Senate on devaluation.

Foley: It passed the House without any changes. Senator Glass called up a week ago Saturday and said he wanted to know whether or not you personally were in favor of the continuation of the stabilization and devaluation.

In other words, he wanted to know if you had asked the President to write the letter. I said, "Certainly," and he said that was all he wanted to know.

I told him you would be back today and I thought that any time after that when he could get his committee together and it was convenient to hold a hearing you would like to come down and he said, "Very well," and he laughed and said it was always ironical to him to think back to the President's remark when he opposed Marriner Eccles' reappointment.

He said the President told him the reason he was going to reappoint him was because he could always get Marriner to do what he wanted him to do. He says he has a letter there of

- 5 -

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the second of January from Marriner opposing the continuation of the devaluation power and then I told him that Marriner ducked when the House Committee called him and said he would come if they subpoenaed him but he didn't want to come down and testify against a measure that the President personally had asked for, so he (Glass) seemed to be in pretty good spirits and I gathered from the way he talked that he was going to support the continuation of the power, although the last time he wasn't in favor of it, simply because you as Secretary of the Treasury believed that those powers should be continued during this emergency.

- H.M.Jr: Do you think I ought to go up and call on Barkley and him tomorrow afternoon?
- Foley: I think it would be a good idea.
- H.M.Jr: I will tell you what you --
- Foley: I think that always flatters the old man. I think we are going to have a lot of trouble with Adams and Taft.
- H.M.Jr: Oh sure. Will you make a note to yourself, so I don't have to remind you, to bring it up tomorrow morning?
- Foley: Yes, sir.
- H.M.Jr: And then right after nine-thirty, we will get busy on the telephone and I think maybe you and I might go up on the Hill and call on Barkley and Glass tomorrow afternoon.
- Foley: Fine. We might see Jimmie Byrnes.
- H.M.Jr: All right. I think it is time enough tomorrow to do it, don't you?

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Foley: I think so, yes.

H.M.Jr: I can't do it tomorrow afternoon, either. Joan graduates.

Bell: Is Barkley out of the hospital yet?

Foley: Dan, I doubt it. He was in the Naval Hospital last week. He had an infected leg.

H.M.Jr: How long would this thing take tomorrow morning?

Bell: Oh, I think not more than a half hour.

H.M.Jr: Well, three quarters of an hour?

Bell: Plenty.

White: At the most.

H.M.Jr: Then we could go up on the Hill then.

Foley: You don't want me to do anything other than just remind you tomorrow morning?

H.M.Jr: That is all.

Thank you all for leaving me along.

Bell: Couldn't get you, could we, if we wanted to?

H.M.Jr: Yes, we received messages, but while at sea they don't send any unless it is a great emergency.

Norman?

Bell: Did you get any word on the depository situation in Bermuda?

- 8 -

- H.M.Jr: I didn't go near it. As far as the Navy is concerned in itself, they didn't know of any troubles. They are not - I mean, they are all right.
- Thompson, if you will ask What-is-his-name for an appointment, we will get into that letter on Birgfeld and Harper. Will you ask him for an appointment?
- Thompson: Yes. Also the Personnel Director.
- H.M.Jr: All right, you ask for an appointment, Dan?
- Bell: I have got a pile of stuff here.
- H.M.Jr: I am kind of scared of that pile.
- Bell: Mr. Berle called last week and said he had up to the President the question of establishing a Canadian-American Economic Commission and he wanted the Treasury to suggest a name so that he could send it over to the President that afternoon; and I suggested White's name for the Treasury. He said he thought the Treasury ought to be represented.
- They were also going to put Hanson on it and the Canadians were going to put a similar type of people from their side.
- H.M.Jr: Would you send up to the house the original of the Maynard Keynes letter and I will read it tonight.
- Bell: All right.
- Cochran: I have it.
- H.M.Jr: All right. That is O.K.

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Bell: Mr. MacLeish wrote you a letter on the nineteenth asking for a meeting of the Library of Congress Trust Fund Board. We haven't had one now for a year, and he thought it would take about five minutes to legalize everything that had been done in that time.

I think it is terrible. I have held it up since the nineteenth.

H.M.Jr: I will tell you what you do. Give him ten o'clock Thursday. Then I have a press conference and it can't last more than thirty minutes.

Bell: O.K.

Harold Stanley called me Saturday, the twenty-sixth, to tell me how the Viscose sale was going and that he thought the fact that they reduced the price from twenty-five to twenty-four had a great deal to do with the success of the issue. I have a memorandum for your files.

H.M.Jr: It went well?

Foley: Yes, it was over-subscribed and all the comments were favorable.

H.M.Jr: And what is the price of it today?

Foley: I haven't --

Cochran: It is around twenty-four. The preferred went up to a hundred and nine. It went up to a hundred and eleven and then dropped back to a hundred and eight and now it is a hundred and nine.

H.M.Jr: What was it off at?

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Cochran: A hundred and seven.

Bell: About a dollar above the issue price.

H.M.Jr: You know my arrangement with him, or rather with the English? Before they close and pay over any profits, they are going to come and see me.

Bell: I know you talked about it in the group but I didn't know that you had that arrangement.

H.M.Jr: Well, I am serving notice on my group. I am not going to take that fellow's advice.

You (White) advised me against getting in and trying to whittle down.

White: That is right, and I definitely feel that way.

Foley: I think it would be a mistake, too.

H.M.Jr: I disagree with both of you. So that is my privilege.

Foley: Sure.

H.M.Jr: When you give me advice - I mean, when - the thing that I have got to - I have got to see Stanley, haven't I?

Bell: On that I should think you would have to, yes.

H.M.Jr: Who contacts Stanley?

Bell: I don't know of anybody.

Cochran: He has called all three of us, Dan and Foley and myself.

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Bell: It doesn't make any difference.

H.M.Jr: Will you (Bell) tell him that when he has got his expenses figured out I would like to see him?

Bell: All right.

H.M.Jr: I would like to see him. I will see him alone, seeing I have no support. (Facetiously)

Bell: Late in the afternoon of the twenty-seventh, Bob Jackson called me from the Cabinet Room of the White House to either come over myself or send a representative to help work on the President's proclamation. I sent Kades, and this is a memorandum for your record on that. (Dated May 28, 1941)

Wayne Coy sent you a memorandum from the President in which he said he would like to have your recommendation on Coy's memorandum concerning a hearing before the Interstate Commerce Commission on large quantities of goods ordered by France, Holland and Belgium and which are stored in our North Atlantic ports.

I talked to Wayne on the telephone and he said he didn't see why the Treasury was interested but he had to send it over. I had John Pehle's man go to the Commission hearing and here is a memorandum of the hearing.

H.M.Jr: Are we interested?

Bell: I don't think so.

H.M.Jr: I am not interested.

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Bell: We don't need to answer Coy's memorandum. He also had a man there and they are looking into the character of the materials to see whether or not they can be used for national defense, but I thought I would put this in your record.

Gaston: Foreign Funds has to pass on that sale.

H.M.Jr: I don't have to pass on it?

Bell: No.

Peacock wrote you a letter Friday saying that when he was in Washington last week he forgot to take up with you the question of the sale of the Coates-Clark group.

H.M.Jr: That is the thread, isn't it?

Bell: That is the thread company, yes. He is going to call you this afternoon on the telephone, I believe, and talk to you about it and Harry is --

H.M.Jr: He isn't going to talk to me. You will have to bring that up at ten-fifteen tomorrow.

Bell: All right.

H.M.Jr: This is as good a time - I always come back with resolutions and Mrs. Klotz always laughs and she is always right, but I am going to try if possible, with the help of all of you, to do less detail work and I will look to you people to make more decisions of your own, because I don't want to get down as low as I was before, and the only way I can keep from it is to do less details, so don't hesitate to pass on things which you are pretty sure of yourself. You won't have

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any trouble with me, right or wrong. I mean, I am not just addressing you, Dan.

Bell: I understand.

H.M.Jr: But everybody. As I say, I am not going to - we will devote tomorrow morning to England and her troubles. That - we ought to be able to clean the thing up.

Bell: The savings bonds have been sold to the extent of about three hundred eighty-six million up to the twenty-eighth.

H.M.Jr: How much?

Bell: Three hundred eighty-six million.

Graves: I have a later figure than that, Mr. Secretary. Through the twenty-ninth, the figure is four hundred six million, nine hundred sixty-nine thousand.

H.M.Jr: Who was the fellow that gave out the figure that I sent to you (Schwarz) that was going over five hundred million?

Schwarz: My investigation convinces me that that should read, "banking circles," and not "Treasury officials."

I have checked about twenty Treasury officials and down below that --

H.M.Jr: It was most unfortunate.

Bell: I think so, too.

Schwarz: The defense or excuse is that the banking reporters in New York notified the Associated Press here that one bank told about ten

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million it was holding for Saturday for trust funds and another of another ten million and they put that all together and decided it was five hundred.

- H.M.Jr: Because it is - Harold Graves has been completely right. He held me down to saying nothing at the beginning. Then when we saw three hundred in hand we said three hundred and I have never raised my sights above that and it would have been nice to have stuck, say, to four hundred and then have it go to four hundred twenty-five, but this way it will be five hundred and again the thing is a flop.
- Bell: I think that is what got us in a little difficulty at first, that somebody published a figure of a billion dollars a month.
- Schwarz: The Wall Street Journal said two billion.
- Bell: That is for the first year and then later somebody published the billion a month, which is very unfortunate.
- H.M.Jr: The first thing I saw when I came home was that thing.
- Bell: I saw that and that is the reason I brought up this question.
- Haas: I think it would help if you would comment that you have checked it and it wasn't, as far as you could tell, Treasury officials.
- H.M.Jr: I should say that?
- Schwarz: Depending on what the figure is.
- H.M.Jr: When do you have figures?

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Haas: We will have the end of the month figures tomorrow evening.

H.M.Jr: Then I won't give any figures today. I won't give any figures. I will tell them that the figures will be out in Wednesday morning's papers.

Haas: Yes, sir.

H.M.Jr: Where were we?

Bell: I am finished.

White: I have nothing.

H.M.Jr: Nothing?

White: Nothing, sir.

H.M.Jr: Did you get my message about Mrs. Roosevelt Wednesday a week?

White: No.

H.M.Jr: I dictated it.

Klotz: Your memo read that a report would be read but you didn't say that you wanted Mr. White to be there.

H.M.Jr: Oh surely. What was the time? It was a week from Wednesday, wasn't it?

Klotz: I thought it was this Wednesday. I don't remember offhand.

H.M.Jr: I think it is the eleventh. Would you look up the eleventh?

Klotz: Yes, I remember that.

H.M.Jr: I think it is the eleventh. Would you give me a list of the officials, Harry, that you

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would like to have there? I mean, which agencies does it affect, you see. You will be ready, won't you?

White: Yes, sir.

H.M.Jr: A week from Wednesday.

White: You want one official from each one?

H.M.Jr: Well, take Carmody, for instance. I think we ought to have Carmody and Hunter, if you touch WPA.

White: Yes, definitely.

H.M.Jr: I don't - NYA is under McNutt, isn't it?

White: McNutt and Williams.

H.M.Jr: You will have to ask McNutt and Aubrey Williams. CCC, I don't know where that is.

White: McEntee, I think, isn't it?

Bell: McEntee, isn't it?

H.M.Jr: Who is he under?

White: McNutt. And the Office of Education.

H.M.Jr: And the Director of the Budget.

Foley: Studebaker.

White: Harold Smith.

Schwarz: I have an advance copy of an article that will be in the American Magazine tomorrow, "Hitler Won't Win", by Harry Hopkins. If you haven't seen it, I thought you might like to.

H.M.Jr: A letter about what?

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Schwarz: It is an article, "Hitler Won't Win," by Harry Hopkins. I thought the group might like to know about it also.

White: Maybe Hitler would like to see it.

Schwarz: I have a complete text of Harold Smith's statement if you wish it?

H.M.Jr: Did Jones, Jesse Jones, in any way, say anything about Viscose?

Foley: Not so far as I know.

Bell: No, I don't think so.

Foley: So I think maybe the thing to do is just not to do anything, just hold the letter.

H.M.Jr: Just hold the letter. Let's hold the letter in our files.

Foley: Right.

Bell: We have got a very difficult letter from Congressman Tinkham to answer, haven't we Harry?

White: Yes.

Bell: Along the lines of your statements before that committee. We might use some of Jesse's legislative power that he has recently acquired to answer it. It is a very difficult letter to answer.

H.M.Jr: Well, I am not going to worry.

Schwarz: That is all.

Kuhn: There are various savings bonds matters that Harold and I would like to talk to you about if you can give us the time today.

H.M.Jr: Well, I can do it after this meeting.

Graves: Fine.

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H.M.Jr: George? Wait a minute. Oh, about the Army and Navy paid advertising in magazines, Harold.

Graves: We have approached the Budget about that, and they are getting the figures for us. I haven't gotten them yet.

H.M.Jr: Good God, that is a week ago.

Graves: Yes. They may be in my office today.

H.M.Jr: All right.

Now, George, how far are we along on statistics on the number of people that have bought bonds and all that?

Haas: Harold has the report.

H.M.Jr: He has that so I can kill this memo?

Haas: Yes.

Here is the report on four-engine bombers and two-engine bombers by companies. The Navy is here on the four-engine. You go down here and find out which ones they are.

H.M.Jr: The Navy has only --

Haas: Two hundred five on order, four-engine. They are getting deliveries, you see, over here on the two-engine, the lighter ones.

H.M.Jr: They have only got two hundred and five on order, and I take it those are flying boats?

Haas: You can see right here. Patrol bombers, that is right. I can reset it up so that --

H.M.Jr: No, what is the matter with this?

Haas: It is all right, but I can put it in the classifications by companies.

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H.M.Jr: This is good.

Haas: Here are five hundred of those others.

H.M.Jr: Where are the English?

Haas: The total English are right here.

H.M.Jr: Does it show by companies?

Haas: Yes, sir.

H.M.Jr: Consolidated, they don't have anything?

Haas: No.

H.M.Jr: That is wrong, they do.

Haas: Well, here you are.

H.M.Jr: Oh!

Haas: And the total British is over here.

H.M.Jr: You ought to indent this or make it stick out a little more.

Haas: Yes, so it stands out so you can see the totals. Here is the total Consolidated down here, and here is the breakdown on this other sheet.

H.M.Jr: Has England got any flying boats? How would you know?

Haas: Here is Consolidated. I don't know if those are flying or not.

H.M.Jr: If there is anything more recent, put it in my hand at nine thirty tomorrow.

Haas: Right.

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I know I can bring that figure up to date.
Here is the British Empire in the four-engine.
One hundred thirty-three is all they have got.

H.M.Jr:

Where is Glenn Martin?

Haas:

Down at the bottom. They have been making
the two's.

H.M.Jr:

Yes, but those aren't boats.

Haas:

No.

H.M.Jr:

Well, where is Glenn Martin?

Haas:

Here is the two-engine and here is the total
Glenn Martin. The British Empire have got
four hundred from them.

H.M.Jr:

The Navy, I take it that would mean boats.

Haas:

Yes.

H.M.Jr:

After this, can you make sure it tells?

Haas:

The flying boats? Yes, I can do that.

H.M.Jr:

Could you put the - bomber?

Haas:

Bomber, flying boat.

H.M.Jr:

Yes, for nine thirty tomorrow.

Haas:

All right.

Here is this - this Allison outfit, last week
they made a hundred and eighteen in a week
and quite a portion of them were of this new
type. This week they made fifty-five of E and
F's.

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H.M.Jr: They have stopped the C's entirely, haven't they?

Haas: No, they are delivering them to the British.

H.M.Jr: But down here none?

Haas: No, they quit on the Army.

H.M.Jr: Is that all, George?

Haas: That is all.

H.M.Jr: And this stuff that - they have got it?
You (Graves) have got what George did for me?

Graves: Yes.

H.M.Jr: Merle?

Cochran: I have this note from Dean Acheson which he sent over Saturday giving the State Department's latest draft of this Lend-Lease. Do you want me to give it to Mr. Foley or Mr. Bell? The President wants - wanted Mr. Hull to show it to you and discuss it this week.

H.M.Jr: Well, who is sitting on that?

Bell: Ed and Bernstein have been working with Dean on it, I understand. Is that right, Ed?

Foley: Yes.

H.M.Jr: Well, shall we say we will discuss it Wednesday morning? I can't do more than this English thing tomorrow.

Bell: It is all right, I think.

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Cochran: Yes.

Foley: Yes, I think they are anxious to get it cleaned up this week because they have got to go down with their report, you see, on the first two months' activity on the Lease-Lend Bill. I believe the date is the tenth of June that they have to report to Congress.

H.M.Jr: I mean, the thing takes time for me.

Foley: Yes.

H.M.Jr: Why not, Mrs. Klotz, set it for ten-fifteen Wednesday, Mr. Hull's tentative Lend-Lease draft?

Bell: You mean just discuss it with our own group first?

H.M.Jr: Yes, and again, Bell, if you could have a dress rehearsal on it before you come into the room here. It will be Bell, White, Cochran and Foley.

Bell: All right.

H.M.Jr: But have a dress rehearsal before you come in here. You might let Jake sit in on that, too.

Bell: All right. He won't be here until tomorrow?

H.M.Jr: No.

Cochran: I will have this copied right away then and get it around.

Did you see the ticker announcement this morning that Hitler and Mussolini and Ciano and Von Ribbentrop had a conference at Brenner Pass this morning?

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H.M.Jr: No.

Cochran: Tonight you just want the Keynes letter, that is all?

H.M.Jr: That is all.

Cochran: That is all I have.

Foley: Nothing.

Gaston: We have turned over the last of the ten cutters. The Itaska went Friday. The present plan is that we are manning immediately four transports. Three of them are present Army transports. They will take three hundred men apiece. The fourth is the Manhattan and with about seven hundred men. We are assigning an operations man over to the Division of Atlantic Transports in the Navy Department to assist them in operations, a Coast Guard man, Commander Rose. The Navy has asked for and has been given two additional vessels for the Greenland patrol, the Algonquin and the Modoc, which is one of our few remaining one hundred sixty-five foot cutters.

H.M.Jr: Captain Smith in charge?

Gaston: No, Captain Smith is to be in charge of the East Greenland Patrol. These two are to be added to the Comanche and the tug on the West Greenland Patrol, and they have asked for another Coast Guard officer to command on the west side, so we will have two groups, one of four on the west side and one of three on the east, both under the command of Coast Guard officers.

The Immigration Service is now - they have again asked us to move the thirty-eight Devil's Island

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convicts from Puerto Rico to Guadeloupe, having exhausted the possibilities, having found they cannot move them to West Africa. They say they have made all arrangements to move them to Guadeloupe, but I told them before doing anything about it, I would have to talk to the State Department, and I have talked to Berle on it, who promises to clear it with the highest authority before we do anything. They are asking us to take those thirty-eight men again--

H.M.Jr: I hate to get in on that. Do you think it is something we ought to do?

Gaston: Well, it is - there is nobody else to do it. It is a matter of transportation.

H.M.Jr: How do you know when you get over there that you won't be stuck with those men again?

Gaston: Well, they are now in jail at San Juan and under the Immigration Service. If we get stuck with them, we can come back and give them back to the Immigration Service.

H.M.Jr: I don't know where Guadeloupe is.

Gaston: It is north of Martinique. It is one of the two French islands in the West Indies. Basse Terre is the westerly island of the two. It is not a long run from Puerto Rico, but I want assurances that everything is O.K. with the State Department. They claim to have - Justice claims to have made the arrangements over there, but I asked Berle to - if he could check with the White House before we do it.

H.M.Jr: O.K. Everything else all right?

Gaston: Everything else is all right.

H.M.Jr: Fine. Thank you all.

June 2, 1941.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Early on the morning of Wednesday, May 21, headquarters radioed to the MODOC and NORTHLAND that eight ships of a British convoy had been torpedoed at 57.41 North, 41.29 West, which is about 150 miles south by east of Cape Farewell, at 14.40 Greenwich Civil Time (9:40 A.M. our time) on Tuesday. The MODOC and NORTHLAND were instructed to search for survivors and the exact position of four ships, when torpedoed, was given. The NORTHLAND immediately responded that both ships were proceeding at full speed. On Wednesday at 8:15 P.M. our time the MODOC reported that radio signals had been received from three boats of the Steamer MARCONI, one of the torpedoed vessels, and that the MODOC should reach their position by daylight. On Thursday, the 22nd, the NORTHLAND met four British ships, part of the convoy, which had picked up 53 survivors and on the following day sighted one of the torpedoed ships abandoned. Bodies and wreckage were sighted. The search was continued into area proclaimed by the Germans as war zone.

The engagement between the German battleship BISMARCK, with her supporting cruiser, and the British battle cruiser HOOD and the battleship PRINCE OF WALES, occurred in the Denmark Strait, between Greenland and Iceland on Saturday, May 24. On that day the NORTHLAND spoke to the British Navy trawler NORTHERN WAVE, of the Iceland patrol, at 14.00 Greenwich time (9:00 A.M. Eastern Standard Time). The NORTHERN WAVE reported the rescue by ships from Iceland of 120 survivors of the convoy who said that the attack was by a group of twelve submarines. The NORTHERN WAVE had been notified that the battleship BISMARCK was at that time 100 miles east of the position where the NORTHLAND met the trawler. Both the NORTHLAND and MODOC had a few hours earlier been in that position. On Sunday, May 25, at 22.00 G.C.T. (5:00 P.M. Eastern Standard Time) the MODOC reported she was in the vicinity of an air attack on surface craft at position 57.17 North,

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36.15 West. This position is southeast of Cape Farewell about 200 miles. On the same day the NORTHLAND reported that radio signals indicating the proximity of operations by unknown aircraft and also probably submarines had been intercepted the day before. Late on the evening of the 25th the NORTHLAND radioed "discontinuing this hot area (that is well to the eastward of Cape Farewell in the neighborhood of longitude 35) and that unless directed otherwise the MODOC and NORTHLAND will continue search toward Cape Farewell". The GENERAL GREENE (ice patrol vessel) was assigned to cover the area not yet searched southward of the sinkings.

The MODOC reported on May 25 that while hove to in a northwest gale on the 24th, at 21.35 Greenwich time (4:00 P.M. Eastern Standard Time) she observed a biplane approach from the northwest, which passed to starboard, then turned and stood northwest. Two minutes later a large man of war, either heavy cruiser or battleship, was sighted dead ahead standing west southwest. Eight minutes later a squadron of eight land type torpedo biplanes came out of the north toward the MODOC and passed astern to the southwest. They were identified as British torpedo planes. At this time anti-aircraft fire was observed from the man of war, at that time on the port bow of the MODOC. Fifteen minutes later the MODOC sighted three naval vessels, which appeared to be a large vessel and two destroyers, bearing north northeast from the MODOC and in column, heading southeast. The following is quoted from the MODOC'S report:

"The large man of war by this time had headed more to the southeast and was bearing slightly forward of our port beam; it was engaged in heavy anti-aircraft firing, presumably at the squadron of planes previously noted. One large bombing plane was later observed standing toward the engaged man of war.

"The MODOC at this time was about in line between both forces so increased speed and stood clear to northwest.

"The types of the vessels hard to discern on account of the distance, slight haze, northwest gale and approaching darkness."

This occurred on the evening of the day on which the HOOD was sunk.

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On Monday, May 26, the GENERAL GREENE picked up two life boats of the MARCONI, carrying 39 men and a little later reported "Urgent - southeasterly our previous position at 1300 G.C.T. heavy gun fire for about twenty minutes" and a little later the following: "One hour later with reference to my 261433 four heavy cruisers, seemingly in a hurry, passed to the northward."

The BISMARCK was sunk at 11:01 A.M. on the 27th, at a point said to be about 400 miles northwest of Brest, which would put her perhaps one thousand miles or more from the area in which our ships have been operating. The BISMARCK was probably capable of making about 700 miles or more in a day.

W.S.

UNITED STATES ATLANTIC FLEET
U. S. S. AUGUSTA, (FLAGSHIP)

Naval Operating Base
Newport, Rhode Island
June 2, 1941

Dear Secretary Morgenthau,

I am very sorry that I was unable to see you to say goodbye before you left the AUGUSTA, because I wanted to tell you that I enjoyed knowing you and to express again my appreciation for a delightful evening with you.

With kindest personal regards,

Harry Sanders

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

June 2, 1941
10:40 a.m.

RE DEFENSE SAVINGS BONDS

Present: Mr. Graves
Mr. Kuhn
Mrs. Klotz

Graves: I will first give you the statistics Mr. Haas prepared.

H.M.Jr: George says he would have the thing for the Wednesday morning papers. Does that include this?

Graves: No, it is a later figure. This is through Thursday.

H.M.Jr: But will he have it through the thirty-first?

Graves: Through the end of the month.

H.M.Jr: Is this the key sheet?

Graves: No, it is just a special summary.

H.M.Jr: What is it I am going to give out Wednesday?

Graves: What will be available will be the actual sales through the thirty-first based, not on these daily reports which are on the basis of these figures, but on a weekly report which

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the Federal banks will file and have in our hands tomorrow.

H.M.Jr: I see.

Graves: Incidentally, those figures will be more favorable than these because the weekly report eliminates a certain amount of lag that we have always had in the daily figures. These figures are complete except for Saturday, and you can expect that we would get only about twenty million more on Saturday. As a matter of fact, I think maybe you would get thirty or forty million more into this thing on the basis of the weekly report.

H.M.Jr: I don't quite understand. Number of bonds is how many bonds, a million?

Graves: A million eight thousand.

H.M.Jr: Number of bonds that have been sold?

Graves: That is right, of all series.

H.M.Jr: Will that figure be available for Wednesday morning?

Graves: It will be possible to compute it. It can't be an actual figure.

H.M.Jr: When could you have it?

Graves: I don't know. I don't think it need concern you because these figures can be approximated with very close accuracy.

H.M.Jr: I would do it. I think it is a tremendously impressive figure.

Kuhn: And also the number of purchases.

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- H.M.Jr: Number of purchases, four hundred forty-three thousand?
- Graves: That is right.
- H.M.Jr: One hundred and forty more came--
- Graves: A hundred and forty have appeared on the bonds as co-owners. The number of purchasers is the third figure, that four hundred forty-three thousand.
- Kuhn: I think the combined figure is the interesting one.
- H.M.Jr: It is five hundred eighty-three thousand.
- Kuhn: Because a co-owner is as much an owner.
- Graves: Yes, except there is just one transaction.
- H.M.Jr: Let me get this. It means there are four hundred forty-three thousand people that have bought?
- Graves: That is right.
- H.M.Jr: Now, of the four hundred forty-three, there is a hundred and forty thousand are co-owners?
- Graves: No. On the four hundred forty-three thousand purchases, there have been designated a hundred and forty thousand purchased with co-owners.
- H.M.Jr: Then there is four hundred forty-three thousand purchases and on these - amongst the four hundred forty-three, there were a hundred and forty thousand co-owners.
- Graves: That is right.

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H.M.Jr: I wouldn't bother with the hundred and forty or the five eighty-three in the release.

Graves: No, you are right.

H.M.Jr: So it is four - I mean, after all, that is impressive enough, four hundred forty thousand. It is a hell of a lot of people.

Now let me ask you a question. Are the four hundred forty-three thousand - how many of those own United States Savings Bonds?

Graves: How many own--

H.M.Jr: Oh, yes, already own them.

Graves: You mean the Series D and prior series?

H.M.Jr: Yes.

Graves: We don't know.

H.M.Jr: Well, that of course could be done. We did it before.

Graves: It could be done, but it would be a long job. We would have to check the records of this month's sales against the files.

H.M.Jr: Will they do it?

Graves: Ultimately.

H.M.Jr: It will be done?

Graves: That is right.

H.M.Jr: Now, Series E, four hundred and two thousand. Series F, only five thousand. Series G, thirty-six thousand. I consider it a great success.

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Kuhn: That is why we all thought it would be a good idea if you went on the air this week to report to the people of this country how well they have done.

H.M.Jr: Well, if I am going to do it, gents, and the news has freshness, I would rather hold it and I would go on Wednesday night.

Kuhn: They can't get Wednesday night, but they can give you Thursday night.

H.M.Jr: Can you hold this?

Graves: Yes, that is what we wanted to do.

H.M.Jr: That is all right. What time would it be.

Kuhn: Nine forty-five.

H.M.Jr: That is all right.

Kuhn: Washington time. And there is a question there about your press conference on Thursday. It might be well to release this figure to the newspaper boys on Thursday.

H.M.Jr: For Friday morning?

Kuhn: Well, either for Friday morning or at once, but still there would be enough left over. Anyway, we can work that out. I have a draft of your radio talk ready. I would like to go over it with you any time.

H.M.Jr: I wouldn't give it to them. I would give it to them - when do the wires open in the afternoon for the morning paper? About five o'clock they change over, don't they?

Kuhn: I think so.

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H.M.Jr: Well, I would give out the figures at four or five o'clock.

Graves: For release at the time of delivery, the figures to be released at the time of delivery.

H.M.Jr: Yes.

Kuhn: I would like also to send that radio talk by mail or airmail to a hundred or more key papers all through the country.

H.M.Jr: You can give it out to the boys in the morning, and I can give them a little talk with it and simply answer questions and say, "This is all for Friday morning's paper." We could do it that way. You can think about it. But if you are going to do it in a talk that will have any news value, then I would hold it. What do you get, one station?

Kuhn: I think NBC is doing it on a coast-to-coast.

H.M.Jr: Do it from here?

Kuhn: In Washington.

H.M.Jr: From my desk here. It is all wired here, you know.

Kuhn: Oh, is it? I imagine they can do it any way it is convenient to you.

H.M.Jr: We have got the wires here.

Kuhn: We can do it from your house if you want.

H.M.Jr: Oh, no. I think it is nice to say, "I am talking from my desk." All the wires are right here.

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Kuhn: Fine.

H.M.Jr: Don't you think so? It is no expense to them because the expense was putting the wires in and the connections are all here. What?

Kuhn: It certainly is a good occasion to report and pat people on the back and express your own pleasure.

H.M.Jr: Would Columbia come in too?

Kuhn: I don't think they can get Columbia, but do we need it?

H.M.Jr: Well, it sounds silly, but they can come in if they want to. So can Mutual. Don't you invite them to come in?

Kuhn: I will have to talk to Callahan and see what his arrangements are. I think it is a matter of getting the time.

H.M.Jr: Well, what I have always done is, I will talk over any station that can carry my voice. I can do it at a quarter of ten Thursday.

Graves: These figures to be held until then?

H.M.Jr: That is right.

Kuhn: Nothing to be given out about it?

H.M.Jr: No.

Graves: Now, there are a number of things that I wanted to speak to you about.

H.M.Jr: Fifteen minutes?

Kuhn: Yes.

Graves: That is right.

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H.M.Jr: Go ahead.

Graves: We had a meeting here on Wednesday of collectors from ten additional - you don't want these states. It brings up to twenty-two now the number of states where we have a start on an organization. Now, I want to work in the next week or so on the big states, New York, Pennsylvania, Ohio, and Illinois, where it is not going to be practical to designate a Treasury man as state administrator. We have Mr. Biddle's names, and he phoned me while you were away and gave me additional names which he said were superior to any he had given you first, and I have had an Ireys investigation.

H.M.Jr: What was the name?

Graves: Earl Harris of Philadelphia, a lawyer and a fellow who had headed up the alien registration.

H.M.Jr: Wonderful. He is tops.

Graves: I told Biddle that we wanted a full-time service on it from whoever was designated in Pennsylvania, and he said we couldn't get Harrison to do that.

H.M.Jr: Oh, I met him. That alien registration thing was one of the best jobs. I met him at the White House. He is a grand fellow.

Graves: Well, I thought of inviting him to come down here or going up myself.

H.M.Jr: Your radio man must know him. Your radio man is handling the foreign people. After all, he must have worked under him.

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Kuhn: Sulds.

Graves: I haven't checked with him.

H.M.Jr: I met him. He did an outstanding job.

Graves: Well, I thought of seeing him one way or another this week.

H.M.Jr: Good.

Graves: And finding out how much time he can devote to this thing. If I find that he can't devote any more than a small fraction, we might think of him as our state chairman up there and get him to give us some suggestions about some one who could serve as our personal state administrator.

H.M.Jr: He is very good. I hope you can get him.

Graves: Now, on New York. Mr. Kuhn and I have had the suggestion - is it all right for me to come right out with it?

Kuhn: You do it. We want to get this settled.

Graves: Of a gentleman named James A. Farley, either for state chairman or state administrator, whichever we might work out. We have had a number of names suggested from New York. That is one of them.

Kuhn: Apparently he is free and available.

H.M.Jr: I don't know how the President would feel about it.

Kuhn: He would do a bang-up job wherever you put him. He might be better for the state chairman, chairman of the state committee of prominent citizens, and then put someone else

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in as state administrator, but he would do that state up brown.

Graves: That would be my notion of what should be done, is to make him state chairman and get him to give as much of his time as he would, and I suspect he would give a lot, and we then, I think, would have--

H.M.Jr: What other names do you have?

Graves: Some of them I know you won't like, but I will give you all of them that have been suggested to me. Girard Swope, Merle Aylesworth, Guy Emerson.

H.M.Jr: Who is he?

Graves: Vice president of Bankers Trust and was, as I understand it, with Federal Reserve in the Liberty Loan campaign.

H.M.Jr: I don't want him. I know who suggested him. Who did?

Graves: He has been suggested by a number of top people. As a matter of fact, I would have a great deal of confidence in his practical administrative ability.

H.M.Jr: I don't want him.

Graves: Jeremiah T. Mahoney.

H.M.Jr: Yes, he is all right.

Graves: Bruce Barton.

H.M.Jr: Are you being funny?

Graves: No, he is on my list.

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H.M.Jr: Oh, all right.

Graves: William Bleakley.

H.M.Jr: Terrible.

Graves: Joseph P. Day.

H.M.Jr: He is too old.

Graves: Colonel Bill Donovan, and the last name I have is George B. McLaughlin, who again is a banker.

H.M.Jr: Yes, I know McLaughlin.

Graves: Those are the names.

H.M.Jr: Well, I don't know how he would feel about that. We have got James A. Farley. Who else?

Graves: Gerard Swope, Merle Aylesworth--

H.M.Jr: No, I don't want him.

Graves: Guy Emerson, you don't want. Jeremiah T. Mahoney.

H.M.Jr: Judge Mahoney?

Graves: That is right, he is a judge. And I take it you don't want Bruce Barton.

H.M.Jr: No.

Graves: Or William Bleakley.

H.M.Jr: No.

Graves: Or Joseph P. Day or Colonel Donovan.

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- H.M.Jr: Colonel Donovan?
- Graves: And George B. McLaughlin, banker.
- H.M.Jr: No.
- Graves: That completes the list that I have. I should think that whoever is chosen up there ought to be brought in to this picture personally either by the President or yourself to get the feel of it. I think it would be a great lift for this program if Farley would be acceptable and could be induced to do it. Nothing would be better news.
- Kuhn: Oh, yes, and he knows the state. He would do it up.
- Graves: Just imagine where we would be in the headlines.
- Kuhn: Oh, yes. I am enthusiastic about that angle of it.
- H.M.Jr: I talked to the President the other day. He talked and talked and talked. The next day I called up and he was asking whether Ambassador Winant was in and the operator says, "Just a minute," and the President said, "I am delighted to talk to him," and he said, "Hello," and I said, "All right," and I said, "Your operator insists that I talk to you." He got on and talked and talked and talked. Of course, his favorite topic is the Navy.
- If I get him, you gentlemen step out. We will wait and see.
- Graves: Yes.
- H.M.Jr: (Secretary speaks on White House phone to Miss Tully)
Hello, Grace, how are you?.....
- Fine.....

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Grace, would you do something for me? You always do, officially.....

We have to appoint a state chairman for the State of New York on our Defense Bonds, and I wondered if the President would care to make any suggestions to me, you see. Now let me ask you something as a friend. There has been suggested for the thing, James A. Farley. How do you think he would feel?.....

Do you?.....

Well, these are the people that have been suggested to us: Farley, Swope, Judge Mahoney, and Colonel Donovan.....

Well, I don't know. I don't know how the President feels toward Farley these days, but you might put it up to him.....

Swope. And has he got any suggestions.....

Now, I am at the Treasury and you can call me up collect. The girls don't like to pay for the calls.....

Oh, can you?.....

Well, they didn't tell me that. Oh, wonderful.....

Well, see what you can do.....

Oh, I am speaking through the White House, yes. Have you got a direct wire? And she says I have got to pay for it? All right.....

Well, anyway, ask him that and then the other thing, if you ask him - I mean, I only want somebody that is acceptable to the President, a hundred percent, and then if he could save me some time tomorrow - Wednesday, I would

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like to see him very much on something about my trip. It is about my trip. The only time - I am going out at three tomorrow afternoon to Joans' commencement. The rest of the time I am at his service.....

I know, but he might tie himself up for a couple of days. But it is in connection with - I would like to see him alone, because it is in connection with - I didn't want to tell him on the telephone. It is in connection with my trip with Admiral King.....

Thank you.....

Goodbye.....

H.M.Jr: Well, she is awfully good and the chances are that - it is a fifty-fifty chance we get an answer. I would love to see Farley, but I don't know how the President feels toward him.

Kuhn: That is what we didn't know.

H.M.Jr: I don't know either.

Graves: He is an all-round good man. He would be a great help to our program.

H.M.Jr: In a way it is much better. The President can think it over. He can say, "No, I don't want this man." But I am apt to get an answer.

Graves: In Ohio, you recall that Congressman McCormack and Senator Barkley phoned you in behalf of a former Congressman-at-Large named McSweeney, and McSweeney didn't look any too good and didn't seem any too interested when I talked to him, which I did twice, and he has gone back to Ohio. I have just had a letter from him in which he says he would like to work

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for us. He doesn't say that he would like to be state administrator. I have asked the Revenue folks to bring in the collector from Cincinnati tomorrow, and I am thinking of designating that collector as administrator with this man McSweeney as his deputy.

H.M.Jr: Well, if we do it, let me let these fellows know.

Graves: I will.

H.M.Jr: Half of the thing is to let them know.

Graves: Now, on Illinois, I think I told you that Senator Lucas called me in behalf of a man named Sprague, a wholesale grocer in Chicago. I have had an Irey investigation on him, and he seems to be all right. I have talked also to Houghteling about him. Houghteling knows him and likes him. I thought I would go down and see Lucas and talk further with him about other people in the Illinois setup and then perhaps--

H.M.Jr: Well, ask Jake Viner about it when he is in here. If you wanted to, Jake will be here tomorrow, and we can call him up now on the phone.

Graves: I can wait until tomorrow.

H.M.Jr: He might have a chance to inquire around before he came down today.

Graves: Very good.

H.M.Jr: He could ask around in Chicago about this fellow, you see, how he stands and so forth.

Graves: Well, then, as to Pennsylvania, Ohio, and Illinois, I will go ahead along these lines

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that I have indicated to you, and I will do nothing of course about New York until I have heard from you.

H.M.Jr: From the President.

Graves: You sent me a wire while you were away asking me to make a special effort to get General Motors and certain other automobile and airplane people in the pay deduction plan.

H.M.Jr: In cooperation with labor?

Graves: That is right. We have made some headway in that respect. There was a meeting in Detroit Wednesday at which twenty concerns were represented--

H.M.Jr: Start over again, will you?

Graves: At Detroit on Wednesday there was a meeting at which representatives of twenty large corporations were represented with our people and there was discussions about this whole subject of the payroll deduction plans, and from that meeting we expect that the companies that you named in Michigan as well as many others will go ahead with payroll deduction plans. The contacts have been made already with organized labor in Michigan. Our chairman out there, Mr. Iseby has done it, and I think that in a very short time we will have something definite on that. We have had word from Pratt and Whitney. They have adopted a payroll deduction plan, and our people have contacted organized labor.

H.M.Jr: Does Mrs. Klotz have a copy of that telegram? Will you see that she gets one?

Graves: All right.

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- H.M.Jr: I doubt if she has one because it was a radio message.
- Graves: I called Saul Haas in Seattle about Boeing. There was some difficulty about the labor situation. It is not too good out there. I told Haas to do nothing about that unless he was sure of the labor element. I have had no subsequent report from him. I have a number of other things, but they are not too important.
- H.M.Jr: Then don't. If they are not, I don't want to get down to too much detail.
- Graves: There is one thing--
- H.M.Jr: Could I get one thing off my chest?
- Graves: Yes, sir.
- H.M.Jr: I have got this suggestion to make to you. The Boy Scouts have distributed a million posters. What would you think of saying to the head of the Boy Scout organization, "We would like them to make a survey - " make a note of this - "how many posters would they need of the ones about this size (indicating) if they wanted to put one in every store window in each state?" you see. Then my thought was, when the surveys came in, I wouldn't necessarily buy enough posters to put one in each state, but I would pick some of the states where the isolationists are fairly strong, like Wisconsin, North and South Dakota, Iowa, wherever they are, and certainly put one in every window in those states.
- Now, the way I got this idea - let me just talk a minute. Every store in Bermuda has a poster. Every store has one poster. Now, that would give the Boy Scouts something to

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do and, incidentally, it would give you some idea how many posters you would need if you wanted to put one in every store, and there should be one in every store, and it would also give you some idea of how much in the way of money in connection with your appropriations. I think every store window in the United States should have a poster.

Kuhn: We are getting posters for stores given to us by national advertisers, about a million of them, but that is a little extra.

H.M.Jr: I am amazed at these (exhibiting posters) because they are nothing like the ones that came out of England.

Kuhn: Are those Bermuda posters or English posters?

H.M.Jr: Bermuda.

I think it is terrible. What I would like you to do, somebody, I would like to get one of each English poster and one of each Canadian one for a collection for myself.

Kuhn: You remember we had the English ones.

H.M.Jr: But I couldn't keep them. You didn't give them to me. I would like one of each. I would like to get two of each. We will keep one in the Treasury and one for myself personally. I think this one is terrible, too. I would like to get two from Canada, you see. But there is one of each of these in the store. What do you think of that idea, Harold?

Graves: Fine.

H.M.Jr: Have you used up the million posters?

Graves: Yes, immediately. They were distributed.

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H.M.Jr: Have you got any money left?

Graves: Yes, we have money left. As a matter of fact, we were planning to spend it all by the end of this June.

H.M.Jr: Well, when are you going up for another appropriation?

Graves: I think we will be at the Budget either today or tomorrow.

H.M.Jr: How much are you going to ask for.

Graves: Three and a half million.

H.M.Jr: Three and a half?

Graves: Three and a half million.

H.M.Jr: You mean for the whole year?

Graves: That is right.

H.M.Jr: Not enough.

Graves: Nothing for paid advertising.

H.M.Jr: I know. I am not at all sure of the paid advertising. It is not enough. Let me give you an idea on it, you see. One percent on a hundred million is a million dollars, isn't it?

Graves: Yes.

H.M.Jr: One percent on four hundred million dollars is four million, isn't it?

Graves: Yes.

H.M.Jr: So, if we asked for half a percent of our total

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sales - you know, we used to have that. It used to be - I think that the figure was, in the old legislation, that you could spend - let me ask Dan what it was. I will get it for you. That you could spend a percentage of the total receipts.

Kuhn: For advertising?

H.M.Jr: Anything, no limitation.

Graves: Expenses.

H.M.Jr: And I was wondering - I was thinking in terms of two or three million dollars, if necessary, a month.

(Unrecorded telephone conversation with Mr. Bell.)

Graves: That would bring it down to about the figure we are asking for, if it is one thenth of one percent.

H.M.Jr: What are you figuring on, three billion?

Graves: I figured three billion six, at the rate of three hundred million a month, three billion six hundred million was the figure I gave.

H.M.Jr: And one percent would be thirty-six million?

Graves: Yes, and one tenth would be three million six hundred thousand.

H.M.Jr: I don't think that is enough. How much are you going to ask for today?

Graves: About three and a half million.

H.M.Jr: Do you think that is enough?

Graves: It is enough for the program as we are now carrying it on, Mr. Morgenthau.

H.M.Jr: Well--

Graves: With our voluntary committees.

H.M.Jr: Take this poster business, for instance.

Graves: I have ample funds in there. I haven't the

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details in mind.

- Kuhn: That is not expensive. The thing gets expensive if you have got to buy space on billboards and all. That is --
- H.M.Jr: I am not ready for that.
- Kuhn: I don't think you should be.
- Graves: I think we are all right on the three and a half million with this understanding, that if we run out of money, we will go up and ask for a deficiency later in the year.
- H.M.Jr: Well, just figure it on the one tenths basis, just see if there were no limitations --
- Graves: I did that based on an expected sale of three billion six.
- H.M.Jr: It would come out about the same.
- Well then, if you have enough, could you do this for me? Who makes these posters for us?
- Graves: They are made under contract. The contracts are made by the Government Printing Office.
- H.M.Jr: What do a million posters cost? Who would know?
- Kuhn: Powel would know.
- H.M.Jr: Who?
- Kuhn: Powel would know.
- H.M.Jr: Powel?
- Graves: He might not have it right in his hand. Sloan is the fellow to ask.
- Kuhn: I think it is a selling point for us, especially

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in view of your talks on economy, that we are running the most economical campaign in the history of the Government, of this magnitude.

H.M.Jr: It is lovely, but unfortunately, nobody gives a hoot. I mean, I agree with you and I can go up and say, "Look, gentlemen, I am running this on three and a half million dollars and they will say 'nice boy.'" But if it isn't a success, "I didn't have enough money to do it, gentlemen," and they don't care.

I agree with you, but the thing that they want is success. I am not thinking in terms of paid advertising or paid anything, but I do - would like to have one of these posters in every window in every store in the United States.

Graves: Well, I think the funds that we are asking for will enable us to do that.

H.M.Jr: But if you go up, make it very clear that we may be back again in a couple of months.

Graves: I think we ought to do that.

H.M.Jr: Will you do that Boy Scout survey thing?

Graves: Yes.

H.M.Jr: I think every store - I know when you go through the streets of Bermuda, every single store, in the corner has a poster. You can't walk along the streets - every single store has one.

Kuhn: They will all be selling our savings stamps before long.

H.M.Jr: I didn't buy two cents' worth.

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You know, the amazing thing is, you get on this ship. You are supposed to have a passport to enter Bermuda. I had no passport and I walked off the ship and nobody knew the difference.

Klotz: They never used to be so lax.

H.M.Jr: Of course, what are they going to do? I come aboard and I go ashore and I landed at the Bermuda Yacht Club in the Admiral's launch with nobody there. I come back and they land me in the Admiral's launch at Jamestown, Rhode Island. There is nobody there but a lot of sailors. I could have had a thousand dollars worth of stuff and nobody would have known the difference. I didn't have one penny.

Go ahead.

Graves: That is all I have of any importance about savings bonds.

Mrs. Klotz has acknowledged the letter from Secretary Knox about a new dime that will have a defense motif.

H.M.Jr: And the answer is no.

Graves: Well, Mrs. Klotz merely acknowledged it and suggested that you would --

H.M.Jr: Can we make a new dime?

Graves: Oh yes, the time has expired at the present time and we can make a new one.

H.M.Jr: Then why not?

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(The secretary talks to Mr. Bell on the telephone as follows:)

H.M.Jr: Hello.

Bell: He says it is one fifth of one percent on bonds and notes issued.

H.M.Jr: One fifth --

Bell: Of one percent on bonds and notes issued.

H.M.Jr: How does that work then?

Bell: Well, if you had an issue of bonds and notes for cash of ten million and you did a five million refunding, you would take one fifth of fifteen billion or thirty million dollars.

H.M.Jr: Oh, you add the two together?

Bell: Yes. The issue is the base and it is one tenth of one percent on certificates of indebtedness.

H.M.Jr: But --

Bell: And Treasury bills, there is nothing on that. We have to absorb it.

H.M.Jr: But take this last issue, which was a billion and a half, we could have taken one fifth of the billion and a half?

Bell: Yes, that is right. We could take one fifth of one percent of the billion four forty, or whatever it was.

H.M.Jr: But now they have got limitations on it?

Bell: That is right. The appropriations as it was originally written it was an indefinite amount

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based on this percentage, and it was available until expended. Later Congress wrote in a limitation in the appropriation act that it was available only for the fiscal year and then they later wrote in an annual amount.

H.M.Jr:

I see.

Bell:

For the fiscal year '41. The Budget carried four million dollars and then we increased that by the deficiency of a million and a half. The '42 Treasury bill which just went out carries four million two hundred ninety-two.

H.M.Jr:

But that doesn't take care of these --

Bell:

That is right. We told them when we went up with a million and a half that we would be back in June for a deficiency to increase the four million two hundred ninety-two.

H.M.Jr:

All right. Thank you.

What about the dime?

Graves:

It is a matter of knowing what your policy would be. The Secretary of the Navy has submitted certain designs here that bring in John Paul Jones as a proper subject for the new dime but with, on the reverse, a ship.

H.M.Jr:

That wouldn't typify --

Graves:

He says he doesn't approve that sailing ship design. He thinks a modern battleship should be substituted with perhaps an airplane or airplanes.

Kuhn:

It won't go onto a dime.

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- H.M. Jr: Well, if we could do it on a dime, I would do it on a dime, but I certainly wouldn't do John Paul Jones.
- Graves: You remember this came up once before, and Dan and I both recommended to you that we let the new dime go over until we had more time for such things. That was when Mrs. Ross, I think, had had a great many requests for a Franklin dime.
- Kuhn: A Franklin penny, wasn't it?
- Graves: No, a dime.
- H.M. Jr: We have a Lincoln penny, don't we?
- Graves: And I suppose if you don't like the John Paul Jones idea that our answer to the Secretary of the Navy, then, would be no?
- H.M. Jr: Well, John Paul Jones fought the English, didn't he?
- Kuhn: Yes, he invaded England. He landed sailors on the coast of England.
- H.M. Jr: That I didn't know.
- Kuhn: He is the only man who has landed on the coast of England in modern times with an invading force.
- H.M. Jr: Well, Hess has done that. How about putting Hess on? (Laughter) I tell you what you do. Let's think about it for something with some of these people who are symbols and that sort of thing, but I would say no to Frank Knox.
- Graves: Suppose we leave this go as is until Mr. Knox speaks to you about it?

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H.M.Jr: That is right. I will tell him tomorrow. Does he want to put Jones on? Because he landed in England.

All right, what else?

Graves: I think that is all I had.

Kuhn: I had a couple of little things to bring you up to date on. On the Berlin thing. First of all, he made the change in his words which you suggested. Second, Foley thinks it would be much better if we did not have to write a letter to these broadcasting companies, so Huntington Cairns is going to New York tomorrow to sound out the broadcasting companies informally, so it is possible you can get it without a letter.

H.M.Jr: Oh! And when do we give birth to the Berlin song?

Kuhn: Any time you are ready.

H.M.Jr: Who is going to sing it?

Kuhn: We can get Judy Garland. We can put on a show. Any time, Berlin says, he is at your disposal.

H.M.Jr: Well, the sooner the better. Could he do it Thursday night?

Graves: I doubt it.

Kuhn: I don't think so.

I think your speech ought to be without one bit of sales talk. It ought to be a report and a nice little talk about what the people are doing. We can do it the following week.

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H.M.Jr: Well, I think the thing to do with Berlin is to bring him down here some day and invite the press in and the movie people, and I think if we - my own suggestion would be to first let him sing it to the press himself, and then have Judy Garland sing it on the radio. I mean, let him do the stunt. I mean, not on the air, but let him do it for the press. They will enjoy it just the way I did.

(The Secretary talks to Mr. Sloan on the telephone as follows:)

H.M.Jr: Hello.

Sloan: The bill posters that the Boy Scouts distributed last year cost them seventeen thousand three hundred eighty dollars.

H.M.Jr: What size?

Sloan: They were all small posters. We had seven hundred fifty thousand of them unmounted.

H.M.Jr: What is the next size? That is too small.

Sloan: Nine and a third - nine and a half by thirteen and a third.

H.M.Jr: What is a standard poster?

Sloan: I will tell you, the standard size is forty by twenty-eight and a half. That is the largest one that we had, which is in the box frames in the banks that you see around.

H.M.Jr: I am thinking of one to go into a show window of a store.

Sloan: The larger size would cost a little bit more money than that, but these that were distributed by the Scouts were the smaller size.

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H.M.Jr: What is the standard size?

Sloan: Forty by twenty-eight and a half.

H.M.Jr: How much would that cost?

Sloan: I will see if I can give you that.

H.M.Jr: Oh, guess at it.

Graves: It is not an easy thing to guess.

H.M.Jr: Hello. Never mind, let them give it to me later on.

Sloan: I will call back and give it to Miss Chauncey.

H.M.Jr: How long will it take you?

Sloan: About three minutes.

H.M.Jr: Then call me back. So it will be all mounted on the back so you could stick it in a store window.

Sloan: Yes indeed, sir.

H.M.Jr: What I was going to say, if it was anything like that, twenty-five or thirty thousand dollars, I would put in an order for a million of those.

Graves: I expect we have it.

H.M.Jr: Well, I would put in an order for a million and then have this survey so that we will know how much and then pick our states.

Will George's figures begin to show the states which aren't in it coming up to our expectations?

Graves: I imagine it will take thirty days.

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H.M.Jr: We will order the million and then pick the states. All you have got to do is take the Gallup Poll.

Kuhn: When would you like to have a look at that radio talk?

H.M.Jr: Well, I will tell you what I will do. I will give you an appointment at two-thirty today.

Kuhn: Good, because I would be very glad to have that all finished by Wednesday morning so we can shoot it out by mail.

H.M.Jr: Two-thirty today.

Kuhn: Swell.

H.M.Jr: What else?

Kuhn: Somebody just --
(Secretary speaks to Mr. Sloan on the telephone as follows:)

H.M.Jr: Hello.

Sloan: Thirty-five to thirty-six cents, Mr. Secretary, on the forty --

H.M.Jr: That is thirty-six cents?

Sloan: Yes, on almost any reasonable quantity that we could buy.

H.M.Jr: Right.

Sloan: Yes, sir.

H.M.Jr: That is all.

Sloan: Thank you.

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- H.M.Jr: This is the one here. "Treasury Defense Savings Bonds to be reorganized. Riddled with jealousies and criticisms."
- Kuhn: That is cock-eyed. Somebody disgruntled has been talking to Gregory and I was wondering how to handle that.
- My feeling would be not to do anything about it with Gregory.
- H.M.Jr: Gregory and I are very good friends.
- Kuhn: Well, Gregory has been sniping and the Herald Tribune has thrown him down and did it last week, editorially.
- H.M.Jr: If I sent for him alone he would tell me.
- Klotz: I think you can accomplish a whole lot more that way.
- H.M.Jr: If I sent for him alone.
- Kuhn: My feeling would be, the more you send for them and talk to them, the more these people get it into their heads that --
- H.M.Jr: No, no.
- Klotz: Not with him.
- H.M.Jr: I do it so rarely.
- Kuhn: I mean Harold --
- H.M.Jr: No, if I send for Nick alone he would talk to me.
- Kuhn: This is a happy family, as far as I can tell, and Harold says the same.

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H.M.Jr: Don't you think so?

Klotz: Oh, I think so.

H.M.Jr: Let me try it. I will send for him.

Kuhn: He has been repeatedly nasty.

H.M.Jr: I picked up another one here somewhere.

Kuhn: He had one a week ago Sunday.

H.M.Jr: Here. "Despite assurances" and so forth in another one. I will ask him about it. He will tell me.

If you don't mind, I will not take your advice. Have you spoken to Mrs. Morgenthau?

Kuhn: Yes, sir, I have and she got Mrs. Roosevelt and she will go on the round table forum.

H.M.Jr: She has been asked by the chairman of this whole --

Kuhn: United Services Organizations.

H.M.Jr: To speak for Young Women's Christian Association. They have asked Mrs. Morgenthau to go on and I said that you would be glad to help write it.

Kuhn: Certainly.

H.M.Jr: Now, she is loath to go on that night with Mrs. Roosevelt.

Kuhn: They want her to very much.

H.M.Jr: She is loath to do it. Did you speak to her?

Kuhn: I did. She was loath to do it the other day, but I thought that was modesty.

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H.M.Jr: No, she sort of feels that - well, where Mrs. Roosevelt and all that, and she says she isn't nationally prominent.

Kuhn: They are discussing Defense Savings.

H.M.Jr: Have you got the women straightened out?

Kuhn: Yes.

H.M.Jr: Which women are going on?

Kuhn: We are going to try to get Dorothy Bellanca and Ann O'Hare MacCormack.

H.M.Jr: I put thumbs down on Dorothy Thompson.

Kuhn: We had a good talk and Callahan is getting those women.

UNITED STATES SAVINGS BONDS AND SAVINGS STAMPS
 Daily Sales Since May 1, 1941
 On Basis of Issue Price
 (In thousands of dollars)

70

CONFIDENTIAL

Date	All Bond Sales				Post Office Bond Sales	Bank Bond Sales				Savings Stamps
	Total	Series E	Series F	Series G	Series E	Total	Series E	Series F	Series G	
May 1941										
1 & 2	\$ 36,929	\$ 6,235	\$ 4,678	\$ 26,016	\$ 5,553	\$ 31,377	\$ 682	\$ 4,678	\$ 26,016	\$ 1,135
3	13,940	2,754	1,439	9,747	1,651	12,288	1,102	1,439	9,747	106
5	15,381	3,394	2,087	9,900	1,994	13,387	1,401	2,087	9,900	113
6	15,386	4,264	2,092	9,030	2,026	13,360	2,238	2,092	9,030	91
7	18,154	4,225	2,155	11,775	1,703	16,451	2,521	2,155	11,775	99
8	17,247	4,887	1,210	11,151	1,557	15,690	3,329	1,210	11,151	82
9	15,491	4,313	1,591	9,586	1,457	14,033	2,855	1,591	9,586	81
10	14,110	4,466	1,415	8,229	1,497	12,613	2,969	1,415	8,229	71
12	17,438	4,929	1,578	10,930	1,872	15,567	3,058	1,578	10,930	92
13	20,205	4,692	2,219	13,294	1,538	18,667	3,154	2,219	13,294	92
14	18,308	4,709	1,621	11,977	1,394	16,913	3,315	1,621	11,977	81
15	17,274	4,546	1,952	10,777	1,407	15,867	3,139	1,952	10,777	91
16	17,744	4,336	1,528	11,880	1,329	16,415	3,007	1,528	11,880	102
17	13,838	2,932	1,104	9,802	1,093	12,745	1,839	1,104	9,802	68
19	16,142	4,558	1,550	10,034	1,709	14,433	2,849	1,550	10,034	112
20	14,705	4,749	1,554	8,402	1,634	13,071	3,115	1,554	8,402	95
21	13,995	3,859	1,438	8,698	1,300	12,695	2,559	1,438	8,698	138
22	15,332	3,804	1,714	9,814	1,225	14,107	2,579	1,714	9,814	76
23	12,584	3,295	1,539	7,751	1,285	11,299	2,010	1,539	7,751	74
24	11,153	3,071	1,249	6,833	1,141	10,012	1,930	1,249	6,833	66
26	16,647	5,243	1,740	9,664	2,589	14,057	2,653	1,740	9,664	124
27	14,889	3,372	2,036	9,481	837	14,052	2,535	2,036	9,481	93
28	19,426	3,724	1,964	13,738	1,157	18,269	2,567	1,964	13,738	115
29	20,651	4,360	2,045	14,246	1,583	19,068	2,777	2,045	14,246	137
31	21,363	4,225	2,021	15,117	2,303	19,059	1,921	2,021	15,117	92
Total	\$428,332	\$104,939	\$ 45,521	\$277,872	\$ 42,836	\$385,496	\$ 62,103	\$ 45,521	\$277,872	\$ 3,428

June 2, 1941.

Treasury Department, Division of Research and Statistics.

Source: Division of Savings Bonds. Post office figures through May 24, as estimated by the Post Office Department on the basis of actual sales by 111 larger post offices, have been prorated to agree in total with deposits through May 24 by postmasters with the Treasurer of the United States on account of proceeds of sales of Series E bonds. Beginning May 26, figures shown as post office sales are deposits by postmasters with the Treasurer. The bank figures are taken from Federal Reserve Bank reports and include their own sales.

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

UNITED STATES SAVINGS BONDS
Report on Sales from May 1 through May 29, 1941
(All figures in thousands)

Item	All Sales				Post Office Sales	Bank Sales			
	Total	Series B	Series F	Series G	Series B	Total	Series B	Series F	Series G
1. Number of bond units	1,008	873	23	112	424	584	449	23	112
2. Dollar volume (issue price)	\$406,969	\$100,715	\$ 43,499	\$262,755	\$ 40,533	\$366,436	\$ 60,182	\$ 43,499	\$262,755
3. Number of purchasers, excluding second co-owners	443	402	5	36	195	248	207	5	36
4. Number of second co-owner names	140	132	1	7	64	76	68	1	7
5. Total number of purchaser names, counting co-owner purchasers as two names (5) = (3) + (4)	583	534	6	43	259	324	275	6	43

Treasury Department, Division of Research and Statistics.

May 31, 1941.

Source: Number of units sold by post offices, as estimated by the Post Office Department on the basis of actual sales by 111 larger post offices, has been adjusted to the basis on which dollar volume is shown; i.e., deposits by postmasters with the Treasurer of the United States on account of proceeds of sales of Series B bonds. All bank figures are based on daily reports by the Federal Reserve Banks and include their own sales. Estimates of number of purchasers (all series) and co-owners (Series F and G) are based on special reports by the Federal Reserve Banks covering the period May 1 through May 14. Estimates of number of co-owners of Series B bonds are based on similar data in respect to Series A - D.

Note: Each series of bonds has been considered separately in estimating number of purchasers.

June 2, 1941

MEMORANDUM
For the Secretary's Diary

The Secretary suggested to Mr. Kuhn today that we might think about a series of radio playlets on the history of civil liberties in this country. They would have the added advantage of being applicable to motion picture films and to traveling performances in the army camps. The Secretary said he got the idea from a series of articles in PM on great events in the history of civil liberties. He suggested that we discuss the whole idea with Howard Dietz when Mr. Dietz next comes to Washington.

J.A.

The Story of Civil Liberties in America:

How Eight Poor Shoemakers of Hudson, N. Y., Won Union Labor's First Victory 105 Years Ago

Carl Carner Uncovers Story the Historians Missed In Hudson, Too, Alexander Hamilton Made His Last Courtroom Speech Defending Hot-Headed Critic of Jefferson

By Carl Carner

Unhappily then and again in the years of our existence as a nation Americans have been called upon to defend the civil rights of men who were far from admirable as personalities; many whose opinions were to their way of thinking far from sound, men whose most honest citizens might regard with dislike if not contempt.

Yet so firmly do Americans believe in the Bill of Rights, those unpopular fellows have found champions among the best of our citizens. More than once the lawyer fighting in court for the civil rights of his client has been aware that he disagreed with the man's worse opinion and that as a person he had only contempt for him. Yet, because this client was an American citizen deprived of liberties granted him by the constitution the lawyer has continued the fight bravely.

It may reasonably be wondered, then, what was the state of mind of Alexander Hamilton when he set out in 1804 for the little city of Hudson, there to defend Prouty Harry Crosswell before the Supreme Court of the State of New York. Crosswell had been charged with having scandalized, abused and vilified President Thomas Jefferson, and with having alienated from him the confidence, fidelity and allegiance of the citizens of the state. Hamilton knew well that what Crosswell had painted about Jefferson was untrue and obvious and colored by extreme prejudice. But a principle was involved, the same principle that had led Hamilton to fight the Sedition Bill when it was party, the Federalists had passed, with disastrous results to themselves a few years before.

Hot-Headed Editor

Now the American political scene which had suddenly upbore down. The bitter words of a Federalist editor in a small, upstate city had turned the Democrats-Republicans like hot coals under their clothes. Having control of their tempers these members of the party that had championed the rights of the common man had sought and obtained an indictment against Harry Crosswell just as their opponents had done in the case of Matthew Lyon when John Adams was President.

Speakers at that trial, sitting in the shabby courtroom through the sunny days of early February expected that Crosswell, like Lyon, would be convicted and imprisoned. They were sure of this outcome when General Andrew Spencer had finished his fiery attack on the hot-headed young editor. The speech of William W. Van Ness, associated with Hamilton in Crosswell's defense, didn't help matters much. Chief Justice Morgan Lewis and the other judges stirred accordingly. The audience felt that the cause of freedom of the press in the United States was about to be defeated. Then Alexander Hamilton, 47 years old and at the height of his powers, rose to make his last courtroom speech.

The people who heard him that day remembered it years afterward and said that as he spoke it seemed as if he knew he had little time left and that he wanted to get in his besticks for freedom of the Amer-

ican press. Harry Crosswell wasn't 100% in him personally but the right of a newspaper to print its editor's beliefs wasn't a great deal.

The Effect Was Electric

The reporter for the New York Post said down to his account of that speech: "Then came the great, the powerful Hamilton. . . . No language can convey an adequate idea of the astonishing power evinced by him. The audience was unanimous. . . . and the effect on them was electric. . . . As a profound commentary on the wisdom and practice of government, it has never been surpassed."

He said that a jurist had the right to publish things he believed in even if they were against the government just as long as his ideas were sincere and his purposes were justifiable. He said that if a man were charged with abusing the liberty he had a right to a court trial by jury and that the members of that jury should be given the power not only to decide what were the facts of the case but to judge what his motives were and whether he acted in good faith.

His speech so influenced the justice who heard the case that two of the four voted for acquittal. Crosswell came out of his ordeal not free for Alexander Hamilton had not merely ended his prosecution for him by winning the 100 vote. He had aroused public opinion that within a short time a bill which sharply defined limit and made clear the rights of the press to public criticism of government officers was passed by the Federal Congress. Because a great American had put aside whatever personal feeling and prejudice he might have had against a silly defendant in favor of an underlying national principle, the people of the United States had declared their belief in the freedom asserted in the Bill of Rights.

The Shoemakers' Union

But the little city of Hudson, lying in the shadow of the Tughranick Mountains and looking across the great Hudson River to the purple Catskills, had not seen the end of the nation's battle toward keeping its promise of civil freedom for American citizens.

Thirty-two years after Alexander Ham-



Thus Alexander Hamilton rose. It seemed as if he knew he had little time left and that he wanted to get in his besticks for freedom of the press.

June 2, 1941
11:15 a.m.

HMJr: Hello.

Operator: Mr. Bell calling.

HMJr: Well, put him on.

Operator: Go ahead.

HMJr: Hello.

Daniel Bell: That is 1/5 of 1% on bonds and notes issued.....

HMJr: 1/5.....

B: Of 1% on bonds and notes issued.

HMJr: How does that work then?

B: Well, if you had an issue for bonds and notes for cash of 10 million and you had 5 million refunding, you take 1/5 of 15 billion or 30 million dollars.

HMJr: Oh, you add the two together?

B: Yeah. The issue is the base, see?

HMJr: I see.

B: And it's 1/10 of 1% on certificates of indebtedness - and Treasury bills - there's nothing on that. We have to absorb it.

HMJr: But take this last issue which was a billion and a half, we could have taken 1/5 of the billion and a half?

B: Let's see, that was both notes and bonds - yeah, that's right. We could take one billion - 1/5 of 1% of the billion four forty, whatever it was, four sixty.

- 2 -

HMJr: But now they've got limitations on it.

B: That's right. The appropriation as it was originally written was an indefinite amount based on this percentage and it was available until expended.

HMJr: I see.

B: Later Congress wrote in a limitation in the appropriation act, that it was available only for the fiscal year and then they later wrote in an annual amount. For the fiscal year '41, the Budget carried 4 million dollars and then we increased that by the deficiency of a million and a half. The '42 Treasury bill which was just signed carried 4 million two ninety two.

HMJr: How much?

B: 4 million two ninety two.

HMJr: Yeah, but that doesn't take care of these....

B: That's right, we told them when we went up to the million and a half that we would be back in June for a deficiency to increase the 4 million two ninety two.

HMJr: Okay.

B: Right.

HMJr: Thank you.

June 2, 1941
11:22 a.m.

HMJr: Hello.

Eugene Sloan Mr. Secretary, Gene Sloan.

HMJr: Hello, Gene.

S: How you this morning, sir?

HMJr: Swell.

S: The million posters that the Boy Scouts distributed cost us 17 thousand, three hundred and eighty dollars.

HMJr: How much?

S: 17 thousand, three hundred and eighty dollars.

HMJr: What size?

S: We had - they were all small posters; we had-750,000 of them were unmounted.

HMJr: Well now, what's the next size - that's small.

S: The size is 9-1/3 by - 9-1/2 by 13-1/3.

HMJr: Well, what is a poster - what's the standard - I guess.

S: It's a - I tell you the standard size is 40 by 28-1/2, that's the largest one that we had which is in the box frames on the banks that you see around.

HMJr: Well, I'm thinking of one that's to go in a show window.

S: Into a show window?

- 2 -

HMJr: Of a store.

S: The larger size would cost a little bit more money than that, but these that were distributed by the Scouts were the small size.....

HMJr: Well, that's - what is the standard size - you say 40 by

S: The standard size is 40 by 28-1/2.

HMJr: How much would that cost?

S: Let's see if I can give you that. (Pause)

HMJr: Hello.

S: Yes sir.

HMJr: Never mind.

S: I'll call back and give it to Miss Chauncey for you.

HMJr: How long will it take you?

S: Just about three minutes.

HMJr: Well call me back. It's to be so it's all mounted with a back so you can stick it in a store window.

S: Yes sir. The big one.

HMJr: Yeah.

S: Yes sir.

June 2, 1941
11:25 a.m.

HMJr:

Hello.

Eugene
Sloan:

Between 35 and 36 cents, Mr.
Secretary on a 40 by 28-1/2
fully mounted.

HMJr:

That's 35 to 36 thousand.

S:

35 to 36 cents a piece is what
they figure out.

HMJr:

Well, a million?

S:

On almost any reasonable quantity that
we could buy.

HMJr:

Right.

S:

Yes sir.

HMJr:

Thank you. That's all.

S:

Thank you.

June 2, 1941
11:39 a.m.

HMJr: Hello.

James
Forrestal: Yes, Henry.

HMJr: How are you, Jim?

F: Have a good trip?

HMJr: Oh, wonderful. One of the best
trips I've ever had.

F: Good fellow isn't he?

HMJr: Oh, that fellow, King, is an unusual
fellow and I came back very enthusiastic.
Jim, two things; this thing about Connolly
I think you better tell him to let
this thing go over Tuesday unless he
wants to just give our Defense bonds
a boost.

F: Okay.

HMJr: But if he wants to say something about
the Canadian system, I think he better
talk with some of our boys that are
handling that thing first.

F: All right, talk to Sloan, shouldn't he?

HMJr: Pardon me?

F: Talk to Sloan?

HMJr: That's right.

F: Yeah.

HMJr: Now the other thing; I'm just reminding -
you made an offer to let me read your
diary.

F: Yeah. I should have -(talks aside)
That will be down, Henry.

- 2 -

HMJr: Thank you.

F: Okay.

HMJr: Goodbye.

June 2, 1941
11:52 a.m.

HMJr:There is a section
in New York City over, I know
where it is, Third Avenue and
Lexington Avenue in the 80's....

Harold
Graves: Yes.

HMJr: It has a distinct name, I don't
know - is it a German section?

G: Yes.

HMJr: As I - German population?

G: Yes.

HMJr: I wondered if somebody could make -
go up there especially and go to
the Post Office in that section and
also any of the branch banks.....

G: Yes.

HMJr: And just inquire how the sales
are going among that population.

G: Sure, we could.

HMJr: I mean that ought not be difficult.
It's Yorktown, they call it - Yorkville.

G: Yorkville.

HMJr: That's what it's known as.

G: Yes.

HMJr: It's Yorkville, it's in the 80's,
it's a definite section. I know
they have a Post Office. I think
it's around 86th Street east of
Third Avenue - it's known as Yorkville.
It's very very German and supposed to
be very very Nazi; in fact they say
sometimes it has been dangerous for a

- 2 -

soldier in uniform to walk through there, and I'd like to know from the Post Offices there and the branch banks how they are going.

G: Well, we will have somebody do that right away.

HMJr: Thank you.

G: You're welcome.

June 2, 1941
12:10 p.m.

HMJr: Hello.

George Haas: Hello, Mr. Secretary.

HMJr: George, I have a suggestion to make which may not be practical but here tis. You gave me the list of the various banks and how much they own of each security, you see?

H: That's right. That particular one you're refunding.

HMJr: Of the August.

H: We could do it on any security but that's the one you had in mind.

HMJr: That isn't the suggestion. My suggestion is whether these same banks, insurance companies and savings banks - whether we could make a survey of how much uninvested funds they had.

H: Oh.

HMJr: You see, after all

H: Well, they can, Mr. Secretary, use up their - the amount which a bank can spend depends upon their excess reserves and they could use up all their reserves, you see.

HMJr: Well, think about it, George. I mean if there is some way to estimate - you see, as this money is spent and all that, I mean, if there is some way of figuring each month on how much money is there there for investment

H: Uh-huh. Well, there is a tremendous

- 2 -

amount because in essence what they really do is print money, I mean, as far as the banks are concerned. But the insurance companies, it's a definite proposition there.

HMJr:

Well, think about it.

H:

All right, Mr. Secretary, I'll do it for you. Thanks.

June 2, 1941
2:14 p.m.

HMJr:and the President said
try Donovan first, but he didn't
think he would take it.....

Harold
Graves: Yes.

HMJr: Farley second and third, Swope.

G: Uh huh. Would he like us to make
the approach here?

HMJr: Yes.

G: Se we.....

HMJr: I tell you what you do. You take
Donovan and if he turns you down,
I'd like to do Farley myself

G: Very good. I wonder if we shouldn't
write a letter to Donovan, explain
briefly what we have in mind and
invite him to come to see us.

HMJr: Supposing you do that. I think he's
here in Washington....

G: Yeah.

HMJr: But put it up to him and then if he
doesn't want it, let me approach
Farley.

G: Fine. We'll do that right away.

HMJr: Right.

G: Fine. Goodbye.

June 2, 1941

MEMORANDUM FOR FILES:

I discussed with the Secretary today the matters referred to in the attached memorandum of May 21 outlining the work of the Chief Clerk's Office. In response to the inquiry of the Secretary I advised him that the work outlined under No. (2) Administrative, page 2, could be taken out of the Chief Clerk's Office and transferred to my office, and this has been done. This applies to items (2)(a) and (2)(b) and that part of (2)(c) which relates to handling "of responsible administrative assignments."

Issuance of building passes will go to the Superintendent of Treasury Buildings. Swearing in of officials will be performed by the Director of Personnel as soon as he is appointed in the next week or two. The other items are service operations.

With respect to Mr. Harper, the Secretary stated that we had no desire to hurt him and he had no objection to his remaining in the Service if a continuance should be requested and be granted.



TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 21, 1941.

TO Secretary Morgenthau
FROM Mr. Thompson

The work of the Chief Clerk's Office falls into two categories: (1) service operations and (2) administrative.

(1) Service Operations

Operating under the immediate supervision of the Chief Clerk are the following service units:

(a) Purchases and supplies: Purchase of office equipment and miscellaneous supplies required by the Office of the Secretary, the General Counsel's Office, the Division of Research and Statistics, etc.; maintains the stores of these supplies and disburses from the stores unit on requisition; and maintains an inventory of property in these offices.

(b) Duplicating section: Operation of photostat, multi-lith and mimeograph units, providing a reproducing service to these offices.

(c) Mail, files and archives: Maintains the Treasury mail room, the Treasury Government document room, a large file unit with miscellaneous and sundry files in addition to the files of the Chief Clerk, and general supervision over the Treasury archivist.

Secretary Morgenthau - 2

(d) Communications: Operation of the Treasury telephone switchboards and the telegraph unit.

(e) Chauffeurs and messengers: Supervises chauffeur and messenger services, keeping in serviceable condition Treasury cars and trucks.

(f) Pay roll and audit: Preparation of pay rolls and performance of audit work in connection therewith for employees of the Secretary's Office, Division of Research and Statistics, General Counsel's Office, Foreign Funds Unit, and other less important pay roll assignments. Audits travel vouchers, purchase requisitions, communication charges, and Federal Reserve charges to Foreign Funds.

(2) Administrative

The administrative work attached to the Chief Clerk's office includes the following duties:

(a) Review of administrative instructions issued in the form of orders, manuals, circulars, regulations, etc., in order to assure conformance of such material with the general policies of the Department and to avoid conflicts either with previously issued instructions or between bureaus or divisions; combining and rewording of prior orders, regulations, etc., for current issuance for the purpose of securing greater clarity.

Secretary Morgenthau - 3

(b) Analyzing administrative forms used throughout the Department, taking appropriate action with a view to their simplification and standardization.

(c) Acts as a service agency for the Office of the Administrative Assistant to the Secretary in handling a variety of responsible administrative assignments; issues building passes; arranges displays and bulletins for the notice of Treasury Department employees; swears in officials; and maintains the Treasury seal, performing necessary document work.

Mr. Harper served for about 26 years as Chief of the Division of Appointments, having been appointed to that position on August 16, 1913. Since the establishment of the Personnel Division, he has taken an active part in personnel procedures, particularly in relation to rules and regulations of the Civil Service Commission. He will be up for Civil Service retirement on June 30 next, but he probably will apply for an extension since he wishes to remain in the service.

Harper



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

June 2, 1941

FOR THE SECRETARY'S FILES:

In connection with the attached memorandum from Mr. Wayne Coy concerning the hearings for the Interstate Commerce Commission on May 28, I talked to Mr. Coy on the telephone and told him that I did not believe the Treasury was interested in the subject matter of his memorandum. He said that he did not see why the Treasury would be interested, but the President's memorandum made it necessary for him to refer it to us.

I told him that we were contemplating sending a representative to the hearings just to observe and that he might want to have a representative there also to see whether or not any of these goods stored at seaport terminals could not be transferred and used for National Defense purposes. He said he contemplated doing that.

Mr. Towson of Mr. Pehle's office attended and there is attached a memorandum of the hearings. It is not necessary to make any answer to Mr. Coy's memorandum.

swb

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE May 28, 1941

TO Mr. Pehle
FROM Mr. TOWSON

Pursuant to your request, I attended the informal hearing by the Interstate Commerce Commission at 2 o'clock today.

It appears that about April 1, 1940, a differential rate was established in favor of goods stored at Atlantic seaports awaiting ships, whereby such goods were subject to storage charges equal to only about 10 percent of the amount which would be assessed if they were destined for domestic commerce. With the invasion of the several countries named in the Executive Order, the congestion became acute as the result of the accumulation of goods destined for export to such countries. At today's hearing, the interested carriers and exporters appeared to request jointly that such preferential export rate continue to be applied to such goods even though they are withdrawn and ultimately resold in domestic commerce. Emphasis was placed on the fact that such treatment is only to be accorded to "bona fide" export shipments destined for specified foreign consignees, and not to goods sent to tidewater on the speculative possibility that some opportunity for their export might later develop.

The carriers emphasized the acute shortage of storage facilities at seaports from Norfolk to Boston, and the exporters, in turn, pointed out that accumulated storage charges, if calculated at the domestic rate, would, in some cases, exceed the value of the goods.

It was stated that more than 1,100 carloads of such goods, consigned mostly to blocked countries, is presently in storage, but no estimate was given as to the value of such goods; it must, however, run into the millions. A representative of East Asiatic Company, Ltd., said that his company had the equivalent of 120 carloads of specially fabricated and designed steel sheets at Baltimore intended for shipment to their shipyard in Copenhagen; and a Mr. Nelson, representing Citroen stated that there was a quantity of steel in storage which had been destined for shipment to Citroen in France. A representative of the American Rolling Mill Company said that they had had a similar problem and read into the record a license granted under the Executive Order (prohibiting sale outside of the United States) whereby he sought to prove that all this material originally destined for export may now only be disposed of in domestic commerce; and a representative of the Bethlehem Steel Export Company said that his company had already disposed of many carloads of such material, but did not say whether a license so to dispose of it had been applied for or granted.

- 2 -

It was argued that the accumulation of this material is seriously restricting available storage space and that, under the present system, it cannot be withdrawn for sale in domestic commerce without paying ruinous storage charges; that such material is, in many cases, needed for defense; and that the volume of goods for export reaching seaports is rapidly increasing because of the Lend Lease program.

A stenographic transcript was made of the hearing. We are attempting to obtain a copy of this transcript as a basis for checking TFE-100 reports to ascertain whether all of this material has been properly reported and blocked pursuant to the Executive Order and to facilitate, insofar as possible, the use of such material in the defense program.

WJH

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

May 26, 1941

Memorandum for The Secretary of the Treasury

From: Wayne Coy *W.C.*

I am attaching herewith a photostatic copy of my memorandum to the President dated May 24th. Your attention is particularly directed to his notation on the bottom. I shall be pleased to have your recommendation at your earliest convenience.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT

WASHINGTON, D. C.

May 24, 1941

Memorandum for The President

From: Wayne Coy *W.C.*

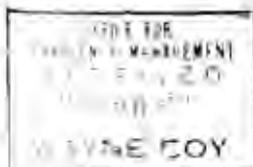
(For your information)

At the time France, Holland, Belgium and other countries fell they had considerable quantities of goods ordered in this country. They are now in storage by rail carriers at North Atlantic port terminals. The goods, being bought for export, were stored at export rates but now those carriers are seeking to charge domestic rates. The Interstate Commerce Commission is having hearings on this matter on May 28th.

W.C.

*Ref Sec State } for recommendation
" " Trans }*

W.C.



TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 2, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

Sir Frederick Phillips telephoned me this morning at 11:45. He would like very much to have an appointment today or tomorrow to see the Secretary for five minutes. I told Phillips that the Secretary had just returned to the Treasury this morning and that we were all at work preparing to meet with him tomorrow forenoon on the Keynes memorandum. Phillips said he did not want to bring this up with the Secretary but merely to discuss a personal matter. I told Phillips I would call him back as soon as I had the Secretary's answer about the appointment.



June 2, 1941

My dear Mr. President:

I am sending you herewith our most recent statement showing deliveries of airplanes, by purchasers and by types of planes, covering the period January 1, 1940 to May 24, 1941.

Yours sincerely,

The President,
The White House.

DELIVERIES OF AIRPLANES, BY PURCHASERS AND BY TYPES OF PLANES

STRICTLY CONFIDENTIAL

January 1, 1940 - May 24, 1941

	Bombers	Pursuits	Trainers	Other military planes	Commercial planes	Total
TOTAL ALL PURCHASERS						
1940						
Jan. 1 - June 29	580	610	905	105	400	2,600
June 30 - Jan. 4 (1941)	658	1,215	2,020	95	621	4,609
Total	1,238	1,825	2,925	200	1,021	7,209
1941						
Jan. 5 - Jan. 16	80	97	166	5		406
Jan. 19 - Feb. 1	75	151	123	13	36	604
Feb. 2 - Feb. 15	79	113	155	13	22	391
Feb. 16 - Mar. 1	175	102	304	19	31	627
Mar. 2 - Mar. 15	100	101	223	17	13	454
Mar. 16 - Mar. 29	155	114	326	16	34	577
Mar. 30 - Apr. 12	149	110	261	16	44	579
Apr. 13 - Apr. 26	171	136	340	13	19	679
Apr. 27 - May 10	133	129	119	21	26	528
May 11 - May 24	151	127	368	14	13	677
Total	1,268	1,140	2,807	171	255	5,681
Grand Total Jan. 1, 1940 - May 24, 1941	2,506	2,965	5,732	371	1,276	12,890
ARMY						
1940						
Jan. 1 - June 29	34	47	511	64	-	656
June 30 - Jan. 4 (1941)	72	266	934	17	-	1,309
Total	106	313	1,445	81	-	1,965
1941						
Jan. 5 - Jan. 16	6	6	86	-	-	98
Jan. 19 - Feb. 1	1	2	166	-	-	169
Feb. 2 - Feb. 15	13	9	74	4	-	100
Feb. 16 - Mar. 1	43	33	153	7	-	236
Mar. 2 - Mar. 15	25	64	120	5	-	214
Mar. 16 - Mar. 29	29	67	185	6	-	287
Mar. 30 - Apr. 12	35	81	169	6	-	291
Apr. 13 - Apr. 26	50	82	237	7	-	376
Apr. 27 - May 10	19	37	202	8	-	266
May 11 - May 24	15	14	262	6	-	297
Total	236	395	1,654	49	-	2,334
Grand Total Jan. 1, 1940 - May 24, 1941	342	708	3,099	130	-	4,299
NAVY						
1940						
Jan. 1 - June 29	42	1	85	37	-	165
June 30 - Jan. 4 (1941)	86	76	292	76	-	530
Total	128	77	377	113	-	695
1941						
Jan. 5 - Jan. 16	17	14	79	5	-	115
Jan. 19 - Feb. 1	31	11	113	13	-	158
Feb. 2 - Feb. 15	21	17	41	8	-	87
Feb. 16 - Mar. 1	30	12	32	12	-	86
Mar. 2 - Mar. 15	23	-	35	12	-	70
Mar. 16 - Mar. 29	37	15	81	10	-	143
Mar. 30 - Apr. 12	30	16	60	10	-	116
Apr. 13 - Apr. 26	26	22	53	6	-	109
Apr. 27 - May 10	27	20	58	9	-	114
May 11 - May 24	33	19	51	12	-	115
Total	277	149	603	117	-	1,146
Grand Total Jan. 1, 1940 - May 24, 1941	405	226	980	230	-	1,841
BRITISH EMPIRE AND FRANCE*						
1940						
Jan. 1 - June 29	458	376	193	2	9	1,068
June 30 - Jan. 4 (1941)	436	791	447	2	27	1,703
Total	894	1,167	640	4	36	2,771
1941						
Jan. 5 - Jan. 16	57	69	9	-	5	140
Jan. 19 - Feb. 1	53	126	40	-	-	209
Feb. 2 - Feb. 15	44	87	26	1	10	168
Feb. 16 - Mar. 1	72	57	96	-	2	227
Mar. 2 - Mar. 15	52	33	58	-	-	143
Mar. 16 - Mar. 29	73	12	46	-	2	133
Mar. 30 - Apr. 12	84	6	30	-	2	122
Apr. 13 - Apr. 26	93	24	49	-	-	166
Apr. 27 - May 10	87	68	46	-	-	211
May 11 - May 24	103	83	51	-	-	237
Total	708	565	461	1	21	1,756
Grand Total Jan. 1, 1940 - May 24, 1941	1,602	1,732	1,101	5	57	4,527
OTHER						
1940						
Jan. 1 - June 29	16	186	116	2	391	711
June 30 - Jan. 4 (1941)	64	62	347	-	594	1,067
Total	80	248	463	2	985	1,778
1941						
Jan. 5 - Jan. 16	-	8	14	-	11	33
Jan. 19 - Feb. 1	-	12	4	-	22	38
Feb. 2 - Feb. 15	-	-	14	-	21	35
Feb. 16 - Mar. 1	30	4	23	-	25	78
Mar. 2 - Mar. 15	-	-	14	-	13	27
Mar. 16 - Mar. 29	16	20	14	-	32	62
Mar. 30 - Apr. 12	-	4	2	-	19	25
Apr. 13 - Apr. 26	-	6	1	-	26	33
Apr. 27 - May 10	-	4	3	-	26	33
May 11 - May 24	-	13	4	-	13	30
Total	47	71	89	-	234	445
Grand Total Jan. 1, 1940 - May 24, 1941	127	319	552	2	1,219	2,223

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

May 28, 1941.

* Deliveries under French contracts were made up to June 30, 1940.

Regraded Unclassified

ALLISON DIVISION, GENERAL MOTORS CORP.

Shipments of Airplane Engines

	Actual shipments	Estimated shipments on existing orders
<u>1940</u>		
January.....	10	
May 24 - June 22.....	28	
June 23 - July 20.....	43	
July 21 - Aug. 17.....	47	
Aug. 18 - Sept. 14.....	140	
Sept. 15 - Oct. 12.....	263	
Oct. 13 - Nov. 9.....	233	
Nov. 10 - Dec. 7.....	154	
Dec. 8 - Jan. 4.....	228	
<u>1941</u>		
January 5 - February 1.....	193	
February 2 - March 1.....	323	
March 2 - 8.....	77	
March 9 - 15.....	80	
March 16 - 22.....	53	
March 23 - 29.....	103	
March 30 - April 5.....	71	
April 6 - 12.....	88	
April 13 - 19.....	21	
April 20 - 26.....	19	
April 27 - May 3.....	9	
May 4 - 10.....	38	
May 11 - 17.....	93	
May 18 - 24.....	118	
May 25 - 31.....	79	
June.....		421
July.....		475
August.....		580
September.....		700
October.....		800
November.....		900
December.....		1,000
<u>1942</u>		
January.....		1,000
February.....		730

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

June 2, 1941.

	British				Army				China	GRAND TOTAL
	G	E	F	Total	G	E	F	Total	G	
Dec. 29 - Jan. 4	8	-	-	8	1	3	-	4	-	12
Jan. 5 - 11	83	-	-	83	-	2	-	2	-	85
Jan. 12 - 18	41	-	-	41	-	2	-	2	-	43
Jan. 19 - 25	33	-	-	33	-	-	-	-	-	33
Jan. 26 - Feb. 1	31	-	-	31	-	1	-	1	-	32
Feb. 2 - 8	60	-	-	60	25	1	-	26	-	86
Feb. 9 - 15	30	1	-	31	32	2	1	35	-	66
Feb. 16 - 22	-	-	-	-	77	2	1	80	-	80
Feb. 23 - Mar. 1	-	-	-	-	88	3	-	91	-	91
Mar. 2 - 8	6	-	-	6	69	2	-	71	-	77
Mar. 9 - 15	6	-	-	6	72	-	2	74	-	80
Mar. 16 - 22	36	-	-	36	14	1	2	17	-	53
Mar. 23 - 29	87	2	-	89	10	1	3	14	-	103
Mar. 30 - April 5	24	-	-	24	41	1	5	47	-	71
Apr. 6 - 12	60	5	1	66	8	1	3	12	10	88
Apr. 13 - 19	12	2	-	14	-	2	5	7	-	21
Apr. 20 - 26	-	3	3	6	1	-	2	3	10	19
Apr. 27 - May 3	-	-	-	-	-	8	1	9	-	9
May 4 - 10	24	-	-	24	-	7	7	14	-	38
May 11 - 17	53	11	9	73	-	7	13	20	-	93
May 18 - 24	60	13	16	89	-	6	23	29	-	118
May 25 - 31	24	14	14	52	-	5	22	27	-	79
TOTAL Dec. 29 - May 31	678	51	43	772	438	57	90	585	20	1,377

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

June 2, 1941

DEPARTMENT OF STATE
WashingtonIn reply refer to
EA 862.51/4880

June 2, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and, with reference to the former's letter of May 15, 1941 transmitting a copy of despatch no. 330 from Zurich, transmits herewith a copy of strictly confidential despatch no. 341 from the American Consulate General at Zurich, concerning recent Reichsbank transactions with a Zurich bank.

Enclosure:

No. 341, April 26,
from Zurich.

No. 341

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

Strictly Confidential

AMERICAN CONSULATE GENERAL

Zurich, Switzerland, April 26, 1941.

SUBJECT: Recent Reichsbank transactions with a Zurich Bank.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to refer to my strictly confidential despatch no. 330, dated April 21, 1941, reporting certain Reichsbank, Berlin, transactions with a Zurich bank, and now to report recent gold and banknote transactions of the same bank with a Zurich banking house.

The following statement of the Reichsbank transactions for the week ended April 19, 1941, was given me by the British Consul General, Zurich:

Sales

15th April 90 small gold bars (89 Kilos. fine gold 8450)
at 4,822 francs per kilo - Fr. 433,255.60

Purchases

15th April	500 Turk.£ in notes	at 2.40 =	Fr. 1,200.--
16th April	100,000 Levas	" " " 3.70 =	" 3,700.--
	5,000 Dollars	" " " 4.20 =	" 21,000.--
	1,500 Turk.£	" " " 2.40 =	" 3,600.--
	7,000 Dollars	" " " 4.20-1/2 =	Fr. 29,435.--
	750 Turk.£	" " " 2.35 =	Fr. 1,762.50

17th April

Purchases, etc.

17th April	25,000	Levas in notes at	3.70 = Fr.	925.--
	628,000	Lei	" " " 0.80 = "	5,024.--
	1,050	Turk.£	" " " 2.35 = "	2,467.50
18th April	250,000	Lei	" " " 0.80 = "	2,000.--
	90,130	Levas	" " " 3.70 = "	3,334.80
	740	Turk.£	" " " 2.35 = "	1,739.--
19th April	400,000	Lei	" " " 0.80 = "	3,200.--
	3,000	Dollars	" " " 4.22 = "	12,660.--

The note to the British Consul General transmitting the above data contained this statement: "The Reichsbank, which until now always had dollar notes for sale, has not sold any notes so far this month, but for the first time purchased two small lots.

Respectfully yours,

James B. Stewart
American Consul General

In quintuplicate.
Copy to the American Legation, Bern.
800/JBS/ugt.

A true copy of the signed original
ugt

eh:copy
6-4-41

28(1068/17/41)

BRITISH EMBASSY,

WASHINGTON, D. C.

June 2nd, 1941

Dear Cochran,

With reference to my letter of May 26th, reference W.T.1028/8/41, I understand that London asked our Embassies in Rio and Buenos Aires to make a renewed approach to the respective governments concerned with regard to the freezing of assets of invaded countries. Our Embassy in Buenos Aires now report that the Central Bank do not consider it worth while to block Greek, Yugoslavian, Hungarian, Bulgarian or Roumanian accounts as the amounts involved are less than 100,000 pesos in all.

Yours sincerely,

(Signed) R. J. Stopford

Mr. Merle Cochran,
Room 279,
U. S. Treasury Department,
Washington, D.C.

RJS:MK

COPY - dm - 6/3/41

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FEDERAL RESERVE BANK OF NEW YORK

June 2, 1941.

Attention: Mr. Cochran

Dear Mr. Secretary:

I enclose for your information copy of a letter dated May 16, 1941, received from De Javasche Bank, Batavia, advising the arrival in this country in the near future of Dr. R. E. Smits and Dr. D. Crena de Iongh for the purpose of investigating on behalf of the Netherlands East Indies Government a number of financial and monetary questions arising from the present conditions. I also enclose copy of letter of acknowledgment to Batavia.

Respectfully,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Encs.

Copy:alm 6-4-41

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DE JAVASCHE BANK

Batavia, May 16th 1941.

The President of the
Federal Reserve Bank of New York
New York.

Dear Mr. President,

We have pleasure in informing you that Dr. R. E. SMITS, Managing Director of De Javasche Bank and Dr. D. CRENA DE IONGH, Director of the Exchange Control Bureau of the Netherland East Indies, will pay a short visit to the United States, with the special object of investigating on behalf of the N.E.I. Government a number of financial and monetary questions arising from the present conditions.

Dr. Smits and Dr. Crena de Iongh will of course call on you during their stay in New York and, in connection with the object of their mission, will be very grateful for any help you might be able to extend to them.

The gentlemen will travel via Manila by P.A.A. Clipper, arriving in San Francisco about the eleventh of June.

We trust that this personal contact will tighten the hearty and long established relationship between our institutions.

We are, dear Mr. President,

Yours faithfully,

PRESIDENT en DIRECTEUREN
van DE JAVASCHE BANK:
(signed) Wichers
(signed) Van W. Averzen

Copy:alm 6-4-41

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FEDERAL RESERVE BANK OF NEW YORK

June 2, 1941.

Dr. G. G. van Buttingha Wichers, President,
De Javasche Bank,
Batavia, Java.

Dear Mr. President:

I thank you for your letter of May 16, 1941 advising me of the contemplated trip to this country of Dr. R. E. Smits and Dr. D. Crens de Iongh for the purpose of investigating on behalf of the Netherlands East Indies Government a number of financial and monetary questions arising from prevailing conditions.

I am looking forward with a great deal of pleasure to receiving the visit of these two gentlemen in New York and to discussing with them matters of mutual interest.

Believe me, dear Mr. President,

Yours faithfully,

Allan Sproul,
President.

LWK:KW

Copy:alm 6-4-41

Delivered to Treasury by Customs

C
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P
Y

San Francisco

June 2 1941

From Nicholson
For Secretary

Hsu Kan Vice Minister Finance Chungking Government made
Minister Food Ministry Y K Yuo former Mayor Shanghai made
political Vice Minister Finance and Y C Yoo who accompanied
K P Chen commission to Washington in 1936 made Acting Admin-
istrative Vice Minister Finance Confidentially advised
Dr Alfred Sze former Chinese Ambassador to Washington sched-
uled leave Manila June 11 via clipper for Washington to
relieve T V Soong

eh:copy
6-3-41

CONFIDENTIAL

109

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
DIVISION OF DEFENSE AID REPORTS

REPORT ON FISCAL OPERATIONS
FOR THE PERIOD MARCH 15, 1941 TO MAY 15, 1941
UNDER AN ACT TO PROMOTE THE DEFENSE OF THE UNITED STATES

WASHINGTON, D. C.
SUBMITTED JUNE 2, 1941

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
DIVISION OF DEFENSE AID REPORTS**

**REPORT ON FISCAL OPERATIONS
FOR THE PERIOD MARCH 11, 1941 TO MAY 15, 1941
UNDER AN ACT TO PROMOTE THE DEFENSE OF THE UNITED STATES**

**WASHINGTON, D. C.
SUBMITTED JUNE 2, 1941**

June 2, 1941.

Major General James H. Burns,
Executive Officer,
Division of Defense Aid Reports,
Washington, D. C.

Sir:

I have the honor to submit herewith a report covering the
fiscal operations for the period March 11, 1941 to May 15, 1941,
under "An Act to Promote the Defense of the United States".

Respectfully,

Paul H. Banning
Chief Accountant.

**REPORT OF FISCAL OPERATIONS
FOR THE PERIOD MARCH 11, 1941 TO MAY 19, 1941
UNDER AN ACT TO PROMOTE THE DEFENSE OF THE UNITED STATES**

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**REPORT ON FISCAL OPERATIONS
FOR THE PERIOD MARCH 11, 1941 TO MAY 15, 1941
UNDER AN ACT TO PROMOTE THE DEFENSE OF THE UNITED STATES**

I. INTRODUCTION

The attached report is submitted pursuant to the requirements of Executive Order 8751 of May 2, 1941.

Section 2 of the Executive Order provides:

"Subject to such policies and directions as the President may from time to time prescribe, the Division of Defense Aid Reports shall perform and discharge the following described duties and responsibilities:

"a. Provide a central channel for the clearance of transactions and reports, and coordinate the processing of requests for aid under the Act.

"b. Maintain such system of records and summary accounts to be approved by the Bureau of the Budget, as may be necessary for adequate administrative and financial control over operations under the Act and as will currently reflect the status of all such operations.

"c. Prepare such reports as may be necessary to keep the President informed of progress under the Act; assist in the preparation of reports pursuant to Section 9b of the Act; and serve generally as a clearing house of information for agencies participating in the program.

"d. Perform such other duties relating to defense aid activities as the President may from time to time prescribe."

The report on operations is based on allocations made by the President and on summary reports of transactions rendered by departments and establishments which have received the allocations under the Act.

II. AN ACT TO PROMOTE THE DEFENSE OF THE UNITED STATES

"An Act to Promote the Defense of the United States" (Public Law 11-77 Congress) approved March 11, 1941, empowers the President to authorize the head of any department or agency to manufacture, procure, dispose of, and service defense articles; and to communicate defense information for the benefit of any nation, the defense of which the President deems vital to the defense of the United States.

The Act also empowers the President to dispose of defense articles procured from funds previously appropriated, provided that the articles delivered under this latter authority shall not exceed the value of \$1,500,000,000.

As defined in Section 2(a):

"The term 'defense article' means--

- (1) Any weapon, munition, aircraft, vessel, or tank;
- (2) Any machinery, facility, tool, material, or supply necessary for the manufacture, production, processing, repair, servicing, or operation of any article described in this subsection;
- (3) Any component material or part of or equipment for any article described in this subsection;
- (4) Any agricultural, industrial or other commodity or article for defense.

"Such term 'defense article' includes any article described in this subsection manufactured or procured pursuant to section 3, or to which the United States or any foreign government has or hereafter acquires title, possession, or control."

Under Section 2(b):

"The term 'defense information' means any plan, specification, design, prototype, or information pertaining to any defense

articles.

Section 3(a) and 3(b) of the Act provide--

"(a) Notwithstanding the provisions of any other law, the President may, from time to time, when he deems it in the interest of national defense, authorize the Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government--

"(1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense articles for the government of any country, whose defense the President deems vital to the defense of the United States.

"(2) To sell, transfer title to, exchange, lease, lend, or otherwise dispose of, to any such government any defense articles, but no defense articles not manufactured or procured under paragraph (1) shall in any way be disposed of under this paragraph, except after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy, or both. The value of defense articles disposed of in any way under authority of this paragraph, and procured from funds heretofore appropriated, shall not exceed \$1,300,000,000. The value of such defense articles shall be determined by the head of the department or agency concerned or such other department, agency or officer as shall be designated in the manner provided in the rules and regulations issued hereunder. Defense articles procured from funds hereafter appropriated to any department or agency of the Government, other than from funds authorized to be appropriated under this Act, shall not be disposed of in any way under authority of this paragraph except to the extent hereafter authorized by the Congress in the Acts appropriating such funds or otherwise.

"(3) To test, inspect, prove, repair, outfit, recondition, or otherwise to place in good working order, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for any such government, or to procure any or all such services by private contract.

"(4) To communicate to any such government any defense information, pertaining to any defense articles furnished to such government under paragraph (2) of this subsection.

"(5) To release for export any defense articles disposed of in any way under this subsection to any such government.

"(b) The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory."

III. DEFENSE AID SUPPLEMENTAL APPROPRIATION ACT, 1941

The Defense Aid Supplemental Appropriation Act, 1941 (Public Law 23-77 Congress) approved March 27, 1941, contains ten separate appropriations. Eight of the appropriations provide for the preparing and servicing of defense articles. Two of the appropriations provide for incidental expenses. Each appropriation is subject to allocation by the President in such manner as he may deem advisable.

Appropriation limitations provided in the Act are as follows:

(1) Ordnance and Ordnance Stores.....	\$1,343,000,000
(2) Aircraft and Aeronautical Material.....	2,054,000,000
(3) Tanks and Other Vehicles.....	362,000,000
(4) Vessels and Other Watercraft.....	689,000,000
(5) Miscellaneous Military Equipment.....	260,000,000
(6) Facilities and Equipment.....	752,000,000
(7) Agricultural, Industrial, and Other Commodities.....	1,350,000,000
(8) Testing, Reconditioning, Etc., of Defense Articles.....	300,000,000
(9) Services and Expenses.....	40,000,000
(10) Administrative Expenses.....	<u>10,000,000</u>
Total.....	\$7,000,000,000

Under the Act the President may transfer not to exceed 20 per centum, from any appropriation in the first eight categories, to any other appropriation in those categories, but no appropriation shall be increased by more than 20 per centum. The several appropriations

remain as above listed, no transfers having been made under the latter authority.

The President may also transfer from the appropriations made by this Act to the appropriate appropriation of any department or agency an amount equivalent to the value of defense articles delivered from prior appropriations, but not to exceed in the aggregate \$1,300,000,000. No transfers have been made under this authority.

IV. ALLOCATIONS OF FUNDS

On the basis of approved program expenditure estimates, the President has allocated funds to the several participating agencies, such allocation constituting authority to incur obligations for services and materials under the Act.

The total allocations made between March 27, 1941, and the closing date of the accounting period for this report, May 15, 1941, amounted to \$4,131,775,663, leaving a balance of \$2,668,224,317 available for further allocation, and for transfer to other appropriations subject to the conditions specified in the Act.

A summary statement of the amount allocated and the unallocated balances by appropriations follows:

Appropriations	Allocated Funds	Unallocated Funds	Total Funds
Ordnance and Ordnance Stores	\$ 895,856,363	\$ 447,143,637	\$1,343,000,000
Aircraft and Aeronautical Material	1,909,731,631	150,268,379	2,054,000,000
Tanks and Other Vehicles	289,900,550	72,099,450	362,000,000
Vessels and Other Watercraft	541,478,000	87,522,000	629,000,000
Miscellaneous Military Equipment	119,172,013	140,827,987	260,000,000
Facilities and Equipment	122,170,000	609,830,000	732,000,000
Agricultural, Industrial and Other Commodities	227,538,077	1,182,411,923	1,390,000,000
Testing, Reconditioning, Etc. of Defense Articles	28,942,880	171,051,120	200,000,000
Services and Expenses	2,778,605	37,221,395	40,000,000
Administrative Expenses	151,574	9,846,426	10,000,000
Total	\$4,131,775,663	\$2,865,224,317	\$7,000,000,000

An analysis of appropriations and allocations to agencies is contained in Schedule 1.

V. SUMMARY OF OBLIGATIONS UNDER ALLOCATIONS

Upon receipt of an allocation, and the resulting transfer appropriation warrant, the agency makes allotments and incurs obligations for the purposes, items, and quantities specified by the President. The term obligations, as employed in this report, represents the actual or estimated

amounts which will be required for the payment or fulfillment of contracts, purchase orders, and other existing legal commitments.

The following summary table shows in relation to the allocations made by the President the amount of obligations reported by the participating agencies:

Appropriation	Allocations	Contracts and Orders	Requisitions
Ordnance and Ordnance Stores	\$895,856,363.00	\$43,944,371.39	\$19,165,821.53
Aircraft and Aeronautical Material	1,902,731,421.00	21,120,757.16	67,997,215.00
Tanks and Other Vehicles	289,908,550.00	3,222,713.45	--
Vessels and Equipment for Vessels	541,478,000.00	142,576,959.95	426,941.00
Miscellaneous Military Equipment and Material	119,172,213.00	3,265,453.13	--
Facilities and Equipment	122,170,000.00	43,726,054.00	--
Agricultural, Industrial and Other Articles	227,582,077.00	22,191,237.32	264,335.92
Servicing of Defense Articles	22,942,220.00	6,447,622.76	2,722,435.55
Miscellaneous Services and Expenses	2,772,405.00	--	--
Administrative Expenses	151,574.00	12,210.90	--
Totals	\$4,131,775,623.00	\$156,224,900.32	\$90,262,409.02

The amounts of obligations as reported by agencies have been analyzed to distinguish between those cases where actual contracts and orders have been entered into, and those cases where the departments have issued requisitions under which contract awards have not yet been made.

The foregoing table indicates that of the amount of \$4,131,775,683 allocated for procurement and other purposes, \$356,221,900.32 has been obligated for actual contracts placed with commercial manufacturers and orders given to government facilities. Also \$90,362,409.81 has been encumbered on requisitions on which contract awards have not yet been made. The amount encumbered on requisitions was included in the obligations reported by the Navy Department. In addition to the amount encumbered on requisitions as reported by the Navy Department, the War Department has issued "Letters of Intent" and "Letters Contract" in the amount of \$145,349,977, which were not included in the amounts reported by that Department as obligations. "Letters of Intent" and "Letters Contract" represent advance commitments of the Government to commercial manufacturers which have not been confirmed by the issuance of actual contracts. These various items - actual obligations as represented by contracts and orders, requisitions, "Letters of Intent" and "Letters Contract" - total \$591,837,246.34. This amount represents the total encumbrances placed against the amount of \$4,131,775,683 allocated for procurement purposes. The balance which remains unencumbered is, therefore, \$3,539,938,436.66, the difference between the amount allocated, \$4,131,775,683, and the total encumbrances, \$591,837,246.34.

Analyses of the total encumbrances for the War and Navy Department are contained in the supplement to Schedule C.

The analysis of obligations by purposes is shown in Schedule D. The major division of the classification of purposes conforms to the ten specific limitations, while the minor subdivisions represent classes of articles, types of services, etc.

VI. SUMMARY OF ALLOCATIONS, OBLIGATIONS AND EXPENDITURES

Expenditures under allocations from the Defense Aid Supplemental Appropriation Act, 1941, totaled \$48,573,132.94. These expenditures represent disbursements for personal services, equipment, supplies and materials, and miscellaneous expenses under the Defense Aid Supplemental Appropriation Act, 1941 in the amount of \$8,707,738.02 and amounts owed as accounts payable of \$48,734,884.42. These are exclusive of the value of defense articles delivered from stocks procured from appropriations made prior to March 11, 1941.

The expenditures made by appropriations were as follows:

Act Limitation	Allocation	Obligations	Expenditures
Ordnance and Ordnance Stores	\$ 800,000,000.00	\$ 65,120,372.04	\$ 217,042.00
Aircraft and Aeronautical Material	1,000,721,021.00	100,707,022.12	-
Tanks and Other Vehicles	200,000,000.00	2,210,745.00	211,007.00
Vessels and Other Watercraft	241,470,000.00	140,000,000.00	20,000,001.00
Miscellaneous Military Equipment	110,170,025.00	2,200,402.12	140,702.00
Facilities and Equipment	120,170,000.00	40,700,000.00	17,224,000.00
Agricultural, Industrial and Other Commodities	207,000,077.00	20,400,075.00	5,000,470.07
Testing, Reconditioning, Etc. of Defense Articles	20,000,000.00	0,000,110.01	1,000,420.00
Services and Expenses	2,770,000.00	-	-
Administrative Expenses	101,074.00	12,220.00	1,400.41
Total	\$4,101,770,000.00	\$440,407,000.24	\$40,072,102.04

The total expenditures of \$40,072,102.04 represent \$2,707,700.00 disbursements made and \$40,704,304.42 owed as accounts payable.

An analysis of expenditures by agencies according to defense articles procured, services performed, administrative expenses incurred and other purposes is shown in Schedule 3.

VII. ORDNANCE AND ORDNANCE STORES

Section 1(a)(1) of the Defense Aid Supplemental Appropriation Act, 1941, appropriates for, the procurement by manufacture or otherwise, of ordnance and ordnance stores, supplies, spare parts, and materials including armor and ammunition and components thereof, the sum of \$1,343,000,000.00.

The following summary table reflects the status of allocations, obligations and expenditures by agencies under this heading:

Agency	Allocations	Obligations	Expenditures
War Department	\$649,597,113.00	\$27,996,091.30	\$ 1,043.33
Navy Department	238,300,300.00	86,163,561.66	219,000.00
Total	\$887,897,413.00	\$34,159,652.96	\$220,043.33

An analysis of allocations, obligations, and unexpended balances by purpose classification for ordnance and ordnance stores is contained in Schedule 8.

VIII. AIRCRAFT AND AERONAUTICAL MATERIAL

Section 1(a)(2) of the Defense Aid Supplemental Appropriation Act, 1941, appropriates for the procurement by manufacture or otherwise of aircraft and aeronautical material, including engines, spare parts and accessories, the sum of \$2,064,000,000.

The following summary table reflects the status of allocations and obligations by agencies under this heading:

Agency	Allocations	Obligations	Expenditures
War Department	\$1,801,000,001.00	\$ 81,179,907.18	-
Navy Department	80,548,000.00	87,800,618.00	-
Treasury Department	2,400,000.00	-	-
Total	\$1,903,751,001.00	\$ 148,980,525.18	-

An analysis of allocations, obligations and unexpended balances by purpose classification for aircraft and aeronautical material is contained in Schedule B.

III. TAXES AND OTHER VEHICLES

Section 1(a)(3) of the Defense Aid Supplemental Appropriation Act, 1941, appropriates for the procurement, by manufacture or otherwise, of tanks, armored cars, automobiles, trucks, and other automotive vehicles, spare parts and accessories, the sum of \$200,000,000.

The following summary table reflects the status of allocations and obligations under this heading:

Agency	Allocations	Obligations	Expenditures
War Department	\$200,000,000.00	\$3,819,745.65	\$211,907.30
Treasury Department	42,000.00	-	-
Total	\$200,000,000.00	\$3,819,745.65	\$211,907.30

An analysis of allocations, obligations and unexpended balances by purpose classification for tanks and other vehicles is contained in section 6.

I. VESSELS AND OTHER WATERCRAFT

Section 1(a)(4) of the Defense Aid Supplemental Appropriation Act, 1941, appropriates for procurement by manufacture or otherwise, of vessels, ships, boats and other watercraft and equipment, supplies, materials, spare parts, and accessories, the sum of \$225,000,000.

The following summary table reflects the status of allocations, obligations and expenditures by agencies under this heading:

Agency	Allocations	Obligations	Expenditures
Navy Department	\$ 41,000,000.00	\$ 2,425,079.00	\$ -
Maritime Commission	200,000,000.00	145,000,001.00	25,420,001.00
Treasury - Coast Guard	450,000.00	-	-
Total	\$241,450,000.00	\$147,425,080.00	\$25,420,001.00

An analysis of allocations, obligations, and unexpended balances by purpose classification for vessels and other watercraft is contained in Schedule B.

XI. MISCELLANEOUS MILITARY EQUIPMENT

Section 1(R)(8) of the Defense Aid Supplemental Appropriation Act, 1941, appropriates for the procurement by manufacture or otherwise, of miscellaneous military equipment, supplies and materials, the sum of \$200,000,000.

The following summary table reflects the status of allocations,

obligations and expenditures by agencies under this heading:

Agency	Allocations	Obligations	Expenditures
War Department	\$103,278,013.00	\$3,269,493.13	\$140,722.99
Navy Department	12,169,000.00	-	-
Treasury Department	3,725,000.00	-	-
Total	\$119,172,013.00	\$3,269,493.13	\$140,722.99

An analysis of allocations, obligations and unexpended balances by purpose classification for military equipment is contained in Schedule 5.

XII. FACILITIES AND EQUIPMENT

Section 1(a)(6) of the Defense Aid Supplemental Appropriation Act, 1941, appropriates for the procurement of facilities and equipment for the manufacture or production of defense articles by construction or acquisition and the maintenance and operation of such facilities, the sum of \$752,000,000.

The following summary table shows the status of allocations, obligations and expenditures by agencies under this heading:

Agency	Allocations	Obligations	Expenditures
War Department	\$23,000,000.00	-	-
Navy Department	49,170,000.00	-	-
Maritime Commission	20,000,000.00	\$43,782,054.00	\$17,334,082.00
Total	\$122,170,000.00	\$43,782,054.00	\$17,334,082.00

An analysis of allocations, obligations, and unexpended balances by purpose classification is shown in Schedule 5.

XIII. AGRICULTURAL, INDUSTRIAL AND OTHER COMMODITIES

Section 1(a)(7) of the Defense Aid Supplemental Appropriation Act, 1941, appropriates for the procurement by manufacture or otherwise of agricultural, industrial and other commodities and articles, the sum of \$1,350,000,000.

The following summary table shows allocations, obligations and expenditures by agencies under this heading:

Agency	Allocations	Obligations	Expenditures
War Department	\$2,511,103.00	-	-
Navy Department	30,000,000.00	2,605,901.64	-
Treasury Department	133,446,974.00	2,081,286.70	175,735.73
Agriculture Department	41,430,000.00	23,773,099.94	5,733,737.94
Total	\$227,388,077.00	\$28,460,288.30	\$5,909,473.67

An analysis of allocations, obligations, and unexpended balances by purpose classification for agricultural, industrial and other commodities is contained in Schedule 5.

XIV. TESTING, RECONDITIONING, ETC. OF DEFENSE ARTICLES

Section 1(b) of the Defense Aid Supplemental Appropriation Act, 1941, appropriates for testing, inspecting, proving, repairing,

overhauled, reconditioning or otherwise placing in good working order, any defense article for the government of any country whose defense the President deems vital to the United States, the sum of \$200,000,000.

The following summary table shows the status of allocations, obligations, and expenditures by agencies under this heading:

Agency	Allocations	Obligations	Expenditures
War Department	\$3,888,880.00	-	-
Navy Department	20,620,000.00	8,599,097.50	556,398.05
Maritime Commission	4,900,000.00	671,060.81	671,060.81
Total	\$28,948,880.00	\$9,270,118.31	\$1,227,416.86

An analysis of allocations, obligations, and unexpended balances by purpose classification for testing, reconditioning, etc., is contained in Schedule 5.

IV. MISCELLANEOUS SERVICES AND EXPENSES

Section 1(d) of the Defense Aid Supplemental Appropriation Act, 1941, appropriates for necessary services and expenses to carry out the purposes of the Act, not specified or included in the foregoing categories, the sum of \$40,000,000.

The following summary table shows the status of allocations by agencies under this heading:

Agency	Allocations	Obligations	Expenditures
War Department	\$2,773,605.00	-	-
Treasury Department	5,000.00	-	-
Total	\$2,778,605.00	-	-

An analysis of allocations by purpose classification for miscellaneous services and expenses is contained in Schedule 5.

XVI. ADMINISTRATIVE EXPENSES

Section 1(e) of the Defense Aid Supplemental Appropriation Act, 1941, provides \$10,000,000 for administrative expenses.

The following summary table shows the status of allocations, obligations and expenditures by agencies under this heading:

Agency	Allocations	Obligations	Expenditures
Executive Office	\$15,000.00	\$1,469.41	\$1,469.41
Office for Emergency Management	100,000.00	10,741.49	-
Treasury (Procurement)	24,300.00	-	-
Office of Foreign Agricultural Relations	2,300.00	-	-
Total	\$151,574.00	\$12,210.90	\$1,469.41

An analysis of obligations by objective classification is contained in Schedule 7.

XVII. DELIVERIES OF DEFENSE ARTICLES

The transfer of defense articles to foreign governments includes: (1) articles procured under the Defense Aid Supplemental Appropriation Act, 1941; and (2) articles procured from appropriations made prior to March 11, 1941. In the case of deliveries made pursuant to the latter authority, the value thereof cannot exceed \$1,500,000,000. Articles are released to foreign governments or their agents only on transfer directives issued by the President. As used in this report the term "delivery of defense articles" represents the relinquishment by a department of the custody of such articles to an agent or a representative of a foreign government.

The cost of defense articles delivered under the Defense Aid Supplemental Appropriation Act, 1941 amounted to \$6,121,430.87; the estimated value of defense articles delivered from appropriations made prior to March 11, 1941, as reported by the several agencies, amounted to \$60,686,370.39, making a total of \$66,807,801.26. In addition to the foregoing amount, deliveries of \$709,821.80 were also made from the Defense Aid Supplemental Appropriation Act, 1941, on which acknowledgment receipts or other incidental documents were in transit to one of the departments. The total deliveries of defense articles, therefore, amounted to an estimated value of \$67,517,623.06.

A summary statement of deliveries of defense articles by departments follows:

Agency	From Defense Aid Supplemental Appropriation Act, 1941	From Appropriations made prior to March 11, 1941	Total Deliveries
War Department	\$ 211,957.30	\$34,306,445.38	\$34,518,402.68
Navy Department	- -	5,282,217.00	5,282,217.00
Maritime Commission	- -	10,492,908.01	10,492,908.01
Treasury Department	175,735.73	10,604,800.00	10,780,535.73
Agriculture	5,732,737.94	- -	5,732,737.94
Total	\$6,121,430.97	\$40,686,370.39	\$46,807,801.36
Items subsequently reported	732,821.82	- -	732,821.82
Grand Total	\$6,854,252.79	\$40,686,370.39	\$47,540,623.18

An analysis of deliveries of defense articles by classes is contained in Schedule 6.

VIII. DEFENSE ARTICLES ON HAND

Defense articles on hand procured from the Defense Aid Supplemental Appropriation Act, 1941 (exclusive of any articles available from prior appropriations) amounted to \$140,722.59. The items consist of signal equipment, supplies and materials in the custody of the War Department.

XII. SUMMARY STATUS OF FUNDS AND OPERATIONS

The following exhibits show the status of funds and operations:

- Schedule A - Summary Status of Funds and Operations.
- Schedule 1 - Statement of Appropriations and Allocations.
- Schedule 2 - Statement of Available Funds.
- Schedule 3 - Statement of Distribution of Expenditures.
- Schedule 4 - Deliveries of Defense Articles Procured from Appropriations Made Prior to March 11, 1941.
- Schedule 5 - Statement of Unexpended Funds.
- Schedule 6 - Statement of Deliveries of Defense Articles Procured Under the Defense Aid Supplemental Appropriation Act.
- Schedule 7 - Statement of Cumulative Obligations by Objective Classifications.
- Schedule 8 - Summary Status of Allocations by Department.

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GENERAL STATE OF FUNDS AND OPERATIONS

Accumulated Funds

Under the Defense Aid Supplemental Appropriation Act, approved March 27, 1941, the sum of \$7,000,000,000 was appropriated to remain available until June 30, 1943. Pursuant to the authority contained in the Act, the President made allocations to the various participating agencies in the amount of \$4,131,775,663 as indicated in Schedule 1. The amount of \$2,868,224,317, the difference between the appropriations and the allocations is therefore available for future allocation by the President. An analysis of allocations by appropriations and departments, and the balances remaining available for allocation under the several appropriations is contained in Schedule 1.

From the allocations of \$4,131,775,663 authorized by the President, disbursements have been made in the amount of \$2,787,798.52, thus leaving an unexpended balance of \$4,128,987,864.48. An analysis of the unexpended balance, which is represented by credits in the Treasury subject to requisition by departments, and credits with their disbursing officers available for making payments, is contained in Schedule 2.

The cash transactions under the appropriation may be summarized as follows: appropriation funds remaining available for allocation by the President, \$2,868,224,317; appropriation credits consisting of funds subject to requisition from the Treasury, and funds with disbursing officers, \$4,128,987,864.48; and appropriation disbursements, \$2,787,798.52— in all, making a total of \$7,000,000,000.

The unexpended allocations of \$4,128,967,864.48, as reported by the departments, consists of \$3,625,288,373.66 available for obligation on which no legal commitment, requisition, or other encumbrance has as yet been made; and unliquidated obligations of \$443,699,510.82. In view of the fact that the obligations as reported by the departments include requisitions and other encumbrances on which legal obligations have not been incurred, an analysis has been made of such obligations. This analysis shows that legal commitments, consisting of contracts with commercial concerns and procurement orders placed with government facilities amounted to \$356,224,900.32. Of this amount \$2,787,793.52 has been disbursed, leaving an unliquidated balance of \$353,437,101.80. The amounts encumbered for requisitions for contracts and orders amounted to \$90,262,409.02. This amount, and the unliquidated legal obligations of \$353,437,101.80, total \$443,699,510.82. An analysis of allocations, obligations, disbursements and unexpended balances by departments, and thereunder according to purpose classifications is contained in Schedule 5.

EXPENDED FUNDS

The expended funds consist of \$2,787,793.52 disbursed for services and materials, and \$45,784,334.42 owed to vendors on unvouchered invoices and unaudited vouchers, thus making the total accrued expenditures \$48,572,132.94. These expenditures were made

for the following purposes as provided in the Acts

Defense articles delivered to foreign governments	\$ 6,121,430.87
Defense articles procured for foreign governments and awaiting delivery	140,722.99
Defense articles services, including testing, inspecting, proving, reconditioning, etc.....	1,227,414.86
Construction or acquisition of production facilities	17,334,028.00
Construction and acquisition of vessels	23,746,021.95
Administrative expenses for the Executive Office	1,469.41
Undistributed charges	<u>1,043.26</u>
Total	\$48,572,132.94

SHIP OPERATIONS

In addition to the authority to transfer to foreign governments defense articles procured under the Defense Aid Supplemental Appropriation Act, 1941, the President may also transfer defense articles procured from appropriations made prior to March 11, 1941, not to exceed in value \$1,300,000,000. Defense articles delivered under this latter authority were valued by the departments at \$40,666,370.37. As heretofore indicated, defense articles costing \$6,121,430.87, procured under the Defense Aid Supplemental Appropriation Act, 1941, were also delivered to foreign governments. The value of defense articles delivered from appropriations made prior to March 11, 1941 and the cost of defense articles delivered under the Defense Aid Supplemental Appropriation Act, 1941 total \$46,807,801.24. An analysis of deliveries by class of articles is contained in Schedules 4 and 6.

**FINANCIAL STATEMENT OF FUNDS AND OPERATIONS
UNDER AN ACT TO PROMOTE THE INTERESTS OF THE UNITED STATES**

SCHEDULE A

AS OF MAY 31, 1942

APPROPRIATED FUNDS					
Allocated by the President	(Schedule 1)	\$2,668,224,327.00	Unallocated Appropriations	(Schedule 1)	\$2,668,224,327.00
Unexpended Allotments	(Schedule 2)	4,128,987,884.48	Unobligated Allotments	(Schedule 5)	3,688,388,377.66
Expended Allotments	(Schedules 3, 5, 7)	2,787,798.52	Unobligated Obligations	(Schedule 5)	443,600,950.34
			Appropriation Disbursements	(Schedules 3, 5, 7)	2,787,798.52
TOTAL		7,000,000,000.00	TOTAL		7,000,000,000.00

EXPENDED FUNDS					
Defense Articles Delivered to Foreign Governments	(Schedules 3, 6)	6,122,430.87	Appropriation Disbursements	(Schedules 3, 5, 7)	2,787,798.52
Defense Articles on Hand	(Schedule 3)	148,782.99	Accounts and Claims Payable	(Schedule 3)	46,784,334.42
Defense Articles Serviced	(Schedule 3)	1,227,416.86			
Production Facilities - In Process	(Schedule 3)	27,334,028.00			
Vessels - In Process	(Schedule 3)	23,714,021.75			
Administrative Expenses	(Schedule 3)	1,469.42			
Undistributed Charges - Sundry	(Schedule 3)	1,043.26			
TOTAL		48,978,132.94	TOTAL		48,978,132.94

OTHER OPERATIONS					
Defense Articles Delivered From Appropriations Made Prior to March 11, 1942	(Schedule 4)	60,626,370.39	Credits Subject to Transfer to Other Appropriations on Decision of the President or Comptroller Deliveries	(Schedule 4)	60,626,370.39

DEPARTMENT OF APPROPRIATIONS AND ALLOCATIONS
UNDER THE DEFENSE AND SUPPLEMENTAL APPROPRIATION ACT, 1943

FIGURE 1

AS OF MAY 15, 1943

ACT LINEATION	AMOUNT OF APPROPRIATION	ALLOCATIONS BY THE FUNDING						TOTAL ALLOCATIONS	UNALLOCATED APPROPRIATIONS
		WAR DEPARTMENT	NAVY DEPARTMENT	NAVY COMMISSION	TREASURY (PROCUREMENT)	AGRICULTURAL FEDERAL SURPLUS COMMISSION	REGULATIONS		
Ordnance and Ordnance Stores	\$2,343,000,000	\$468,339,323	\$855,379,230	-	-	-	-	\$685,454,343	\$427,345,427
Aircraft and Aeronautical Material	2,054,000,000	1,821,954,621	99,345,000	-	\$2,400,000	-	-	1,923,724,621	130,275,379
Tanks and other Vehicles	362,000,000	269,628,530	-	-	42,000	-	-	269,670,530	92,329,470
Vessels and other Watercraft	629,000,000	-	41,028,000	\$300,000,000	-	-	2/ 849,000	341,077,000	287,923,000
Miscellaneous Military Equipment	260,000,000	100,376,023	12,169,000	-	3,725,000	-	-	116,270,023	143,729,977
Facilities and Equipment	729,000,000	23,000,000	49,170,000	20,000,000	-	-	-	92,170,000	636,830,000
Agricultural, Industrial and other Commodity	1,339,000,000	2,322,240	20,000,000	-	133,444,974	\$42,430,000	-	177,197,214	1,161,802,786
Testing, Reconditioning, etc., of Defense Articles	200,000,000	1,024,000	20,000,000	4,300,000	-	-	-	25,348,000	174,652,000
Services and Expenses	40,000,000	2,773,605	-	-	1,000	-	-	2,774,605	37,225,395
Administrative Expenses	20,000,000	-	-	-	24,000	-	1/ 127,305	151,305	18,848,695
TOTAL	\$7,000,000,000	\$2,687,793,025	\$937,421,230	\$354,300,000	\$139,643,243	\$42,430,000	\$277,305	\$4,132,774,608	\$2,867,225,392

1/ Allocation to Treasury Department - Cash Fund \$420,000
 Allocation to Office for Emergency Management 127,305
 Allocation to Executive Office of The President 25,000
 Allocation to Office of Foreign Agricultural Relations 2,305

**STATEMENT OF AVAILABLE FUNDS
EXPEND AND SUPPLEMENTAL APPROPRIATION ACT, 1941**

**FORM NO. 1
(March 1)**

AS OF MAY 30, 1941

DEPARTMENT AND APPROPRIATION	FUND WITH TREASURY	FOR OTHER FUNDS	FUND TOTAL	WITH RECOVERIES OFFERED	TOTAL
WAR DEPARTMENT					
Ordnance and Ordnance Stores	8448,997,113.00	81,043.26	8449,078,156.26	-	8449,078,156.26
Aircraft and Aeronautical Material	1,802,984,421.00	-	1,802,984,421.00	-	1,802,984,421.00
Tanks and other Vehicles	289,898,590.00	-	289,898,590.00	-	289,898,590.00
Miscellaneous Military Equipment	103,770,013.00	-	103,770,013.00	-	103,770,013.00
Facilities and Equipment	23,000,000.00	-	23,000,000.00	-	23,000,000.00
Agricultural, Industrial, and other Commissions	2,511,303.00	-	2,511,303.00	-	2,511,303.00
Testing, Reconditioning, etc. of Defense Articles	3,888,888.00	-	3,888,888.00	-	3,888,888.00
Services and Expenses	2,773,405.00	-	2,773,405.00	-	2,773,405.00
SUBTOTAL	2,867,793,695.00	1,043.26	2,867,794,738.26	-	2,867,794,738.26
NAVY DEPARTMENT					
Ordnance and Ordnance Stores	355,899,290.00	214,000.00	356,113,290.00	-	356,113,290.00
Aircraft and Aeronautical Material	99,345,000.00	-	99,345,000.00	-	99,345,000.00
Vessels and other Watercraft	41,088,000.00	-	41,088,000.00	-	41,088,000.00
Miscellaneous Military Equipment	12,169,000.00	-	12,169,000.00	-	12,169,000.00
Facilities and Equipment	49,170,000.00	-	49,170,000.00	-	49,170,000.00
Agricultural, Industrial, and other Commissions	30,000,000.00	-	30,000,000.00	-	30,000,000.00
Testing, Reconditioning, etc. of Defense Articles	20,620,000.00	-	20,620,000.00	-	20,620,000.00
SUBTOTAL	577,431,290.00	214,000.00	577,645,290.00	-	577,645,290.00
NAVY COMMISSIONS					
Vessels and other Watercraft	475,000,000.00	-	475,000,000.00	221,923,280.42	696,923,280.42
Facilities and Equipment	25,000,000.00	-	25,000,000.00	24,427,325.97	49,427,325.97
Testing, Reconditioning, etc. of Defense Articles	-	-	-	4,477,325.99	4,477,325.99
SUBTOTAL	500,000,000.00	-	500,000,000.00	230,827,932.38	730,827,932.38
TREASURY DEPARTMENT					
Aircraft and Aeronautical Material	2,400,000.00	-	2,400,000.00	-	2,400,000.00
Tanks and other Vehicles	42,000.00	-	42,000.00	-	42,000.00
Vessels and other Watercraft	490,000.00	-	490,000.00	-	490,000.00
Miscellaneous Military Equipment	3,725,000.00	-	3,725,000.00	-	3,725,000.00
Agricultural, Industrial, and other Commissions	130,444,974.00	-	130,444,974.00	2,824,344.37	133,269,318.37
Services and Expenses	5,000.00	-	5,000.00	-	5,000.00
Administrative Expenses	24,269.00	-	24,269.00	-	24,269.00
SUBTOTAL	137,997,243.00	-	137,997,243.00	2,824,344.37	140,821,587.37

STATEMENT OF AVAILABLE FUNDS
DEFENSE AND SUPPLEMENTAL APPROPRIATION ACT, 1943

SCHEDULE 2
 (Sheet 2)

AS OF MAY 15, 1943

DEPARTMENT AND APPROPRIATION	FUNDS WITH TREASURY	DUE OTHER FUNDS	SUB TOTAL	WITH DISBURSING OFFICE	TOTAL
DEPARTMENT OF AGRICULTURE					
Agricultural, Industrial and other Commodities	5,230,000.00	-	5,230,000.00	36,200,000.00	41,430,000.00
Administrative Expenses	2,305.00	-	2,305.00	-	2,305.00
SUBTOTAL	5,232,305.00	-	5,232,305.00	36,200,000.00	41,432,305.00
EXECUTIVE OFFICE OF THE PRESIDENT					
Administrative Expenses	22,000.00	-	22,000.00	101,530.99	123,530.99
SUBTOTAL	22,000.00	-	22,000.00	101,530.99	123,530.99
GRAND TOTAL	\$4,037,992,683.00	\$227,043.26	\$4,037,795,639.74	\$48,232,344.74	\$4,128,997,884.48

**STATEMENT OF DISTRIBUTION OF EXPENDITURES
UNDER THE DEFENSE AND SUPPLEMENTAL APPROPRIATION ACT, 1941**

SUMMARY

AS OF MAY 31, 1941

CLASSIFICATION AND ANALYSIS OF EXPENDITURES	WAR DEPARTMENT	NAVY DEPARTMENT	WRITERS COMMISSION	TREASURY	AGRICULTURE	EXECUTIVE OFFICE	TOTAL
CLASSIFICATION OF EXPENDITURES							
Defense Articles on Hand	✓ \$140,722.99	-	-	-	-	-	140,722.99
Defense Articles Delivered to Foreign Governments	✓ 221,977.30	-	-	8175,735.73	5,733,777.94	-	6,121,430.97
Defense Articles Forwarded	-	8556,356.05	8671,060.61	-	-	-	1,727,416.66
Administrative Expenses	-	-	-	-	-	1,469.41	1,469.41
Undistributed Charges	-	-	-	-	-	-	-
Vessels and Equipment for Vessels	-	216,000.00	23,530,021.95	-	-	-	23,746,021.95
Facilities and Equipment for Production	-	-	17,334,028.00	-	-	-	17,334,028.00
Sundry	1,043.26	-	-	-	-	-	1,043.26
TOTAL EXPENDITURES	353,723.05	772,356.05	41,535,126.76	175,735.73	5,733,777.94	1,469.41	48,570,130.94
ANALYSIS OF EXPENDITURES							
Accounts Payable	352,679.79	556,356.05	39,142,350.44	-	5,733,777.94	-	45,784,334.22
Not Disbursed	1,043.26	216,000.00	2,392,776.32	175,735.73	-	1,469.41	2,877,954.72
TOTAL EXPENDITURES	353,723.05	772,356.05	41,535,126.76	175,735.73	5,733,777.94	1,469.41	48,570,130.94

✓ Defense articles on hand consist of signal equipment, supplies and materials.

✓ In addition to the cost of defense articles delivered to foreign governments, \$221,977.30, other deliveries were made of articles produced under the Defense and Supplemental Appropriation Act, 1941, in the amount of \$709,821.00, on which delivery and other documents are in transit to the War Department.

**DELIVERIES OF DEFENSE ARTICLES
UNDER AN ACT TO PROMOTE THE DEFENSE OF THE UNITED STATES
PROCESSED FROM APPROPRIATIONS MADE PRIOR TO MARCH 22, 1943**

SCHEDULE A

AS OF MAY 31, 1943

WAR DEPARTMENT

Ammunition

Small Arms Ammunition \$245,844.00
 Artillery Ammunition 2,077,545.38
 Aircraft Bomb and Pyrotechnics 761,542.00
 Explosives and Misc. Ammunition 443,022.00

Ordnance Material

Small Arms and Infantry Weapons 32,346.00
 Artillery Material 7,766,023.00

Aircraft

Bomber, Interceptor and Fighter 964,874.00

Ordnance Vehicles

Tanks 7,851,400.00
 Other Ordnance Combat Vehicles 2,547,922.00
 Ordnance Tractors and Special Vehicles 270,000.00

Other Than Ordnance Vehicles

Trucks 3,005,807.00
 Quartermaster Equipment and Material 622,900.00
 Medical Equipment and Material 13,900.00
 Chemical Warfare Equipment 1,702,700.00

34,306,445.38

NAVY DEPARTMENT

Ammunition

Artillery Ammunition \$48,160.00
 Aircraft Bomb and Pyrotechnics 14,500.00

Ordnance Material

Naval Ordnance 1,624,600.00

Aircraft

Bomber, Interceptor and Fighter 1,574,975.00

Engines, and Spare Parts

Accessories and Other Parts 10,700.00
 Other Than Aircraft 22,000.00

Interceptors

Combatant 1,261,000.00
 Equipment 29,140.00

1,290,140.00

NAVY COMMISSION

Interceptors (on Charter Hire)

Equipment 10,400,000.00

TREASURY (NAVY SHARE)

Interceptors

Bomb Auxiliary and Small Craft 10,604,800.00

TOTAL \$40,686,370.38

**STATEMENT OF
ALLOCATIONS, OBLIGATIONS, DISBURSEMENTS
AND UNLIQUIDED BALANCE**

SCHEDULE 3
(Sheet 1)

AS OF MAY 15, 1941

DEPARTMENT APPROPRIATIONS PURPOSES	ALLOCATIONS ISSUED	OBLIGATIONS INCURRED	DISBURSEMENTS MADE	UNLIQUIDED BALANCES	
				UNOBLIGATED ALLOCATIONS	UNLIQUIDATED OBLIGATIONS
WAR DEPARTMENT					
DEFENSE AID, ORDNANCE AND ORDNANCE STORES					
Ammunition	\$260,160,344.00	\$21,819,431.35	\$231.69	\$238,340,912.65	\$21,819,199.66
Ordnance Material	351,980,461.00	6,198,034.48	811.57	345,782,426.52	6,197,222.91
Undistributed	28,416,308.00	-	-	28,416,308.00	-
DEFENSE AID, AIRCRAFT AND AERONAUTICAL MATERIAL					
Aircraft	1,617,133,607.00	81,167,066.16	-	1,535,966,540.84	81,167,066.16
Aircraft-Engines, Spare Parts and Accessories	149,685,014.00	-	-	149,685,014.00	-
General Aeronautical Supplies and Equipment	10,168,000.00	12,901.00	-	10,155,099.00	12,901.00
Modernization and reconditioning of Completed Aircraft	25,000,000.00	-	-	25,000,000.00	-
DEFENSE AID, TANKS AND OTHER VEHICLES					
Tanks	138,810,000.00	-	-	138,810,000.00	-
Other than Ordnance Vehicles	60,000,000.00	3,818,743.65	-	56,181,256.35	3,818,743.65
Undistributed	281,550.00	-	-	281,550.00	-
Other Ordnance Combat Vehicles (Except Tanks)	90,767,000.00	-	-	90,767,000.00	-
DEFENSE AID, MISCELLANEOUS MILITARY EQUIPMENT					
Quartermaster Equipment, Supplies and Materials	6,569,504.00	-	-	6,569,504.00	-
Chemical Warfare Equipment, Supplies and Equipment	5,739,800.00	-	-	5,739,800.00	-
Signal Equipment, Supplies and Materials	75,552,895.00	2,096,306.96	-	73,456,588.04	2,096,306.96
Engineer Equipment, Supplies and Material	9,707,394.00	1,169,146.17	-	8,538,247.83	1,169,146.17
Aircraft Equipment, Supplies and Material	1,668,420.00	-	-	1,668,420.00	-
Undistributed	4,000,000.00	-	-	4,000,000.00	-
DEFENSE AID, FACILITIES AND EQUIPMENT					
Machinery and Equipment	8,000,000.00	-	-	8,000,000.00	-
Undistributed	15,000,000.00	-	-	15,000,000.00	-
DEFENSE AID, AGRICULTURAL, INDUSTRIAL AND OTHER COMMODITIES AND ARTICLES					
Petroleum and Coal Products	1,000,000.00	-	-	1,000,000.00	-
Undistributed	1,511,103.00	-	-	1,511,103.00	-
DEFENSE AID, TESTING, RECONDITIONING, ETC., OF DEFENSE ARTICLES					
Other Defense Articles	3,828,880.00	-	-	3,828,880.00	-
DEFENSE AID, SERVICES AND EXPENSES					
Miscellaneous and Contingent Expenses	2,773,605.00	-	-	2,773,605.00	-
GENERAL					
Stock Fund and Shop Expenses	-	Cr. 30,574.44	-	30,574.44	Cr. 30,574.44
SUBTOTAL	2,867,793,885.00	116,251,055.33	1,043.26	2,751,542,829.67	116,250,012.07
NAVY DEPARTMENT					
DEFENSE AID, ORDNANCE AND ORDNANCE STORES					
Ammunition	70,100,000.00	16,496,655.00	216,000.00	54,603,345.00	15,280,655.00
Ordnance Material	170,199,290.00	19,626,726.55	-	150,572,563.45	19,626,726.55

**STATEMENT OF
ALLOTMENT, COLLECTION, DISBURSEMENT
AND UNEXPENDED BALANCE**

PAGE 1
(OF 2)

AS OF MAY 15, 1962

DEPARTMENT APPROPRIATION PURPOSE	ALLOTMENT ISSUED	COLLECTION ISSUED	DISBURSEMENT ISSUE	UNEXPENDED BALANCE	
				UNEXPENDED ALLOTMENT	UNEXPENDED COLLECTION
NAVY DEPARTMENT (Continued)					
Unallocated	15,000,000.00	-	-	15,000,000.00	-
DEFENSE AID, AIRCRAFT AND AERONAUTICAL MATERIAL					
Aircraft	97,333,000.00	67,337,613.00	-	30,000,000.00	67,337,613.00
General Aeronautical Supplies and Equipment	12,000.00	20,000.00	-	20,000.00	20,000.00
DEFENSE AID, VEHICLES AND OTHER WATERCRAFT					
Watercraft	24,697,000.00	2,343,690.00	-	22,353,310.00	2,343,690.00
Equipment	2,462,000.00	139,829.00	-	2,322,171.00	139,829.00
Unallocated	14,890,000.00	-	-	14,890,000.00	-
DEFENSE AID, MISCELLANEOUS MILITARY EQUIPMENT					
Quartermaster Equipment, Supplies and Materials	12,124,000.00	-	-	12,124,000.00	-
Engineer Equipment, Supplies and Materials	42,000.00	-	-	42,000.00	-
DEFENSE AID, FACILITIES AND EQUIPMENT					
Unallocated	49,370,000.00	-	-	49,370,000.00	-
DEFENSE AID, AGRICULTURAL, INDUSTRIAL AND OTHER CONSTRUCTION					
Equipment, Materials and Other Charges for Naval and Military Bases	20,000,000.00	2,405,986.66	-	17,594,013.34	2,405,986.66
DEFENSE AID, TESTING, RECONDITIONING, ETC., OF DEFENSE ARTICLES					
Vehicles	10,530,000.00	5,321,977.50	-	5,208,022.50	5,321,977.50
Other Defense Articles	20,000,000.00	2,337,488.00	-	17,662,512.00	2,337,488.00
Defense Aid Stores	527,431,333.00	116,366,519.78	216,000.00	411,064,793.22	116,366,519.78
SUBTOTAL g/					
NAVY DEPARTMENT					
DEFENSE AID, VEHICLES AND OTHER WATERCRAFT	200,000,000.00	143,590,011.95	2,024,979.38	156,409,979.65	143,590,011.95
Watercraft					
DEFENSE AID, FACILITIES AND EQUIPMENT	20,000,000.00	43,788,054.00	374,794.00	16,211,946.00	43,413,290.00
Acquisition of Land and Appurtenances					
DEFENSE AID, TESTING, RECONDITIONING, ETC., OF DEFENSE ARTICLES	4,000,000.00	671,060.82	2,076.78	3,328,939.20	668,984.04
Vehicles	204,000,000.00	188,009,136.75	2,392,590.12	156,409,946.24	188,009,136.75
SUBTOTAL					
TREASURY DEPARTMENT (PROCUREMENT)					
DEFENSE AID, AIRCRAFT AND AERONAUTICAL MATERIAL	2,400,000.00	-	-	2,400,000.00	-
Aircraft					
DEFENSE AID, TANKS AND OTHER VEHICLES	42,000.00	-	-	42,000.00	-
Other Than Ordnance Vehicles					
DEFENSE AID, MISCELLANEOUS MILITARY EQUIPMENT	2,358,000.00	-	-	2,358,000.00	-
Quartermaster Equipment, Supplies and Materials					

**STATEMENT OF
ALLOCATIONS, OBLIGATIONS, DISBURSEMENTS
AND UNEXPENDED BALANCES**

FORM NO. 1
(March 1942)

AS OF MAY 15, 1942

DEPARTMENT APPROPRIATIONS PURPOSES	ALLOCATIONS INCURRED	OBLIGATIONS INCURRED	DISBURSEMENTS MADE	UNEXPENDED BALANCES	
				UNOBLIGATED ALLOCATIONS	UNLIQUIDATED OBLIGATIONS
TRADESMAN DEPARTMENT (PROCUREMENT) (Seafarers)					
DEFENSE AID, AGRICULTURAL, INDUSTRIAL AND OTHER COMMODITIES					
Machinery, Equipment, Materials, and Supplies	4,878,274.00	1,785,056.56	128,625.00	3,093,217.44	1,656,431.56
Metallurgical Minerals	122,028,900.00	199,408.00	-	121,829,492.00	199,408.00
Non-Metallurgical Minerals	1,250,000.00	-	-	1,250,000.00	-
Petroleum and Coal Projects	1,898,400.00	-	-	1,898,400.00	-
All Other Commodities and Articles not Otherwise Classified	3,572,800.00	136,822.14	47,110.73	3,435,977.86	69,711.41
DEFENSE AID, SERVICES AND EXPENSES					
Miscellaneous Services and Expenses	5,000.00	-	-	5,000.00	-
DEFENSE AID, ADMINISTRATIVE EXPENSES					
Personal Services	14,309.00	-	-	14,309.00	-
Supplies and Materials	908.00	-	-	908.00	-
Communication Service	2,900.00	-	-	2,900.00	-
Travel Expenses	4,000.00	-	-	4,000.00	-
Equipment	4,260.00	-	-	4,260.00	-
SUBTOTAL	139,843,243.00	2,021,286.70	175,735.73	137,761,956.30	1,905,550.97
TRADESMAN DEPARTMENT (COAST GUARD)					
DEFENSE AID, VESSELS AND OTHER WATERCRAFT Equipment	450,000.00	-	-	450,000.00	-
SUBTOTAL	450,000.00	-	-	450,000.00	-
DEPARTMENT OF AGRICULTURE (FEDERAL SUPPLY COMMISSION CORPORATION)					
DEFENSE AID, AGRICULTURAL, INDUSTRIAL, AND OTHER COMMODITIES					
Agricultural Projects - Feedstuffs	21,430,000.00	22,800,249.00	-	15,529,071.00	22,800,249.00
Agricultural Projects - Other Than Feedstuffs	3,000,000.00	872,150.94	-	2,127,849.06	872,150.94
SUBTOTAL	24,430,000.00	23,672,399.94	-	17,656,920.06	23,672,399.94
DEPARTMENT OF AGRICULTURE - OFFICE OF FOREIGN AGRICULTURAL RELATIONS					
DEFENSE AID, ADMINISTRATIVE EXPENSES	2,305.00	-	-	2,305.00	-
SUBTOTAL	2,305.00	-	-	2,305.00	-
EXECUTIVE OFFICE OF THE PRESIDENT					
DEFENSE AID, ADMINISTRATIVE EXPENSES					
Personal Services	25,000.00	1,469.42	1,469.42	23,530.58	-
Travel Expenses	1,500.00	-	-	1,500.00	-
SUBTOTAL	26,500.00	1,469.42	1,469.42	25,030.58	-

**STATEMENT OF
ALLOCATIONS, OBLIGATIONS, DISBURSEMENTS
AND UNEXPENDED BALANCES**

SCHEDULE 5
(Sheet 4)

AS OF MAY 15, 1941

DEPARTMENT APPROPRIATIONS PURPOSES	ALLOCATIONS ISSUED	OBLIGATIONS INCURRED	DISBURSEMENTS MADE	UNOBLIGATED ALLOCATIONS	UNLIQUIDATED OBLIGATIONS
OFFICE FOR EMERGENCY MANAGEMENT DEFENSE AID, ADMINISTRATIVE EXPENSES Equipment and Supplies	100,000.00	10,741.49	-	89,258.51	10,741.49
SUBTOTAL	100,000.00	10,741.49	-	89,258.51	10,741.49
GRAND TOTAL ^{a/}	\$4,131,775,683.00	\$446,487,309.34	\$2,787,796.52	\$3,685,288,373.66	\$443,699,510.82

^{a/} The foregoing statement includes \$90,262,409.02 on internal requisitions of the Navy Department for which contracts have not been awarded.

An analysis of obligations and letter contracts and letters of intent of the War Department is reflected on Sheet 6 of Schedule 5.

An analysis of obligations and requisitions of the Navy Department is reflected on Sheet 5 of Schedule 5.

ANALYSIS OF OBLIGATIONS OF THE NAVY DEPARTMENT

SCHEDULE 5
(Sheet 5)

AS OF MAY 15, 1941

APPROPRIATION	REQUISITION	LEGAL OBLIGATIONS	TOTAL REQUISITIONS AND OBLIGATIONS
Ordnance and Ordnance Stores	\$19,165,881.55	\$15,957,500.00	\$35,123,381.55
Aircraft and Aeronautical Material	67,587,815.00	800.00	67,588,615.00
Vessels and other Watercraft	456,941.00	2,026,538.00	2,483,479.00
Agricultural, Industrial, and other Commodities	269,335.92	2,336,650.74	2,605,986.66
Testing, Reconditioning, etc. of Defense Articles	2,782,435.55	5,776,621.95	8,559,057.50
TOTAL	\$90,262,409.02	\$26,098,110.69	\$116,360,519.71

ANALYSIS OF OBLIGATIONS OF THE WAR DEPARTMENT

AS OF MAY 15, 1941

2. SCHEDULE 3
(Sheet 6)

APPROPRIATIONS	LEGAL OBLIGATIONS	LETTER CONTRACTS AND LETTERS OF INTENT	TOTAL LEGAL OBLIGATIONS, LETTER CONTRACTS AND LETTERS OF INTENT
Ordnance and Ordnance Stores	\$27,986,891.39	\$122,654,533.00	\$150,641,424.39
Aircraft and Aeronautical Material	81,179,987.16	16,690,410.00	97,870,377.16
Tanks and Other Vehicles	3,818,743.65	5,831,244.00	9,649,987.65
Miscellaneous Military Equipment	3,265,453.13	-	3,265,453.13
Agricultural, Industrial and other Commodities	-	173,750.00	173,750.00
TOTAL	\$116,251,055.33	\$148,349,977.00	\$264,600,992.33

**STATEMENT OF DELIVERIES OF DEFENSE ARTICLES
UNDER AN ACT TO PROMOTE THE INTERESTS OF THE UNITED STATES
FROM ARTICLES PROCURED FROM DEFENSE AID SUPPLEMENTAL
APPROPRIATION ACT, 1941**

SCHEDULE 6

AS OF MAY 15, 1943

WAR DEPARTMENT		DEPARTMENT OF AGRICULTURE	
Tanks and other Vehicles		Agricultural, Industrial and other Commodities	
Other than Ordnance Vehicles		Agricultural Products - Foodstuffs	
Tanks	<u>\$211,977.20</u>	Dairy Products and Eggs	3,305,535.00
Total, War Department g/.....	211,977.20	Meat, Fish, and Poultry	22,077.00
TREASURY DEPARTMENT (PROCUREMENT)		Fruits, Vegetables, and Hides	1,977,805.00
Agricultural, Industrial and other Commodities		Agricultural Products - Other than Foodstuffs	
Machinery, Equipment, Materials and Supplies		Tobacco	<u>879,190.84</u>
Fire-Fighting Equipment, Materials and Supplies	128,423.00	Total, Department of Agriculture..	5,223,727.84
All other Commodities and Articles not otherwise Classified.....	<u>47,120.73</u>	Total, All Agencies g/.....	54,143,430.67
Total, Treasury Department, (Procurement)	175,543.73		

g/ In addition to the cost of defense articles delivered to foreign governments by the War Department in the amount of \$211,977.20, other deliveries were made of articles procured under the Defense Aid Supplemental Appropriation Act, 1941, in the amount of \$709,821.80, on which delivery receipts and other documents are in transit to the War Department.

STATEMENT OF CUMULATIVE OBLIGATIONS BY OBJECTIVE CLASSIFICATION
UNDER IMPROVE AND SUPPLEMENTAL APPROPRIATION ACT, 1941

SCHEDULE 7

AS OF MAY 15, 1941

DEPARTMENT	EQUIPMENT	SUPPLIES AND MATERIALS	REPAIRS AND ALTERATIONS	PERSONAL SERVICES	SPECIAL AND MISCELLANEOUS CURRENT EXPENSES	UNDEVELOPED CHARGES	TOTAL
Navy Department	\$411.97	\$231.69	-	-	-	\$116,230,082.47	\$116,231,025.29
Navy Department	-	224,000.00	-	-	-	116,344,529.73	116,345,529.73
Nutrition Commission	187,331,075.05	-	\$872,060.81	-	-	-	188,203,135.86
Treasury Department Procurement Division	1,280,610.80	890,648.34	-	-	\$27.56	-	2,171,286.70
Department of Agriculture Federal Surplus Commodities Corporation	-	23,773,099.94	-	-	-	-	23,773,099.94
Office For Emergency Management	-	-	-	-	-	10,741.49	10,741.49
Executive Office of the President	-	-	-	\$1,469.41	-	-	1,469.41
TOTAL	\$188,529,498.32	\$24,879,779.97	\$872,060.81	\$1,469.41	\$27.56	\$116,405,873.27	\$446,687,309.34

RECAPITULATION OF TOTAL OBLIGATIONS

Liquid Obligations (Schedule 5) \$443,699,510.81
 Deburements (Schedule 3) 2,787,798.53
\$446,487,309.34

**FEDERAL STATE OF ALLOCATIONS BY DEPARTMENT
UNDER THE DEFENSE AND SUPPLEMENTAL APPROPRIATION ACT, 1943**

PAGE 2
(Sheet 1)

AS OF MAY 15, 1943

PURPOSE CLASSIFICATION AND DEPARTMENT	ALLOCATIONS	OBIGATIONS	DISBURSED	UNLIQUIDATED ALLOCATIONS	UNLIQUIDATED OBIGATIONS
Ordnance and Ordnance Stores					
War Department	\$640,597,113.00	\$27,985,891.39	\$2,043.26	\$612,570,221.61	\$27,985,848.13
Navy Department	255,299,250.00	35,123,382.55	236,000.00	200,175,868.45	34,907,582.55
	895,896,363.00	63,110,272.94	217,043.26	812,746,090.06	62,893,430.68
Aircraft and Aeronautical Material					
War Department	1,801,986,621.00	\$1,179,987.16	-	1,799,806,633.84	\$1,179,987.16
Navy Department	99,345,000.00	87,588,615.00	-	11,756,385.00	87,588,615.00
Treasury Department	2,400,000.00	-	-	2,400,000.00	-
	1,903,731,621.00	148,768,582.16	-	1,754,763,038.84	148,768,582.16
Tanks and Other Vehicles					
War Department	289,898,550.00	3,818,743.65	-	286,079,806.35	3,818,743.65
Treasury Department	42,000.00	-	-	42,000.00	-
	289,900,550.00	3,818,743.65	-	286,081,806.35	3,818,743.65
Vessels and Other Watercraft					
Navy Department	41,028,000.00	2,483,479.00	-	38,544,521.00	2,483,479.00
Maritime Commission	500,000,000.00	143,590,881.95	2,016,079.38	356,449,920.65	141,573,842.57
Treasury Department	490,000.00	-	-	490,000.00	-
	541,478,000.00	146,073,500.95	2,016,079.38	395,444,479.65	144,057,421.57
Miscellaneous Military Equipment					
War Department	109,278,023.00	3,265,453.13	-	106,012,569.87	3,265,453.13
Navy Department	12,169,000.00	-	-	12,169,000.00	-
Treasury Department	3,785,000.00	-	-	3,785,000.00	-
	119,272,023.00	3,265,453.13	-	115,906,569.87	3,265,453.13
Facilities and Equipment					
War Department	23,000,000.00	-	-	23,000,000.00	-
Navy Department	49,170,000.00	-	-	49,170,000.00	-
Maritime Commission	30,000,000.00	43,788,054.00	374,794.00	6,211,946.00	43,413,259.97
	102,170,000.00	43,788,054.00	374,794.00	78,381,946.00	43,413,259.97

**FINANCIAL STATEMENT OF EXPENDITURE BY DEPARTMENT
UNDER THE DEFENSE AND SUPPLEMENTAL APPROPRIATION ACT, 1948**

**REVENUE 2
(PAGE 27)**

AS OF MAY 14, 1948

PURPOSE CLASSIFICATION AND DEPARTMENT	ALLOCATION	OBLIGATION	DISBURSEMENT	UNOBLIGATED ALLOCATION	UNOBLIGATED OBLIGATION
Agricultural, Industrial and Other Commissions					
War Department	2,521,307.00	-	-	2,521,307.00	-
Navy Department	50,000,000.00	2,601,986.66	-	47,398,013.34	2,601,986.66
Treasury Department	127,645,874.00	2,081,286.70	175,775.73	125,564,587.30	2,081,286.70
Agriculture Department	41,430,000.00	23,773,099.94	-	17,656,900.06	23,773,099.94
	227,586,077.00	26,460,373.30	175,775.73	199,125,703.70	26,460,373.30
Testing, Reconditioning, etc. of Defense Articles					
War Department	3,528,880.00	-	-	3,528,880.00	-
Navy Department	20,600,000.00	2,599,877.30	-	18,000,122.70	2,599,877.30
War Relocation Commission	4,900,000.00	671,060.61	2,676.72	4,228,939.29	668,383.89
	29,028,880.00	3,270,937.91	2,676.72	26,757,942.09	3,268,261.19
Services and Expenses					
War Department	2,773,605.00	-	-	2,773,605.00	-
Treasury Department	5,000.00	-	-	5,000.00	-
	2,778,605.00	-	-	2,778,605.00	-
Administrative Expenses					
Treasury Department	24,569.00	-	-	24,569.00	-
Agriculture Department	2,305.00	-	-	2,305.00	-
Office for Emergency Management	100,000.00	10,743.29	-	89,256.71	10,743.29
Executive Office of the President	27,000.00	1,669.41	1,469.41	25,530.59	-
	153,874.00	12,412.70	1,469.41	139,991.89	12,412.70
TOTAL	4,131,775,873.00	446,697,309.34	2,787,781.52	3,685,078,563.66	443,909,528.02

Columbia University
in the City of New York
SCHOOL OF BUSINESS

June 2, 1941

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

Dear Mr. Secretary:

It was a pleasure to participate in the excess profits tax discussion, and I greatly appreciate your note of May 23. Please consider me at your service if at any time I can be of assistance in the questions on fiscal policy.

Sincerely yours,

Carl Shoup

Carl Shoup

CS:RH

May 23, 1941

Dear Mr. Shoup:

I just want to thank you again, for myself and for all of us here at the Treasury, for the many hours of work you put in on the tax statement last week.

You were of great help and I appreciate very much the assistance you gave us.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Carl Shoup,
Columbia University,
New York, N. Y.

FK/hkb

5/22/41

Enc:

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

ORIGINAL FORWARDED TO ADDRESSEE
FROM OFFICE OF THE SECRETARY

3.14

Miss Chauncey

111

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 2, 1941

Secretary Morgenthau

FROM Mr. Cochran

STRICTLY CONFIDENTIAL

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

	<u>No. of Shares Sold</u>	<u>\$ Proceeds of Shares Sold</u>	<u>Nominal Value of Bonds Sold</u>	<u>\$ Proceeds of Bonds Sold</u>
May 26	17,705	256,483	70,000	45,660
27	24,961	385,781	1,467,000	425,329
28	13,408	495,345	250,000	98,740
29	35,509	779,980	620,000	366,173
30				
31	<u>1,025</u>	<u>58,416</u>	<u>Nil</u>	<u>Nil</u>
	92,608	1,976,005	2,407,000	935,902
Sales from 2/22/40 to 5/24/41	<u>9,122,227-1/2</u>	<u>264,783,275</u>	<u>38,905,050</u>	<u>33,746,739</u>
Total 2/22/40 to 5/31/41	<u>9,214,835-1/2</u>	<u>266,759,280</u>	<u>41,312,050</u>	<u>34,682,641</u>

B.M.C.

Miss Chambers

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 2, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

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

	\$ Proceeds of Shares Sold	\$ Proceeds of Bonds Sold	Total	
May 26	256,483	45,660	302,143	
27	385,781	425,329	811,110	
28	495,345	98,740	594,085	
29	779,980	366,173	1,146,153	
30				
31	<u>58,416</u>	<u>Nil</u>	<u>58,416</u>	
	1,976,005	935,902	2,911,907	
Sales from				
Feb. 22, 1940				
to May 24, 1941	<u>264,783,275</u>	<u>33,746,739</u>	<u>298,530,014</u>	
Total				
Feb. 22, 1940				
to May 31, 1941	<u>266,759,280</u>	<u>34,682,641</u>	<u>301,441,921</u>	301,441,921
\$ proceeds of non-vested securities sold				
May 19, 1941 - May 24, 1941			100,000	
\$ proceeds of non-vested securities sold				
Sept. 1, 1939 - May 17, 1941			<u>226,700,000</u>	
\$ proceeds of non-vested securities sold				
Sept. 1, 1939 - May 24, 1941			<u>226,800,000</u>	<u>226,800,000</u>
			<u>GRAND TOTAL</u>	<u>528,241,921</u>

June 2, 1941.

CONFIDENTIAL

Dear Mr. Knake:

Permit me to acknowledge, on behalf of the Secretary, the receipt of your letter of May 29, 1941, enclosing your compilation for the week ended May 21 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,

(Signed) H. Merle Cochran

H. Merle Cochran,
Technical Assistant to the Secretary.

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

HMC:dm:6/2/41

**FEDERAL RESERVE BANK
OF NEW YORK**

May 29, 1941.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. E. Marie Cochran

I am enclosing our compilation for the week ended May 21, 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,

(Signed) L. W. Knabe

L. W. Knabe,
Vice President.

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

Enclosure

CONF - 42 - 5/2/41

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended May 21, 1941.

Strictly Confidential

PERIOD	UNITED STATES GOVERNMENT								BANK OF FRANCE							
	DEBITS				CREDITS				Net Incr. (+) or Decr. (-) in Balance	DEBITS			CREDITS			
	Total Debits	Gov't Expenditures (a)	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities Official (b)	Other Credits (c)	Total Debits		Gov't Expenditures (d)	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	(+) or Decr. (-) in Balance	
First year of war (8/29/39-8/26/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	52.0	420.1	+ 35.0	866.3 (e)	416.6 (e)	449.7	1,035.3 (e)	900.2	195.1 (e)	+229.0	
1940																
Aug. 29 - Oct. 2	516.8	744.3	72.5	308.9	271.3	6.0	31.4	- 7.9	8.5	4.4	4.2	1.3	-	1.3	- 7.3	
Oct. 3 - 30	196.7	167.8	28.9	198.5	160.8	6.0	32.0	+ 1.8	0.5	0.3	0.2	0.5	-	0.5	-	
Oct. 31 - Nov. 27	241.0	201.1	39.9	259.5	210.0	18.0	31.5	+ 18.5	0.8	0.1	0.7	0.7	-	0.7	- 0.1	
Nov. 28 - Dec. 31	234.6	206.6	27.8	198.0	111.4	26.0	60.6	- 36.6	2.1	-	3.1	0.6	-	0.6	- 1.5	
Period through Dec. 31	2,782.3	1,425.6	1,356.72	793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1	
1941																
Jan. 2 - 29	197.4	162.7	34.7	259.9	176.2	52.0	31.7	+ 62.5	1.7	-	1.7	0.5	-	0.5	- 1.2	
Jan. 30 - Feb. 26	164.6	137.8	26.8	101.4	26.6	26.0	48.8	- 63.2	0.2	-	0.2	0.2	-	0.2	-	
Feb. 27 - Apr. 2	229.7	197.6	32.1	237.9	103.7	72.0	62.2	+ 8.2	0.7	-	0.7	1.6	-	1.6	- 0.9	
Apr. 3 - Apr. 30	126.0	101.9	24.1	218.9	125.6	15.0	78.3	+92.9	0.9	-	0.9	0.9	-	0.9	-	
May 1 - May 28																
May 29 - July 2																
July 3 - July 30																
July 31 - Aug. 27																
Second year of war (8/29/40-8/27/41)																
Aug. 28 - Oct. 1																
Oct. 2 - Oct. 29																
Oct. 30 - Dec. 3																
Dec. 4 - 31																
WEEK ENDED:																
April 30	27.0	20.7	6.3	15.1	-	4.0	11.1	-11.9	-	-	-	0.1	-	0.1	+ 0.1	
May 7	39.6	29.2	10.4	17.1	-	6.0	11.1	-22.3	0.2	-	0.2	0.2	-	0.2	-	
14	26.7	20.2	6.5	27.8	6.3	16.0	5.5	+ 1.1	0.1	-	0.1	0.1	-	0.1	-	
21	29.3	21.6	7.7 (f)	11.5	-	6.0	5.5	-17.8	0.1	-	0.1	0.2	-	0.2	+ 0.1	

Average Weekly Expenditures Since Outbreak of War
France (through June 19) \$19.6 million
England (through June 19) 27.6 million
England (since June 19) 50.7 million

Transfers from British Purchasing Commission to Bank of Canada for French Account
Week ended May 21 \$ 62.7 million
Cumulation from July 6 1940 662.7 million

(See footnotes on reverse side)

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

- (a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$80 million paid out on June 26, 1940 and returned the following day.
- (f) Includes \$3.2 million transferred to De Javasche Bank.

PERIOD	DEBITS					CREDITS					Total Debits	Transfers to Official British A/C		Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits									
						For Own A/C	For French A/C										
First year of war (8/29/39-8/29/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9	
1940																	
Aug. 29 - Oct. 2	44.3	-	44.3	43.9	16.4	-	27.3	0.2	- 0.4	8.7	2.5	6.2	8.0	6.7	1.3	- 0.7	
Oct. 3 - 30	22.7	-	22.7	28.6	14.0	-	14.3	0.3	+ 1.9	10.1	7.5	2.6	7.9	6.5	1.4	- 2.2	
Oct. 31 - Nov. 27	32.2	-	32.2	59.6	49.2	-	16.7	3.7	+ 34.4	3.1	0.6	2.5	5.6	2.1	1.5	+ 0.5	
Nov. 28 - Dec. 31	48.0	-	48.0	60.6	42.5	-	13.7	4.4	+ 12.6	4.8	-	4.8	6.8	4.6	2.0	+ 2.0	
Unrecorded through Dec. 1941	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+830.8	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5	
1941																	
Jan. 2 - 29	33.7	-	33.7	33.9	16.9	-	15.0	2.0	+ 0.8	4.6	-	4.8	6.8	5.1	1.7	+ 2.0	
Jan. 30 - Feb. 26	31.1	-	31.1	24.3	14.3	-	6.8	3.2	- 6.8	5.0	1.7	3.3	3.2	0.6	2.6	- 1.8	
Feb. 27 - Apr. 2	80.9	-	80.9	46.0	23.1	-	19.1	3.8	- 14.9	5.6	0.8	5.0	12.7	12.5	1.2	+ 7.9	
Apr. 3 - Apr. 30	34.9	-	34.9	35.9	12.5	-	10.5	12.9	+ 1.0	2.8	-	2.8	5.9	4.6	1.3	+ 3.1	
May 1 - May 28																	
May 29 - July 2																	
July 3 - July 31																	
July 31 - Aug. 27																	
Second year of war (8/29/40-8/27/41)																	
Aug. 28 - Oct. 1																	
Oct. 2 - Oct. 29																	
Oct. 30 - Dec. 3																	
Dec. 4 - 31																	
WEEK ENDED:																	
April 30	16.9	-	16.9	8.0	6.8	-	-	1.2	- 8.7	1.1	-	1.1	0.7	0.2	0.5	- 0.4	
May 7	2.0	-	2.0	12.2	3.5	-	0.5	2.2	+ 3.2	1.7	-	1.7	0.1	-	0.1	- 1.6	
14	8.3	-	8.3	4.4	3.7	-	-	0.7	- 3.7	0.2	-	0.2	0.1	-	0.1	- 0.1	
21	2.4	-	2.4	4.6	4.5	-	-	0.1	- 4.7	1.7	-	1.7	4.3	3.9	0.4	+ 2.6	

Weekly Average of Total Debits Since Outbreak of War

Through May 21, 1941 \$ 7.4 million

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

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE June 2, 1941

TO Secretary Morgenthau

CONFIDENTIAL

FROM Mr. Cochran

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£57,000
Purchased from commercial concerns	£27,000

The Federal Reserve Bank of New York sold £10,000 in registered sterling to the American Express Company.

In the open market, sterling was first quoted at 4.03-3/4. Around mid-afternoon, the rate moved to 4.03-1/2 and closed at that level. The only reported transactions consisted of the purchase of £5,000 from commercial concerns.

The Canadian dollar, which closed at 12-1/4% discount on Saturday, improved to 11-13/16% by the close today.

Continuing its improvement, the Argentine free peso advanced to .2388 this afternoon and closed there. This is the highest rate that has been recorded for that currency since September, 1939.

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

Swiss franc	.2321-1/2
Swedish krona	.2385
Reichsmark	.4005
Lira	.0526-1/4
Brazilian milreis (free)	.0505
Mexican peso	.2070
Cuban peso	2-1/8% discount

In Shanghai, the yuan declined 1/32¢ to 5-11/32¢. Sterling advanced 1-1/2¢ to 3.91.

There were no sales or purchases of gold effected by us today.

The Treasury issued licenses under both the Gold Reserve Act and Executive Order No. 8389, as amended, permitting the Federal Reserve Bank of New York to effect the following transfers of gold in its vaults:

\$1,125,000 in gold coin from the National Bank of Denmark's account to B.I.S. account No. 2. Gold in the latter account is the property of the B.I.S. This coin will be converted into U.S. Assay Office bars and then transferred to the account of the Bank of Portugal.

The afore-mentioned transfers represent (1) a purchase of gold by the B.I.S. from the Danish bank, for which payment will be made in dollars, and (2) a sale of gold by the B.I.S. to the Portuguese bank, with payment being made 90% in dollars and 10% in Swiss francs.

The Federal Reserve Bank of New York reported that the Central Bank of Peru shipped \$769,000 in gold from Peru to the Federal for its own account, disposition unknown.

The State Department forwarded cables to us reporting the following gold shipments:

\$4,480,000	from Australia, shipped by the Commonwealth Bank of Australia, Sydney, to the Federal Reserve Bank in San Francisco, for sale to the San Francisco Mint.
545,000	from Chile, shipped by the Central Bank of Chile to the Federal Reserve Bank of New York, disposition unknown.
153,000	from Australia, shipped by the Bank of New South Wales, Sydney, to the American Trust Company, San Francisco, for sale to the San Francisco Mint.
<u>\$5,178,000</u>	Total

We were informed that the Bombay gold price for May 31 was equivalent to \$34.04, unchanged from the quotation of May 24. Silver on May 31 was 5/16¢ higher at the equivalent of 44.47¢.

There was a holiday in London today, and no prices were fixed for silver.

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 565,000 ounces under the Silver Purchase Act, all of which represented new production silver, bought for forward delivery. Of this amount, 265,000 ounces came from Honduras, 200,000 ounces from Peru, and 100,000 ounces from various foreign countries.

We also purchased 400,000 ounces of silver from the Bank of Canada under our regular monthly agreement to buy up to 1,200,000 ounces from that source.



CONFIDENTIAL

- 2 -

The afore-mentioned transfers represent (1) a purchase of gold by the B.I.S. from the Danish bank, for which payment will be made in dollars, and (2) a sale of gold by the B.I.S. to the Portuguese bank, with payment being made 90% in dollars and 10% in Swiss francs.

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<u>\$5,178,000</u>	Total

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We also purchased 400,000 ounces of silver from the Bank of Canada under our regular monthly agreement to buy up to 1,200,000 ounces from that source.



CONFIDENTIAL

**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 31, 1941

	JAPAN	RUSSIA	SPAIN	GREAT BRITAIN
PETROLEUM PRODUCTS				
Fuel and Gas Oil (including Diesel Oil)	219,500 Bbls.	—	—	386,739 Bbls.
Crude -				
Blended or California High Octane Crude*	357,000 Bbls.	—	—	—
All Other Crude	195,143 Bbls.	—	—	—
Gasoline -				
Gasoline A**	—	—	—	74,020 Bbls.
Gasoline B*	18,000 Bbls.	—	—	112,714 Bbls.
All Other Gasoline	—	—	—	—
Lubricating Oil -				
Aviation Lubricating Oil***	558 Bbls.	—	—	—
All Other Lubricating Oil	36,082 Bbls.	—	—	—
Tetraethyl Lead***	—	—	—	—
Boosters, such as Iso-Octane, Iso-Hexane, or Iso-Pentane	—	—	—	—
SCRAP IRON AND SCRAP STEEL				
Number 1 Heavy Melting Scrap	—	—	—	2,300 Tons
All Other Scrap	—	—	—	—

Office of the Secretary of the Treasury, Division of Research and Statistics.
June 2, 1941.

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.

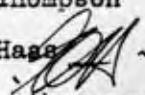
As defined in the President's regulations of July 26, 1940.

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE JUN 2 1941

TO Mr. Thompson

FROM Mr. Hagg 

In further response to your request of December 26, 1939, there is submitted herewith for the Division of Research and Statistics a memorandum listing, with brief descriptions, the studies or projects completed or under way, and the names of persons working on each, for the month of April 1941.

DIVISION OF RESEARCH AND STATISTICS

Report of Studies or Projects Completed or Under
Way, and the Names of Persons Working on Each,
for the month of April 1941

For convenience of reference, the studies listed are grouped under general subject heads.

The names shown for persons working on each project include only those who participated fairly directly, as explained in the introductory note to the corresponding report submitted on December 28, 1939. No attempt has been made to cover also persons whose responsibility in each particular case was mainly in planning, supervising, or consulting.

Financial Analysis

I. Projects or studies completed

1. Reviews of current developments in the high-grade securities markets were prepared, and memoranda were transmitted to the Secretary on April 2, 15, and 29. - Mr. Haas, Mr. Turner, Mr. Barnett

These reviews contained, in addition to analysis of the current situation, the following special studies:

- (a) Yield differentials of taxable and tax-exempt securities (Review of April 2, page 2). - Mr. Turner
- (b) RFC financing (Review of April 15, page 3). - Mr. Turner
- (c) The additional cost of borrowing by means of the issuance of taxable securities (Review of April 15, page 3. Also described below under Financial Analysis, I, as item 8). - Mr. Turner
- (d) Increase in the public debt and in bank deposits, from June 30, 1940 to April 30, 1941 (Review of April 29, page 3). - Mr. Turner

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2. Yield rates on United States securities, direct and guaranteed, on the basis of over-the-counter closing quotations were calculated daily. These were summarized each day in a table showing for each issue the closing price and yield that day, the change in price and yield from the preceding day, and the price range since date on which first traded and also for the year 1941 to date. A chart for each issue was kept up to date showing recent daily price and yield figures, together with comparative monthly data since 1934, since date of issue, or since date first traded. Similar calculations are made daily on the basis of New York Stock Exchange closing quotations on direct and guaranteed bonds of the United States, for use in preparation of the publication "Market Prices and Yields of Outstanding Bonds, Notes, and Bills of the United States", described under Publications in this report. - Mr. Moody, Miss McCoy, Mr. Kroll

3. At the request of the Secretary, arrangements have been made to secure periodically from the British Empire purchasing missions certain information regarding purchases in the United States by the British Empire. - Mr. Haas, Mr. Lindow, Mr. Wagner, Mr. March
 - (a) Weekly statements are received covering the itemized purchases by British Empire Governments through the various missions, the itemized purchases made by these Governments with the knowledge of the missions but not through their facilities, and inquiries made through the missions for future purchases. Similar statements are received showing, by itemized contracts, deliveries made with respect to orders placed by the United Kingdom through the missions. The details with respect to orders and deliveries are classified by some twenty-five commodity groups designed especially for the purpose.

These data are reviewed and edited in the Division each week and a report is then prepared summarizing in dollar volume the information on orders and deliveries, by commodity groups. This report consists of eight statements: the first three summarize orders placed by the individual governments of the British Empire for the current week and the totals to date; the next three statements summarize total orders of the British Empire on an historical basis; the last two statements present data on deliveries with respect to orders placed by the United Kingdom through

- 3 -

- the British missions. These weekly commodity statements were prepared, and were transmitted on April 4, 11, 18, and 25, according to instructions by the Secretary.
- (b) The Division also receives each week the data required to prepare statements giving the details concerning the physical volume of airplane and airplane engine orders in the United States by the British Empire. The material for these statements is contained in a group of work sheets prepared by the British Purchasing Commission, but it is necessary for the Division to consolidate and coordinate the information contained in the Commission's statements. The finished tables show, by company and by type of plane or engine, the following information: (1) summary of orders, deliveries, and exports; (2) history of orders; (3) history of deliveries; (4) history of exports; (5) scheduled deliveries of unfilled orders; (6) options; scheduled deliveries; (7) spare parts: orders, deliveries, unfilled orders, and options; and (8) secondhand units: orders, deliveries, and scheduled deliveries of unfilled orders. These aircraft reports were prepared, and were transmitted on April 4, 11, 18, and 25, according to instructions by the Secretary.
- (c) A series of six tables has been developed at the request of the Secretary to show each week the disposition of airframes and engines inspected in the United States by the British Empire, and the status of airframes and engines on hand in the United States. One table develops by company and by model the number of units on hand. A second table analyzes the status of these units, and a third table presents the physical location of the units awaiting export. Separate tables are required for airframes and for engines. The airframe and engine tables were prepared, and were transmitted on April 7, 14, 22, and 28, according to instructions by the Secretary.
- (d) Reports are prepared each week showing commitments by the British Empire Governments for capital expenditures in the United States and for extraordinary charges designed to expedite deliveries. The data for these statements are provided by the British Purchasing Commission but the tables actually are prepared in the Division. Tables showing capital commitments were prepared, and were transmitted on April 4, 11, 18, and 25, according to instructions by the Secretary.

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- (e) A group of nine analytical tables on British Empire orders of iron and steel is prepared monthly. Six of these cover commercial iron and steel, excluding ferro-alloys and drop forgings, and are classified by product. One table covers ferro-alloys and silicon metals, and also is classified by product. The next two tables cover drop forgings and are classified by manufacturer. Statements showing British Empire orders of iron and steel as of April 1, 1941 are in process of preparation.
- (f) Arrangements have been made to receive information on a physical volume basis for the orders, deliveries, and dates of scheduled deliveries on unfilled orders, and proposed delivery schedules on options, with respect to several other important commodities. For each of these commodities the following tables are being prepared: (1) current delivery status of orders; (2) history of orders; (3) history of deliveries; (4) scheduled deliveries of unfilled orders; and (5) delivery schedules of options (if any). The data in these tables are broken down by particular products, particular models in each case, and particular manufacturers.

Statements covering various commodities were prepared, and were transmitted to Mr. Young as follows: (a) ordnance, on April 4 and 23; (b) sub-machine guns, revolvers and rifles, on April 19; (c) tanks and tank equipment, on April 23; and (d) small arms (fully automatic), on April 30. In addition, work is progressing on the preparation of tables on each of the following commodities: (a) explosives and propellants; (b) chemicals; (c) shells and bombs; (d) small arms ammunition; (e) non-ferrous metals; (f) motor vehicles; (g) small boats and ships; and (h) marine engines.

- (g) Certain financial information is prepared from time to time concerning the orders placed in the United States by the British Empire. A monthly report shows the value of orders placed, the value of payments made, and the value of unpaid commitments, together with the forecast of future payments on these commitments. This report is in preparation to show the situation as of April 1, 1941.

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(h) Arrangements have been made with the Citadel Merchandising Company, Ltd., a Canadian Government corporation, to receive regular reports showing orders placed for machine tools in the United States, and deliveries on these orders. From this information the Division will be able to prepare reports summarizing Citadel orders, deliveries, and unfilled orders, classified by companies. Such reports are in process of preparation.

4. At the request of the Secretary, arrangements have been made to secure periodically certain information regarding purchases in the United States by the Netherlands Purchasing Commission, and by Lindeteves, Inc. - Mr. Haas, Mr. Lindow, Mr. Wagner, Mr. March

Weekly statements are received covering the itemized purchases by the Netherlands Purchasing Commission in the United States, and the volume of deliveries made thereon. Similar statements are received concerning the activities of Lindeteves, Inc., a large private commercial organization operating in the Dutch East Indies. The details with respect to orders and deliveries for these purchasing agencies are classified by the same twenty-five commodity groups used for reporting orders placed in the United States by the British Empire.

These data are reviewed and edited in the Division each week. Reports are then prepared for each of these agencies summarizing the information on orders and deliveries, classified by commodity groups. These reports consist of three statements: the first shows the history of orders placed; the second shows the history of deliveries made on these orders; and the third shows the current delivery status of orders. These weekly commodity statements covering orders of the Netherlands Purchasing Commission were prepared, and were transmitted on April 4, 11, 18, 23, and 25, in accordance with instructions by the Secretary. Similar statements for Lindeteves, Inc., were prepared, and were transmitted on April 4, 11, 18, and 28, also according to instructions by the Secretary.

5. At the request of the Secretary on May 23, 1940, arrangements were made for securing weekly until September 11, and after that fortnightly, from more than forty airplane and airplane engine manufacturers data on deliveries, new orders, unfilled orders, and estimated deliveries by months on the unfilled orders. Analytical tables

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are prepared every other week showing this information by type of plane or engine and by class of purchaser. Reports for the fortnights ended March 29, April 12, and 26, were transmitted on April 2, 16, and 30, respectively, according to instructions by the Secretary. - Mr. Haas, Mr. Tickton, Mr. D. J. Leahy

- b. At the request of Under Secretary Bell, various memoranda and charts were prepared for use in the Friday discussion group, considering matters of general interest in connection with defense financing. - Mr. Haas, Mr. Daggitt, Mr. Villard

The material presented during the month included the following:

- (a) An analysis was made of recent movements of basic commodity prices, domestic and imported, illustrated by three wall charts. The first chart showed the monthly movements of the NICB cost-of-living index compared with the BLS index of 863 commodities from 1935 through February 1941. On the same chart were shown the weekly movements of the BLS index of 863 commodities and the BLS index of 28 basic commodities from August 1939 through March 1941. Both of these comparisons were on the basis that 1926=100.

The second chart showed the movements of the indexes of 11 imported commodities and of 17 domestic commodities from January 1940 through March 1941, weekly, and through April 2, daily, on the basis that August 1939=100. The chart also showed the percentage changes for 28 individual commodities, -17 domestic commodities, and 11 imported commodities, from the August 1940 low to March 19, and to April 2, 1941.

The third chart showed a comparison of the daily average volume of trading and the Dow-Jones index of futures prices, 1924-26=100, together with the daily average number of contracts sold in grains, cotton, and commodities other than grains and cotton, quarterly from January 1940 through March 1941. This chart is described also under Economic Conditions, I, as item (b). (Charts presented at the meeting on April 4). - Mr. Daggitt, Mrs. May

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- (b) In continuation of the discussion begun at the preceding meeting of problems in financing the deficit arising from the defense program, an estimate was made, with an outline of substantiating reasoning, of the expansability of employment. (Presented at the meeting on April 4). - Mr. Villard
- (c) An analysis was made of price movements in the fortnight ended on April 16, illustrated by the two wall charts described above under item (a) brought up to date. The chart showed for 28 individual commodities, -17 domestic commodities and 11 imported commodities, the percentage price changes from the August 1940 low to April 2 and April 16. The two components of the other chart were brought up through March, and mid-April 1941, respectively. This chart carried the BLS wholesale price index revised to cover 889 commodities. (Charts presented at the meeting on April 18). - Mr. Daggit, Mrs. May
- (d) In further pursuance of the discussion of problems involved in financing the deficit arising from the defense program, an analysis was presented of the part played by industrial capacity as a factor in the price situation. This was illustrated by four wall charts. One chart showed for the period from 1913 through 1922 the course of commodity prices according to the BLS index, 1926=100, in relation to industrial production as indicated by the Standard Statistics index, 1926=100, and to the dollar volume of United States exports.

Another chart compared during the years from 1914 through 1917, on the basis that 1926=100, the movements of prices of non-ferrous metals, and of iron and steel, with prices of all commodities.

A third chart showed the FRB index of industrial production in fifteen selected industries for the latest month, the peak month in 1929, and the peak month in the period 1937-1939, on the basis that 1935-1939=100, adjusted.

The fourth and last chart compared the volume of retail trade, on the basis that 1929=100, by months for the period from January 1938 to mid-March 1941, analyzed by department store sales, variety store sales, and rural chain store and mail order sales. (Presented at the meeting on April 18). - Mr. Daggit, Mrs. May

7. In response to a request by the Secretary on January 21, that measures be taken to obtain information to assist in carrying through the defense program, arrangements have been made to obtain the necessary detailed statistics on the holdings of each issue of the public debt and of guaranteed securities by the various classes of holders. - Mr. Haas, Mr. Tickton, Mrs. Wolkind, Mr. D. J. Leahy, Miss Westerman

The information as of March 31 received in response to the Secretary's letter of March 29, from 7,000 banks and insurance companies was coded, tabulated, and analyzed. A comprehensive report showing the analysis of this information was prepared and consisted of 64 tables classified by type of institution, by issue, by geographic area, by call classes, and by tax-exemption provisions.

New letters were sent out to the banks and insurance companies on April 26, requesting comparable data as of April 30.

8. At the request of Under Secretary Bell on April 21, a memorandum was prepared on the additional cost of borrowing by means of the issuance of taxable securities, and was transmitted to him on April 23. A summary of this study was used in connection with the review of the high-grade security markets of April 15, listed under Financial Analysis, I, as item 1(c) - Mr. Murphy, Mr. Turner
9. At the request of Mr. Broughton on March 28, a review was made of a table comparing redemption values and computed yields on the several series of United States savings bonds, for transmittal to the Federal Reserve Banks, and was forwarded to him in a memorandum on April 2. - Mr. Brown
10. At the request of Mr. Broughton on April 8, a review was made of a draft of Department Circular No. 654, governing the offering of United States savings bonds series F and G, and was transmitted to him in a memorandum on April 9. - Mr. Brown

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11. At the request of Mr. Schwarz on March 31, a reply was prepared to a letter from Mr. George E. Shea, Jr., Editor of Barron's, requesting information concerning the method used by the Treasury Department in calculating the yields on United States savings bonds series G, and was forwarded to him on April 9. Two tables also were prepared, one comparing yields on series F and G, as calculated by the Treasury, Barron's, Moody's, and The Bond Buyer, and the other comparing yields on present savings bonds and the new series E, F, and G, as calculated by the Treasury and Barron's, and were transmitted with a memorandum to Mr. Schwarz on April 2. - Mr. Brown, Mr. Kroll
12. A table was prepared, and was transmitted to the Secretary on April 8, showing estimated yield bases and probable prices of the new issues of RFC notes based on closing bid prices on April 5. - Mr. Sandelin
13. A table was prepared, and was transmitted to the Secretary on April 8, showing estimated yield bases and probable prices of the new issues of RFC notes based on closing bid prices on April 7. - Mr. Sandelin
14. A table was prepared, and was transmitted to the Secretary on April 8, showing premiums on the first day traded, (when issued) of outstanding RFC notes. - Mr. Sandelin
15. A memorandum was prepared on the restriction of capital issues competing with Government issues, and was transmitted to the Secretary on April 17. - Mr. Turner, Mr. Barnett
16. At the request of the Secretary on March 18, a memorandum was prepared on the relationship between working capital and business volume, and was transmitted to him on April 2. - Mr. Turner, Mr. Barnett
17. In response to a request by Under Secretary of War Patterson on March 17, the preparation of certain information relative to profits in the construction industry was completed, and the data were incorporated in a letter to the Under Secretary of War signed by Under Secretary Ball, and transmitted on April 30. - Mr. Murphy, Mr. Conrad
18. At the request of Assistant Secretary Sullivan on April 3, there were prepared, and transmitted to the Division of Tax Research, on April 8, four tables showing data bearing upon the changes in the proportions of the national income received by labor, capital, and the Government, respectively, between 1939 and 1940. - Mr. Murphy, Mr. Barnett, Mr. Conrad

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19. At the request of the Secretary, assistance was given in preparing his statement on April 24, in the hearings held by the Committee on Ways and Means of the House of Representatives on the Revenue Revision of 1941. - Mr. Haas
20. At the request of the Secretary on April 26, a review was made of his testimony on April 24 before the Committee on Ways and Means of the House of Representatives in the hearings on the Revenue Revision of 1941, and was transmitted to Assistant Secretary Sullivan on April 28. A table included in the record of the hearings is described under Economic Conditions, I, as item 10. - Mr. Haas, Mr. Daggit, Mr. Murphy, Mr. Turner

II. Projects or studies under way

1. A study is being made of the relative interest costs of short- and long-term borrowing. - Mr. Barnett
2. A study is being made of the available sources of funds for Treasury financing. - Mr. Villard
3. A memorandum is being prepared on a negotiable "tap" security. - Mr. Sandelin
4. A study is being made of a new type of Defense annuity savings bond. - Mr. Reagh, Mr. Brown
5. A memorandum is being prepared on a proposal for a special form of United States security intended to permit the anticipation of taxes. - Mr. Murphy
6. A memorandum is being prepared on the relationship between public debt operations and bank reserves. - Mr. Turner
7. A study is being made of the probable excess reserves in 1941-42. - Mr. Turner, Mr. Barnett
8. A study is being made of war-financing measures in belligerent countries in the present war. - Mr. Matlock
9. A comparison is being made of the British Fiscal Program 1941-42 with the Keynes plan proposed in "How to Pay for the War", by Mr. J. M. Keynes. - Mr. Matlock

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10. At the request of Under Secretary Bell on October 14, a memorandum is being prepared on a memorandum submitted by Mr. John Evans, President of the First National Bank of Denver, Colorado, in reference to United States Government bonds now owned by the Federal Reserve System and its member banks, and suggestions concerning a refunding and change in form which would appear to be in interest of the Treasury Department, the Federal Reserve System, the member banks, the Federal Deposit Insurance Corporation, and the public generally whose money is deposited in member banks. - Mr. Murphy
11. In response to a request by Under Secretary Bell on January 27, comments are being prepared on a memorandum by Mr. George Eddy to Mr. White, in regard to a plan of Mr. N. E. Peterson, entitled, "A Means of Financing the Defense Program". - Mr. Turner
12. At the request of Under Secretary Bell on February 5, an analysis is being made of his plan for investing savings banks' and insurance companies' funds in special 2 percent Treasury certificates. - Mr. Tickton
13. At the request of Under Secretary Bell on February 11, a memorandum is being prepared to the Secretary regarding a letter from Mrs. Sylvia F. Porter, New York Post, dated January 22, suggesting a plan for the distribution of United States Government securities. - Mr. Haas, Mr. Murphy, Mr. Turner
14. At the request of Under Secretary Bell on April 21, a memorandum is being prepared on Mr. Salant's memorandum on "Limitation on Purchases of Defense Savings Bonds". Mr. Murphy
15. At the request of Mr. Theodore R. Goldsmith on March 13, an analysis is being made of a study of savings bond mortality by Miss Hilda Hoffman, Bowery Savings Bank. - Mr. Turner
16. At the request of the Secretary on February 8, a reply is being prepared to a letter from the Acting Secretary of Commerce dated February 4, requesting certain data on outstanding securities of Federal agencies and the amount of governmental securities held by governmental agencies and Federal Reserve Banks for the period 1929-40. - Mr. Conrad

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17. A memorandum is being prepared recommending legislation terminating miscellaneous types of tax exemption analagous to the exemption of interest on Federal securities, but unaffected by the Public Debt Act of 1941. - Mr. Matlock
18. At the request of Under Secretary Bell replies are being prepared to certain questions asked by the Wagner Committee preparatory to its investigation of banking and monetary conditions pursuant to Senate Resolution 125. - Mr. Haas, Mr. Murphy, Mr. Turner, Mr. Foy
19. At the request of Assistant Secretary Sullivan on April 19, a memorandum is being prepared on net capital losses probable from this year's stock transactions. - Mr. Murphy
20. At the request of Under Secretary Bell on March 7, a speech is being prepared for his delivery before the National Association of Mutual Savings Banks on May 7. - Mr. Villard

Revenue Estimates

I. Projects or studies completed

1. The regular monthly statement was prepared for the Bureau of Accounts, showing the latest revised estimates of receipts, by months and by principal sources of revenue, for the period April 1941-June 1942, and was transmitted on April 3. - Mr. Delcher
2. The regular monthly summary comparison of estimated receipts and actual receipts in March 1941 on the daily Treasury statement basis, was prepared. - Mr. Delcher
3. The regular monthly detailed comparison of estimated and actual receipts in March 1941, and for the period July 1940-March 1941, based on the collections classification, was prepared. - Mr. Delcher
4. Revised Budget estimates of the revenue yields in the fiscal years 1941 and 1942 were prepared, taking into account the March income tax returns, and were transmitted to the Secretary on April 2. - Mr. Haas, Mr. O'Donnell, Mr. Daggit, Mr. Leahy, Mrs. May, Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith, Mr. R. R. Smith, Mr. Colclough, Miss Hagedorn

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5. At the request of Under Secretary Bell on April 22, for transmittal to the Bureau of the Budget, revised Budget estimates of the revenue yields in the fiscal years 1941 and 1942 were prepared based upon the detail of the March collections, and were shown in a table comparing the revised estimates with the January 1941 Budget estimates. The table was transmitted to the Under Secretary on April 22, under cover of a reply prepared for his signature, addressed to the Director of the Budget. - Mr. Haas, Mr. O'Donnell, Mr. Daggitt, Mr. Leahey, Mrs. May, Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith, Mr. R. R. Smith, Mr. Colclough, Miss Hagedorn
6. A detailed comparison was completed on April 24 of the April 1941 revision of the Budget estimates of the revenue yields with the January 1941 Budget estimates for the fiscal years 1941 and 1942. - Mr. O'Donnell, Mr. Daggitt, Mr. Leahey, Mrs. May, Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith, Mr. R. R. Smith, Mr. Colclough, Miss Hagedorn
7. In connection with the proposed revision of the revenue laws in 1941, a number of revenue estimates, listed below, were prepared for use of Assistant Secretary Sullivan and the Division of Tax Research. - Mr. O'Donnell, Mr. Leahey, Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith
 - (a) Revised estimates were prepared, and were transmitted to Mr. Blough in a memorandum on April 8, of (a) the revenue effect, at April 4 forecast levels of corporate incomes for the calendar year 1941, of increasing the normal tax rate on all corporations by 6 percent, and (b) the net revenue effect of reducing the excess-profits credit allowed corporations using the invested capital method from 8 percent to 6 percent, and reducing the excess-profits credit for corporations using the average earnings method from 95 percent to 75 percent of the base period earnings.
 - (b) Revised estimates were prepared, and were transmitted to Mr. Blough in a memorandum on April 10, of the amount of the individual income tax liabilities derived from the taxation of capital gains and capital losses for the calendar years 1938 and 1939, together with a comparable estimate for the calendar year 1940. These estimates showed separately the amounts attributable to capital gains and loss provisions and the amounts attributable to other provisions.

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(c) Estimates were prepared, and were transmitted to Mr. Blough in a memorandum on April 11, of the revenue effects for the fiscal year 1942, and for the first full year, of the following proposed increases in taxes:

1. Gasoline tax: Increase of 2 cents per gallon
2. Jewelry: 10 percent of retail sale price
3. Tires and tubes: Increase rates from 2 $\frac{1}{2}$ and 4 $\frac{1}{2}$ cents to 5 and 9 cents
4. Candy, chewing gum: 5 percent
5. Furs: 10 percent of retail sale price
6. Clocks, watches, watch cases, etc.: 10 percent
7. Mechanical refrigerators: Increase rate from 5 $\frac{1}{2}$ to 10 percent
8. Matches: 2 cents per 1,000.
9. Sporting goods: 10 percent
10. Musical instruments: 10 percent
11. Bowling alleys, etc.: \$15 per alley, billiard or pool table.
12. Trunks, suitcases and other luggage: 10 percent
13. Playing cards: Increase rate from 11 to 15 cents
14. Phonographs and phonograph records: 10 percent
15. Photographic apparatus and materials or projective apparatus: 10 percent
16. Telephone: 5 percent of amount paid on total bill
17. Telephone, telegraph, cable, etc.: Revise rates under section 3465, as follows:

"On messages for which the charge is 15 cents or more and less than 50 cents, a tax of 5 cents; 50 cents or more and less than \$1.00, 10 cents; \$1.00 or more and less than \$1.50, 15 cents; \$1.50 or more and less than \$2.00, 20 cents; \$2.00 or more, 25 cents.

"The tax on telegraph, cable and radio dispatches and messages to be on the same graduated rate as set forth above with respect to telephone conversations (instead of the present rate of 5 percent of the amount charged for telegraph messages and 10 cents for each radio and cable message).

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"The phrase 'any leased wire or talking circuit special service' which is now subject to tax of 5 percent of the amount paid for such service should be defined to include certain services which may not now be classed as leased wires or special talking circuits, such as furnished in connection with news or stock quotation tickers, teletypewriters, burglar alarm systems, and similar services".

18. Passenger transportation: 5 percent of amount paid
19. Dentifrices, toilet soaps, etc.: 5 percent
20. Safe deposit boxes: Increase from 11 to 20 percent
21. Toilet preparations: Repeal the existing statute section 3401 of I.R.C. and re-enact in lieu thereof a tax on toilet preparations at the rate of 11 percent of the price for which toilet preparations are sold at wholesale (or at an equivalent fair market value) packaged and labeled in the form to be used by the consumer. The tax is to be paid by the person who prepares the consumer package.
22. Club dues and initiation fees: Amend section 1712 to impose the tax on dues and initiation fees paid to clubs if the dues of any active, resident, annual member are in excess of \$10 per year (instead of \$25 under present law); change the definition of "dues" in section 1712(a) to specifically include club privilege fees not within the scope of the present tax.
23. Cabarets, roof gardens, etc.: The tax on amounts paid to cabarets, roof gardens to be at the rate of 4 percent of the total amount paid for refreshments, service, or merchandise (instead of 2 cents for each 10 cents of 20 percent of the amount so paid, if 20 percent of the amount paid exceeds 50 cents, the rate under the existing statute, section 1700(e) (1) of the Internal Revenue Code). The tax to be paid by the operator of the cabaret, roof garden, etc., instead of being imposed on the patron.

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- (d) Estimates were prepared, and were transmitted to Mr. Blough in a memorandum on April 11, of the revenue effects, for the fiscal year 1942 and for the first full year of collections, of increasing the tax on radio sets and parts from 5½ to 10 percent.
- (e) Estimates were prepared, and were transmitted to Mr. Blough in a memorandum on April 14, of the revenue effects for the fiscal year 1942 and for a full year's collections, at forecast levels of business for the fiscal year 1942, of increasing the tax on gasoline by 1 cent.
- (f) Estimates were prepared, and were transmitted to Mr. Blough in a memorandum on April 15, of the revenue increases which would result if the incomes of husbands and wives living together and filing separate returns were taxed at rates applicable to the total of their incomes, in the same manner as if their incomes were reported on a joint return. This estimate was broken down to show (1) community property returns, and (2) separate returns other than community property returns, with and without the defense tax.
- (g) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on April 17, of the revenue effect, with and without the defense tax, at forecast calendar year 1941 levels of incomes, of changing the personal exemption for a married person living with spouse but filing a separate return, from the present exemption to \$500 for each spouse.
- (h) An estimate was prepared, and was transmitted to Mr. Blough in memoranda on April 16 and 17, of the revenue effect, at forecast calendar year 1941 income levels, of repealing the excess-profits tax and enacting a law which would force corporations to distribute in dividends all net income in excess of the corporation normal income tax, showing separately the increases from corporation and individual normal income taxes, and the decrease from the repeal of the excess-profits tax.

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- (i) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on April 18, of the net revenue effect, at the forecast levels of corporate incomes for the calendar year 1941, of increasing the normal corporation tax rate by 5 percent for corporations with normal tax net income of not more than \$25,000, and by 6 percent for corporations with normal tax net income of more than \$25,000.
- (j) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on April 18, of the revenue yield from a general manufacturers' sales tax of 2 percent, excluding food, clothing, medicine, and fuel. This estimate is for a full year of collections, at forecast fiscal year 1942 levels of business, and includes an estimate of the increase if an additional exemption of products now subject to specific manufacturers' excise taxes be made.
- (k) An estimate was prepared, and was transmitted to Assistant Secretary Sullivan in a memorandum with table on April 22, of the increase in individual income tax liabilities, at forecast calendar year 1941 levels of income, under the surtax schedule presented by Mr. Stam, Chief of Staff, Joint Committee on Internal Revenue Taxation, to the Committee on Ways and Means on April 22, 1941, in his table 1, proposal II. This is shown, with and without the defense tax, and with the disallowance of the personal exemptions and credits for dependents for surtax purposes.
- (l) Estimates were prepared, and were transmitted to Mr. Blough in a memorandum on April 23, of the revenue effects, at forecast calendar year 1941 levels of income, with and without the defense tax, of the following proposals:
1. Substitution of 4 percent tax credit for the present personal exemptions, dependent credit, and earned income credit.
 2. Increase of the individual income tax normal rate to 6 percent of the first \$4,000 and 10 percent on the balance.
 3. Increase of the present surtax rate by 1 percent in each bracket.

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- (m) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on April 23, of the revenue effect, at forecast calendar year 1941 levels of income, with and without the the defense tax liabilities, of allowing the earned income credit for surtax purposes.
- (n) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on April 24, of the revenue effect, at forecast calendar year 1941 levels of corporate incomes, of imposing a surtax on corporation net incomes, including interest on partially tax-exempt Federal securities, at a rate of 5 percent on that portion of net income of \$25,000 or less, and at a rate of 6 percent on that portion of net income in excess of \$25,000.
- (o) Revised estimates were transmitted to Mr. Blough in memoranda on April 23 and 24, which were contained in the proposals presented to the Committee on Ways and Means in executive session on April 21, 1941. This revision represented a summary of estimates previously submitted to the Division of Tax Research from time to time at their request for their work on the revenue revision for 1941.
- (p) A review was made of the testimony of Assistant Secretary Sullivan on April 24, in the hearings held by the Committee on Ways and Means on the Revenue Revision of 1941, and was transmitted to him on April 26, together with three tables to be inserted in the transcript. The first table showed the estimated net decrease in income taxes due to the Excess Profits Tax Amendments of 1941, for the calendar years 1940 and 1941, and for the first full year of collections. The second table showed the estimated net income of taxable corporations and individuals for the calendar year 1941 by net income classes of \$5,000 or less, and over \$5,000. The third table showed the estimated increase in individual income taxes under the suggested surtax schedule if taxpayers in community property States were required to allocate community property income to its actual recipient.

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- (q) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on April 29, of the combined revenue effect, at forecast levels of corporation incomes for the calendar year 1941, of proposals to (a) increase the normal tax rate on all corporations by 6 percent and (b) reduce the excess-profits credit allowed corporations using the invested capital method from 8 percent to 6 percent and reduce the excess-profits credit for corporations using the average earnings method from 95 percent to 75 percent of the base period earnings.
- (r) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on April 29, of the revenue yield in a full year of collections, at forecast fiscal year 1942 levels of business, of a tax on jewelry at 10 percent of the retail sales price.
- (s) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on April 29, of the additional revenue, which would be received from a tax of $\frac{1}{2}$ cent a pack on small cigarettes, at forecast fiscal year 1942 levels of business.
- (t) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on April 29, of the revenue effect, at forecast calendar year 1941 levels of income, with and without the defense tax, of reducing the exemption for married persons and heads of families from \$2,000 to \$1,600, and increasing the credit for each dependent from \$400 to \$500.
- (u) An estimate was prepared, and was transmitted to Mr. Blough in a memorandum on April 29, of the increase in income tax liabilities which would result from combining the following proposals, with and without the defense tax:
1. Substitution of 4 percent tax credit for the present personal exemptions, dependent credit, and earned income credit.
 2. Increase of the individual income tax normal rate to 6 percent of the first \$4,000 and 10 percent on the balance.
 3. Increase of the present surtax rate by 1 percent in each bracket.

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- (v) A revision was made of an estimate of July 25, and was transmitted to Mr. Blough in a memorandum on April 30 of the yield from a general manufacturers' sales tax on several bases and at several rates, at the forecast fiscal year 1942 levels of business, assuming a full year of tax collections after the tax has been in effect long enough to absorb the initial anticipatory buying as a result of its imposition.
 - (w) An estimate was prepared, and was transmitted to Mr. Blough on April 30, of the difference in revenue which would result, with and without the defense tax, if, instead of increasing the individual income tax normal rate by 1 percent, the surtax rates were increased by 1 percent, assuming (a) that the surtax rates begin on the first dollar of surtax net income and (b) that the earned income credit is disallowed for normal tax purposes.
 - (x) Estimates were prepared, and were transmitted to Mr. Blough in a memorandum on April 30, at forecast fiscal year 1942 business levels, (a) of the yield from the defense tax for the estate and gift taxes if increased from 10 to 20 percent, and (b) of the yield from a flat tax of \$5 imposed on the use of automobiles, yachts, and airplanes, excepting those used by governments.
8. Projects for revising and improving methods of estimating revenues from the following taxes: - Mr. Daggit, Mrs. May, Mr. R. H. Smith, Miss Spiegel, Mr. Golclough
- (a) Telephone and telegraph, radio and cable facilities, leased wires, etc.
 - (b) Bituminous coal
 - (c) Distilled spirits, domestic
 - (d) Fermented malt liquors
 - (e) Transportation of oil by pipeline

II. Projects or studies under way

1. At the request of the Division of Tax Research on July 12, an estimate is being made of the additional revenue which would be derived if mutual insurance companies other than life insurance companies taxable under Section 207 of the Internal Revenue Code were made taxable in the same manner as stock insurance companies other than life insurance companies taxable under section 204, and at the same time the exemption under section 101(11) were restricted to local mutual companies of the assessment type. - Mr. Leahey
2. An analysis is in preparation of each component of the October and December 1940 estimates of miscellaneous internal revenue, excluding capital stock, estate, and gift taxes for the fiscal year 1941 and 1942. - Mr. Daggit, Mrs. May
3. An analysis is in preparation of each component of the April 1941 estimate of miscellaneous internal revenue, excluding capital stock, estate, and gift taxes, for the fiscal years 1941 and 1942. - Mrs. May
4. A revision is being made on the basis of the April revision of the 1942 Budget estimates of the forecast of the monthly distribution of estimated revenue for the fiscal years 1941 and 1942. - Mr. O'Donnell, Mr. Daggit, Mr. Leahey, Mrs. May, Mr. Bronfenbrenner, Mr. Butters, Mr. T. L. Smith, Mr. R. R. Smith, Miss Hagedorn
5. At the request of the Division of Tax Research, in connection with the proposed revision of the revenue laws in 1941, an estimate is being prepared of the increases in excess-profits tax rates which are necessary to yield an additional \$400 million, if simultaneously the excess-profits credit under the invested capital method were changed from a flat 8 percent to the following: 8 percent on the first \$1 million of invested capital, 6 percent on the next \$19 million, and 4 percent on the balance. - Mr. Leahey
6. As one of a series of projects for revising and improving methods of estimating revenues, a new study was begun of the taxes on admissions to theaters, concerts, cabarets, etc. - Mrs. May, Mr. R. R. Smith

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Economic Conditions Related to Fiscal
and Revenue Matters

I. Projects or studies completed

1. Memoranda on the business and price situation were prepared, and were transmitted to the Secretary on April 2, 7, 14, 22, and 28. - Mr. Haas, Mr. Daggit, Mrs. May, Mr. Chevreux

These memoranda contained in addition to analysis of the current situation the following special studies:

- (a) An analysis showing the combined FRB index of industrial production, monthly, January 1938 to date, and the percentage change from the 1935-39 average to January and February 1941 for the combined index and for selected components. (Chart in memorandum of April 2). - Mrs. May, Mr. Chevreux, Miss Hagedorn
 - (b) A comparison of futures prices with the volume of futures trading. Chart showing the Dow-Jones index of futures prices, 1924-26=100, the four series of the Journal of Commerce on the daily average number of contracts sold in grains, cotton, commodities other than grains and cotton, and all commodities. (Chart in memorandum of April 2). - Mr. Daggit, Mrs. May
2. Memoranda on employment under the Work Projects Administration were prepared, and were transmitted to the Secretary on April 2, 7, 14, 21, and 28. - Miss Hagedorn
 3. At the request of the Secretary, a table is prepared each week summarizing exports of petroleum products, scrap iron, and scrap steel, from the United States to Japan, the U.S.S.R., Spain, and Great Britain, as indicated by departure permits reported daily by the Office of Merchant Ship Control. The tables were prepared for the weeks ending April 5, 12, 19, and 26. On April 7, 14, 21, and 28, the original and 13 photostats were transmitted to Assistant Secretary Gaston. In addition, each week two photostats were transmitted to Mr. Young, one of which was for Mr. Purvis. - Mr. Tickton, Mr. D. J. Leahy

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4. Compilations were made of daily quotations on selected commodities and daily and weekly figures on selected business indexes, foreign and domestic security transactions, security prices, exchange rates, as well as other data for the Secretary's chart book. - Mr. Chevraux
5. Comments were prepared on the commodity situation as of April 2 and 16, for information in connection with the Friday meetings of April 4 and 18. - Mr. Daggit, Mrs. May
6. At the request of the Secretary, a memorandum was transmitted to him on April 4, with respect to a conversation with Mr. Sexauer. - Mr. Haas
7. At the request of the Secretary on April 9, a study was made of the price situation of fats and oils, including analyses of the causes of the recent price increases, and of the domestic supply situations for individual commodities of this group, and was transmitted in a memorandum with five tables to the Secretary on April 14. - Mr. Daggit, Mrs. May, Mr. Colclough, Miss Hagedorn
8. At the request of the Secretary on April 25, a memorandum was prepared with respect to the press release issued by the United States Department of Agriculture recommending increased production of tomatoes, and was transmitted to him on the same day. - Mr. Haas
9. At the request of the Secretary on April 19, a memorandum was prepared with respect to Mr. Biggers' statement on light tank production, and was transmitted to the Secretary on April 21. - Mr. Haas
10. At the request of the Secretary on April 22, for use in connection with the testimony mentioned under Financial Analysis, I, items 21 and 22, a study was made of the relation of farm income, inclusive and exclusive of Government payments, to total income payments and to various components, and was incorporated in three charts prepared on an annual basis covering the period from 1932 to date. The basic table for the chart showing farm income excluding benefit payments compared with Treasury expenditures for aid to agriculture was incorporated in the record of the hearings. - Mr. Daggit, Mrs. May, Miss Hagedorn, Mr. Colclough, Mr. Smith

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II. Projects or studies under way

1. An attempt is being made to improve our information on the volume of unfilled orders by working out a composite index of unfilled orders based on data from individual industries. - Mr. Daggit
2. A project is under way concerning forces determining trends of basic commodity prices, which involves a study of (1) the forces determining general commodity prices and (2) the forces determining the prices of individual commodities.

With respect to (1), general commodity prices, an analysis is in process of disparities between demand and production as a basic price factor which, under excessive war demand, might lead to inflation. For use in this analysis two indexes of demand are being constructed: An index of export demand which expresses the exports of manufactured goods in physical volume, and the index of consumer buying in terms of physical volume, which is part of the project on measures of consumer buying listed as item 3 below.

With respect to (2), prices of individual commodities, shipments of a given commodity, or deliveries to consumers, are taken as a measure of demand, to be compared with production. Ten basic commodities have been selected tentatively for study, and this work is in process. - Mr. Daggit, Mrs. May, Mr. Smith, Miss Hagedorn

3. A project on measures of consumer buying is under way, with the object of developing three indices: (a) and (b) two indices to measure the buying power of consumers in terms of physical volume of purchases; and (c) an index to measure changes in total consumer expenditures, in dollar volume. These indices will supplement our present "index of sales", which is designed to measure the "off-tax" of manufactured goods into various consumption channels.
 - (a) Computation has been completed of the physical volume index of consumer buying power, entitled "Index of consumer demand for a selected group of consumer goods". This index is corrected for the effect of price changes from 1935 to date.

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- (b) Computation has been completed also of the second physical volume index of consumer buying power, entitled "Index of potential consumer purchasing power". This index is corrected both for the effect of price changes and for the effect of changes in the national income.
- (c) With respect to the "Index of consumer expenditures, in dollar value", further progress has been made in developing individual series, in determining their suitability for inclusion and the necessary adjustments. These series have been classified in two broad groups: durable goods and non-durable goods. The purpose of the index is to cover as large as possible a proportion of the purchases of ultimate consumers. - Mr. Daggit, Mrs. May, Mr. Colclough, Mr. Smith
4. A better index of inventories of finished goods is needed as an indication of business maladjustments, with a breakdown as between inventories of finished goods held by manufacturers and those held by others. An attempt to develop such an index is under way. - Mr. Daggit
5. A study of the volume of installment buying and consumer credit has nearly been completed. This study is designed eventually to provide a monthly index of the volume of buying on deferred payments, which at times is an important business factor. Newly-published data from the Department of Commerce and the National Bureau of Economic Research have been assembled. A preliminary study is under way to determine how they may be used in a combined index. - Mrs. May
6. A project in process is designed to develop an index of industrial production that will indicate week by week the approximate level of the FRB index. It will include a larger number of weekly series than are included in any current business indices, with weightings and seasonal adjustments approximating those in the FRB index. - Mr. Daggit, Mr. Smith
7. Progress was made on a study of the relationship between the New York Times revised index of business activity and the new FRB index of industrial production in an attempt to forecast the weekly level of the FRB index from the New York Times index. - Mr. Daggit, Mrs. May, Mr. Colclough

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8. At the request of Under Secretary Bell on January 29, a memorandum for the Secretary is being prepared, illustrated by five charts, on the possibility of a freight car shortage in October 1941, when car loadings are at their seasonal peak, and containing a forecast of freight car loadings for October, a forecast of the number of freight cars that may be required, and outlining steps which would alleviate or prevent such a shortage. - Mr. Daggit, Mr. Chevreux

Actuarial Problems

I. Projects or studies completed

1. At the request of Mr. George B. Buck on April 21, a review was made of estimates by the Board of Actuaries of the Civil Service Retirement and Disability Fund of the cost which would result from two amendments introduced by Representative Ramspeck, to modify H. R. 3487, a bill to amend further the Civil Service Retirement Act, to provide for uniform retirement age, deferred annuities to those separated after five years of service; and an employee contribution of 5 percent. - Mr. Reagh
2. At the request of the Bureau of the Budget on February 3, it was indicated that assistance would be given in the revision of a draft of a bill designed to correct several objections to Public No. 847, 76th Congress, "An Act to provide for the retirement of certain members of the Metropolitan Police Department of the District of Columbia, the United States Park Police Force, the White House Police Force, and the members of the Fire Department of the District of Columbia". This project has been discontinued unless and until further information is received from the Bureau of the Budget. - Mr. Reagh
3. In response to a request contained in a letter from Mr. W. R. Williamson, Social Security Board, received on March 10, a review was made of a memorandum on "The Interest Rate of the Trust Fund", and was incorporated in a letter mailed on April 4. - Mr. Reagh

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4. A copy of H. R. 3487, a bill to amend further the Civil Service Retirement Act, as indicated under Actuarial Problems, I, in item 1, was transmitted by the Office of the General Counsel on April 23, for preparation of a voluntary report if desired. A letter to the Chairman of the Committee on Civil Service, House of Representatives, was prepared for signature of the Administrative Assistant to the Secretary, stating that the Treasury Department would appreciate an opportunity to express its views if the Committee contemplates giving active consideration to the bill. The letter was transmitted to the Administrative Assistant on April 30. - Mr. Reagh

II. Projects or studies under way

1. The Board of Actuaries of the Civil Service Retirement and Disability Fund is laying out detailed plans for tabulating and processing data for use in preparing the regular five-year valuation of the Civil Service Retirement Fund for the purpose of determining the liabilities of the Government under the Civil Service Retirement law. Under the law, such a valuation must be prepared as of July 1, 1940. - Mr. Reagh, Mr. Brown
2. The Foreign Service Retirement law, as approved April 24, 1939, section 26(m), provides that the "Treasury Department shall prepare the estimates of the annual appropriations required to be made to the Foreign Service Retirement and Disability Fund and shall make actuarial valuations at intervals of five years, or oftener if deemed necessary by the Secretary of the Treasury". An outline of the data required for making an actuarial valuation has been submitted to the State Department. A preliminary estimate of the appropriation required for the fiscal year 1942 has been prepared, and has been submitted to the State Department. - Mr. Reagh, Mr. Brown
3. At the request of Mr. Robert H. Hinkley, Assistant Secretary of Commerce, on March 22, assistance is being given in the drafting of proposed legislation for the retirement of inspectors and other similar technical personnel of the Civil Aeronautics Administration. - Mr. Reagh
4. About three years ago a committee was organized for the purpose of studying ways and means to extend retirement benefits to all Government employees regardless of Civil Service status. The working committee, the

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Subcommittee on Retirement, has again become active and is attempting to draft legislation which would coordinate the provisions of the Social Security Act with the Civil Service Retirement Act. A draft of a proposed bill has been prepared for consideration by the Subcommittee. - Mr. Reagh, Mr. Brown

5. A copy of S. 1259, a bill to amend section 12(b) of the Civil Service Retirement Act, as amended, was transmitted by the Office of the General Counsel, on April 25, for preparation of a voluntary report if desired. A reply to the General Counsel is under consideration. - Mr. Reagh

Other Projects or Studies

1. Publications

- (a) For the April issue of the Treasury Bulletin data were prepared on average yields of long-term Treasury bonds and high-grade corporate bonds. - Miss Eyre

All the material submitted for the April issue was reviewed and edited. Substantial revision was made in the tables on bank holdings, United States Government securities, and on the statement of the debt position of the United States Government under limitations imposed by section 21 of the Second Liberty Bond Act, as amended.

Additional revisions are being considered for future issues. - Mr. Lindow, Miss Eyre

- (b) For the publication Market Prices and Yields of Outstanding Bonds, Notes, and Bills of the United States, computations were made and copy was prepared for the issue covering the month of March. This publication shows by securities the rates of interest, maturities, interest payment dates, and amounts outstanding; and for each day of the month, together with a monthly average, closing market quotations (accrued interest to be added), and yields. - Mr. Moody, Miss McCoy

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- (c) Progress has been made on the preparation of a cumulative subject index of Treasury publications since the establishment of the Department, covering (1) Annual Reports of the Secretary, (2) other publications issued by the Department, including annual reports of the bureaus and offices in the Department, and (3) material prepared in the Treasury Department which was published in Congressional documents, hearings before Committees of Congress, or the Congressional Record.- Miss Westerman

2. Correspondence

Replies were prepared to letters received on subjects relating to the work of the Division, and letters drafted elsewhere and submitted to the Division for that purpose were reviewed. - Miss Michener, Miss Ziegler, and other members of the staff in appropriate fields of work.

During April 804 letters were received in the Division and 729 were handled as required.

3. Charts

Charts are prepared and continually brought up to date for use in memoranda and in chart books on special subjects, and corresponding photographic, photostatic, and multilith work is carried on. This is done in the Graphic Section under the supervision of Mr. Banyas. A statistical report on the work of the Graphic Section for the month of April is attached.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE June 2, 1941

TO Secretary Morgenthau
 FROM Mr. Rags
 Subject: The Business Situation,
 Week ending May 31, 1941.

Summary

(1) Business activity has moved up to a new high, although holiday influences naturally caused some reduction in last week's industrial output. The New York Times index of business activity has risen to a level noticeably above the peak reached before the recent coal strike.

(2) The BLS all-commodity index continues to rise rapidly, having gained 1 percent in the past two weeks and 2½ percent in four weeks. The extent of the rise in this index since the beginning of the war has been nearly as great as in the similar World War period, a rise of 13 percent in 21 months comparing with 17 percent in the first 21 months of the World War. Food costs are increasing more rapidly, partly due to heavy purchasing of foodstuffs by agencies of the Department of Agriculture.

(3) Prices of basic commodities, on the other hand, have tended to level out during the past two weeks, reflecting in part Administration efforts to restrict speculation by increasing margin requirements on futures trading. Sharply higher margins are to be imposed on trading in coffee, rubber, pepper, and cocoa, and the New York Commodity Exchange has raised margins on hides, silk, and various metals.

(4) Freight carloadings have risen 3 percent above last year's peak and have attained the highest level since November 1930. Although new freight cars on order May 1 totaled 56,500, as compared with only 17,500 a year earlier, car builders are being hampered by a lack of steel.

(5) Deficits in the country's supply of steel for 1941 and 1942 are forecast in a revised report submitted to the President by Gano Dunn. A modified form of priorities control has been put into effect for all kinds of steel.

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General situation

Business activity has advanced to new high levels. Although the holiday was responsible for declines last week in the output of steel and automobiles, in the preceding week the tonnage of steel ingots scheduled for production was the largest in the history of the industry, while automobile output reached the highest level in 4 years. At the same time, freight carloadings have reached the highest point since 1930.

The New York Times index of business activity has advanced for 5 consecutive weeks to a point substantially above the record reached just before the coal strike, and a sharp recovery will be shown in the FRB index of industrial production for May. The rise in sensitive commodity prices was halted about ten days ago and since that time some decline has occurred. The general price level, however, has continued upward, reflecting previous advances in basic commodity prices.

Commodity prices continue to rise

The BLS all-commodity index has continued to rise rapidly, gaining 1 percent in the past two weeks and 2½ percent in four weeks. In the week ended May 24, nine of the ten major groups showed advances, the largest rise being in the farm products group which showed a gain of 1.3 percent.

The rise in general commodity prices since the outbreak of the war has become nearly as extensive as during the similar period in the World War. As compared with a rise of 17 percent during the first 21 months of the World War, the all-commodity index in the 21 months since August 1939 has risen 13 percent.

Sensitive price trend flattens out

Prices of various basic commodities have reacted somewhat during the past two weeks, following previous rapid advances. The BLS price indexes for both foodstuffs and industrial raw materials have consequently flattened out (see Chart 1), and in recent days have tended to decline.

Efforts of the Administration to discourage speculation in commodities have had an influence in stabilizing prices. To restrict trading in commodity futures, sharply higher margin requirements are to be imposed on futures contracts for coffee, rubber, pepper and cocoa by arrangement between

the Commodity Exchange Administration and the various exchanges. The New York Commodity Exchange last week took the initiative to tighten margin requirements on non-hedging transactions in hides, copper, lead, tin, zinc, and raw silk.

Among the news regarding individual basic commodities, it is of interest to note that:

(1) Civilian use of copper is to be curtailed, as in the case of zinc, by requiring producers to contribute a percentage of their output to an "emergency pool", to be used for urgent defense needs. In addition, civilian consumption is to be under mandatory priority control.

(2) The OPACS has set a ceiling of 15 cents on hides (light native cows) following the rejection of bids on over 1,000,000 pairs of Army shoes and 300,000 pairs of GGC shoes because of excessive prices.

(3) Cotton is moving out of Government loan stocks at a rapid rate, owing to present attractive prices. This will tend to stabilize prices by increasing available supplies.

(4) Wheat growers voted last Saturday to impose marketing quotas on this year's crop, which will limit the supply of 1941 wheat available for sale.

Food prices rise on heavy Government buying

Sharply increased food prices, resulting in part from heavy buying by agencies of the Department of Agriculture, in addition to the effect of the 85 percent crop loans, will be an important influence in higher living costs over the coming months. A rise of 0.7 percent in the NICB cost of living index in April was largely due to an increase of 2.3 percent in food costs, and foodstuff prices have risen further since April.

A list of foodstuff purchases by the Department of Agriculture from March 15 to May 26 (see Exhibit 1) shows that among the very important items have been pork, lard, oleomargarine, processed milk, and eggs. Therefore, it is not surprising that prices of butter, hogs, wheat, cottonseed oil, lard, and tallow (shown on Chart 1) have increased very steeply since the middle of March.

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Rising consumer demand, combined with the Government purchases of milk and cheese, have strengthened butter prices despite a record level of milk production. Total milk production on May 1 was 9 percent larger than a year earlier and the highest on record for that date. Creamery butter output in April reached an all-time high, 8 percent above the previous peak in April 1940, and stocks of butter on May 1 were almost double those of a year earlier. Despite these influences, wholesale butter prices are now higher than at any other time this year (in spite of the fact that the seasonal price trend is now downward) and are the highest for any May since 1930.

Freight carloadings at new high

After declining in April as a result of the coal strike, freight carloadings in recent weeks have shown a sharp recovery which has carried them 28,000 cars above last fall's seasonal peak. As a matter of fact, total loadings in the week ended May 24, amounting to 866,000 cars, stood at the highest levels since November 1930. (See Chart 2, upper section.)

Although this strong showing is due in part to heavy shipments of coal, other important classes of freight also have made notable gains. Thus miscellaneous and LCL loadings have risen 24 percent above year-earlier levels and have even exceeded last October's seasonal peak. (See Chart 2, lower section.) Likewise, ore loadings this spring have been unusually heavy.

Early test of freight car facilities seen

With freight traffic already at the highest level in more than a decade, a test of the adequacy of the equipment facilities of the railroads appears likely to come at an earlier date than the railroads had anticipated. By the end of March the freight car surplus had already been cut to 71,000 cars as compared with a surplus of 75,000 cars at last year's seasonal peak. Due to the sharp drop in coal traffic in April, the surplus by the end of that month had risen to 190,000 cars. However, by now it probably has fallen below the relatively small surplus reported for March, since freight carloadings have risen 9 percent since that time.

Perhaps the most pressing nearby traffic problem of the railroads is the movement of winter wheat. In this connection the railroads are instituting a licensing system which will

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prevent the loading of wheat unless storage space is available at the end of the trip. This measure is viewed as a move to conserve freight car facilities by preventing their use for storage purposes.

As a result of the enlarged equipment buying program of the railroads, over 24,000 new freight cars were installed in the first 4 months of this year, and on May 1 new freight cars on order totaled 56,500 as compared with only 17,500 a year earlier. It has been reported that the railroads had expected to put nearly 50,000 additional new cars in service by October 1, but prospects have been dimmed by the difficulties which car builders have had in obtaining steel.

Two plants of the American Car and Foundry Company, as well as several others, have had operations curtailed due to lack of steel, while the Pressed Steel Car Company has had to lay off some of its workmen. A short time ago it was estimated that shortage of steel plates had prevented the completion of 5,000 freight cars by equipment manufacturers since the first of April. The OPM, as well as railroad and steel organizations, have undertaken an investigation of the problem, but it remains to be seen how soon an effective solution can be worked out. The Association of American Railroads has even ordered an investigation of the possibility of using wood in the superstructure of freight cars.

Export freight in storage increasing

Lighterage freight in storage and on hand for unloading in New York harbor for the week ended May 24 rose to a new high for the period for which our data are available, reaching 12,545 carloads as compared with the previous high of 12,040. (See Chart 3.) The increase has resulted from a rise in receipts of export freight at New York (see Chart 4) while actual exports from that port in recent weeks have fallen off slightly.

An increasing proportion of export freight shipments in recent months (as shown in lower section of Chart 4) has been directed to the port of New York (including Jersey City, etc.,) rather than to the other North Atlantic ports.

Priorities control ordered for steel industry

During the past week Mr. Gano Dunn submitted a second report to the President on the adequacy of the country's steel-making facilities. This revised survey of the industry

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indicates that Mr. Dunn's original report had far underestimated the demand for steel. He now forecasts substantial deficits in the supply of steel for 1941 and 1942, in contrast with the surpluses originally anticipated.

Near the end of the week, the OPM announced that a modified form of priorities control had been set up covering all kinds of steel. In view of all the circumstances, such action could hardly have been unexpected, as the industry has been having an increasingly difficult time in allocating steel to the many diverse industries clamoring for deliveries.

A particularly urgent need exists for plates and shapes for the shipbuilding and railroad equipment industries. The latter industry also has had trouble in getting adequate supplies of alloy steels.

A large volume of business for pipe is developing as a result of the need for building oil pipe lines to make up for the loss of ocean tanker facilities.

Recently bids were closed by the Procurement Division of the Treasury, acting under provisions of the lend-lease act, on 1,000,000 tons of commercial steel for Great Britain. In addition to this large tonnage, the British also are reportedly in the market for 240,000 tons of pig iron and 300,000 to 400,000 tons of tin plate.

Although new orders for steel showed some slackening in the first half of May, new business booked by the U. S. Steel Corporation in the week ended May 22 rose 10 percent to 157 percent of capacity. In view of the heavy backlogs of orders on hand, the industry recently pushed ingot output up to the largest weekly tonnage figure on record. Due to the holiday, however, steel operations last week declined moderately to 98.6 percent of capacity as compared with 99.9 percent in the previous week. Operations during the current week are scheduled at 99.2 percent of capacity.

Heavy construction awards declining

Evidence of a slackening in awards for new plant construction under the defense program is seen in the sharp decline in heavy construction awards reported by the Engineering News Record over the past few months. (See Chart 5, upper section.) As a matter of fact, awards reported last week fell below year-earlier levels for the first time in many months.

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The decline in heavy construction awards has been reflected in a recent falling off in structural steel orders. (Chart 5, lower section) Orders booked thus far this year, nevertheless, have exceeded the year-earlier level by 91 percent.

New orders index rising

Our index of new orders for the week ended May 24 rose to 224.3 from 218.8 (revised) in the previous week, thus continuing the gradual upward trend of the preceding three weeks. (See Chart 6.) New orders for both steel and textiles showed good gains, but increases in these industries were partially offset by a decline in the volume of new business booked in the other industries included in the index.

Weekly business indexes higher

The New York Times index of business activity for the week ended May 24 rose 0.6 to 128.4, thus advancing for the fifth consecutive week. As a result, the index stood 4.1 points above the March high reached just before the coal strike began.

The principal factor in the gain during the week mentioned was a rise in electric power output, although contra-seasonal gains in automobile and steel ingot production as well as a rise in cotton mill activity were contributing factors. The other components of the index declined after allowance for seasonal factors, although the losses were insignificant.

Barron's index of business activity for the week ended May 24 confirmed the rise in the Times index and advanced to 133.1 from 132.3 in the previous week.

Preliminary data for the week ended May 31 reveal declines in steel ingot and automobile production due to holiday influences. The decline in steel operations was of approximately seasonal proportions, but the drop in automobile production, amounting to 27,000 units, was less than the usual seasonal decline.

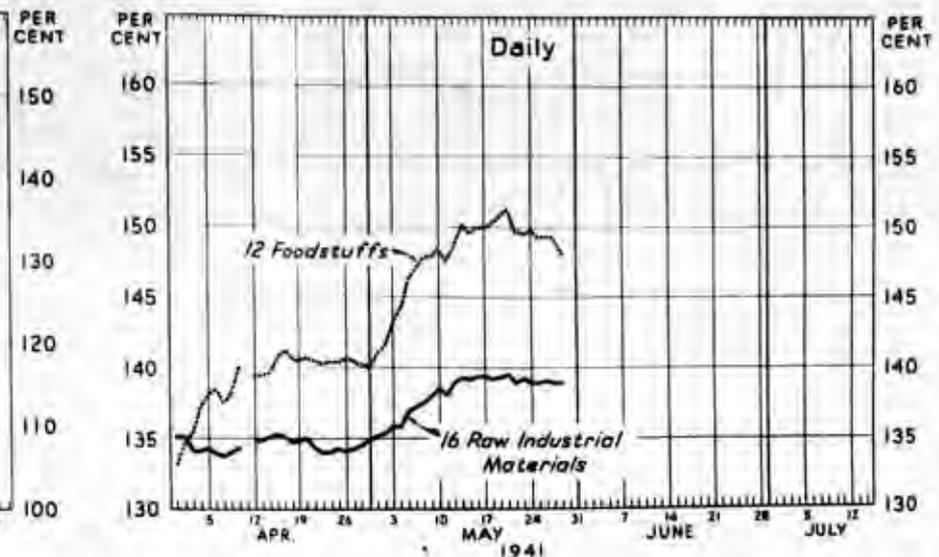
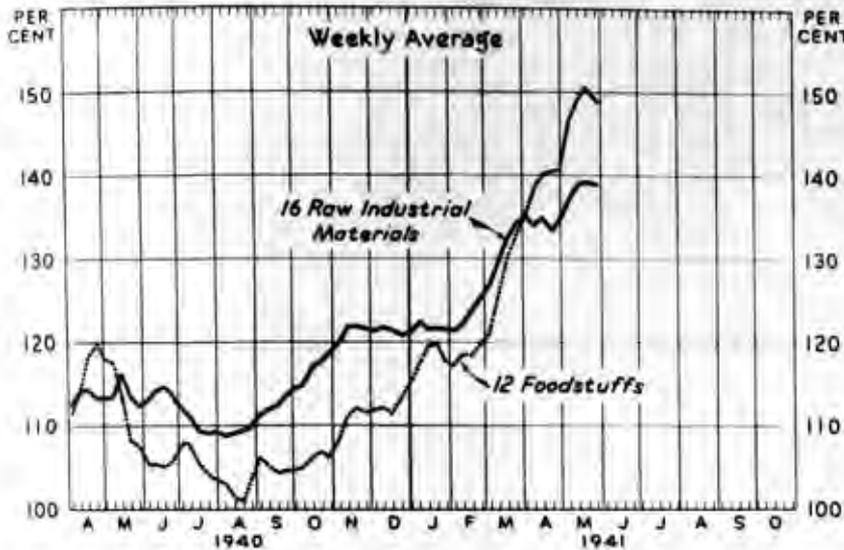
Exhibit 1

A summary of foodstuff purchases made by the
Department of Agriculture
March 15 through May 26

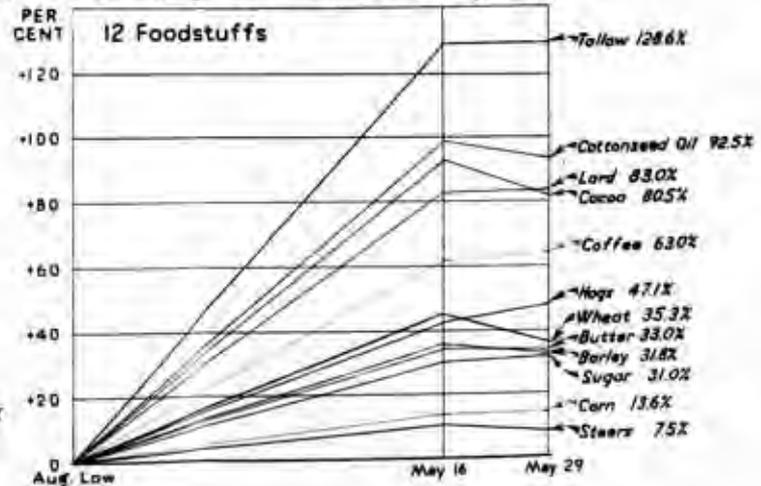
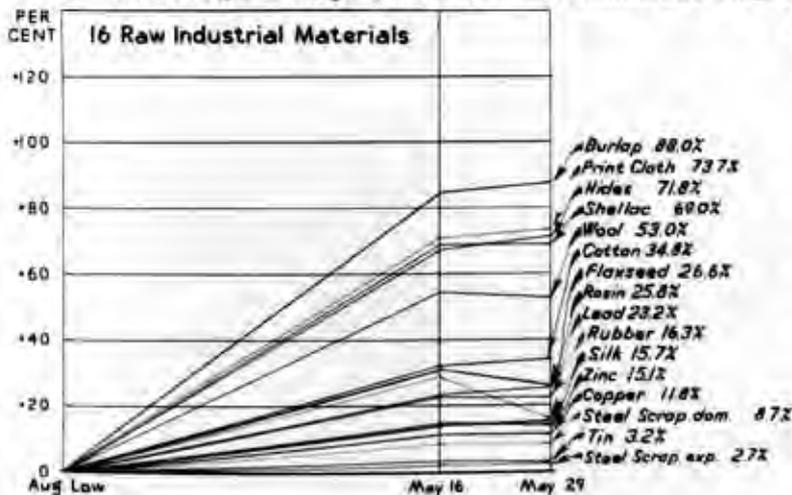
<u>Commodity</u>	<u>Quantity</u>
<u>Vegetables and fruit:</u>	
Apples, fresh	1,396,650 Bu.
Beans, dry	109,708,400 Lbs.
Carrots, fresh	550,000 Lbs.
Grapefruit, fresh	13,702,000 Lbs.
Grapefruit (for juice)	7,488,000 Lbs.
Canned grapefruit juice	643,200 Cases
Canned grapefruit (segments)	398,418 Cases
Onions	800,000 Lbs.
Oranges	231,462 Boxes
Potatoes, white	906,598 Bu.
Raisins	30,000,000 Lbs.
Strawberries, fresh, uncapped	130,615 Lbs.
Canned tomatoes	1,143,275 Cases
<u>Dairy and poultry products:</u>	
Shell eggs	782,100 Cases
Dried eggs	717,500 Lbs.
Frozen eggs	13,388,830 Lbs.
American cheese	23,425,730 Lbs.
Canned process cheese	1,000,000 Lbs.
Dry skim milk	11,659,050 Lbs.
Dry Whole milk	60,000 Lbs.
Evaporated milk	1,562,000 Cases
<u>Other food:</u>	
Oleomargarine	1,120,000 Lbs.
Lard	109,838,655 Lbs.
Pork meat products	
Canned	37,099,530 Lbs.
Cured and frozen	70,798,500 Lbs.
Canned pork and beans	23,300 Cases
Canned fish	105,140 Cases
Wheat flour (enriched)	307,285 Bbls.
Cracked wheat	7,900,000 Lbs.
Biscuits (hard bread)	220,000 Lbs.
Cornstarch	31,940,000 Lbs.
Rice	3,200,000 Lbs.
Dehydrated soup	100,000 Lbs.

MOVEMENT OF BASIC COMMODITY PRICES

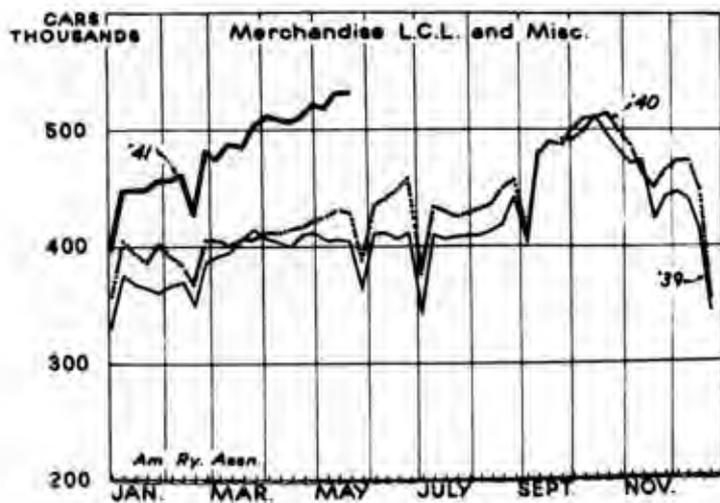
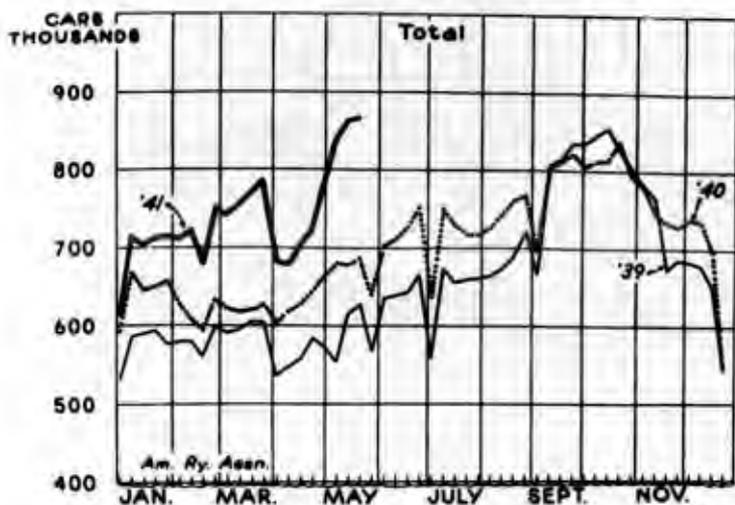
AUGUST 1939 = 100



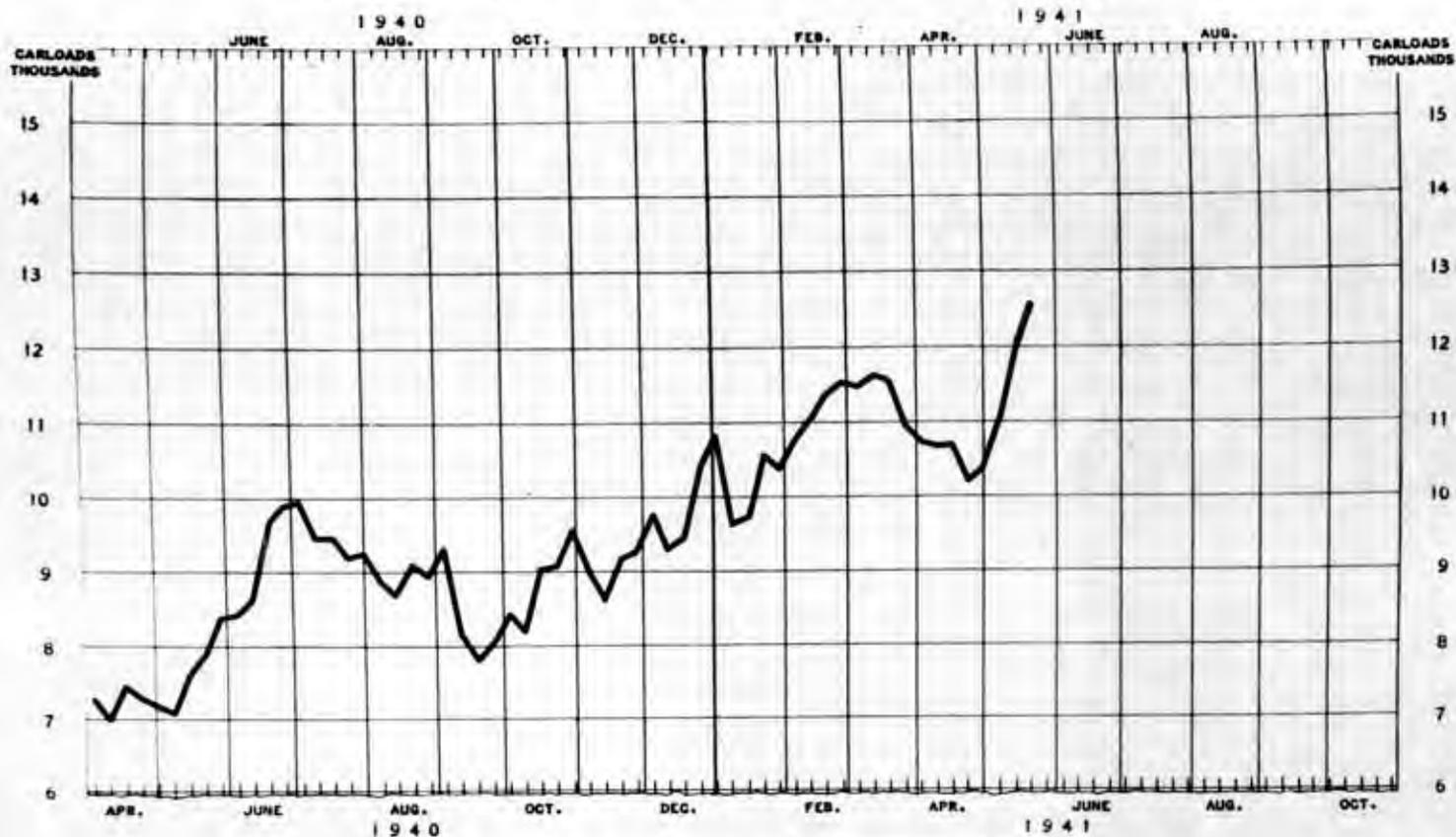
Percentage Change for Individual Commodities, August Low to May 16, and to May 29, 1941



FREIGHT CAR LOADINGS



LIGHTERAGE FREIGHT IN STORAGE
AND ON HAND FOR UNLOADING IN NEW YORK HARBOR*



* LARGELY EXPORT FREIGHT, BUT ABOUT 10% REPRESENTS FREIGHT FOR LOCAL AND COSTAL SHIPMENT. FIGURES EXCLUDE GRAIN.

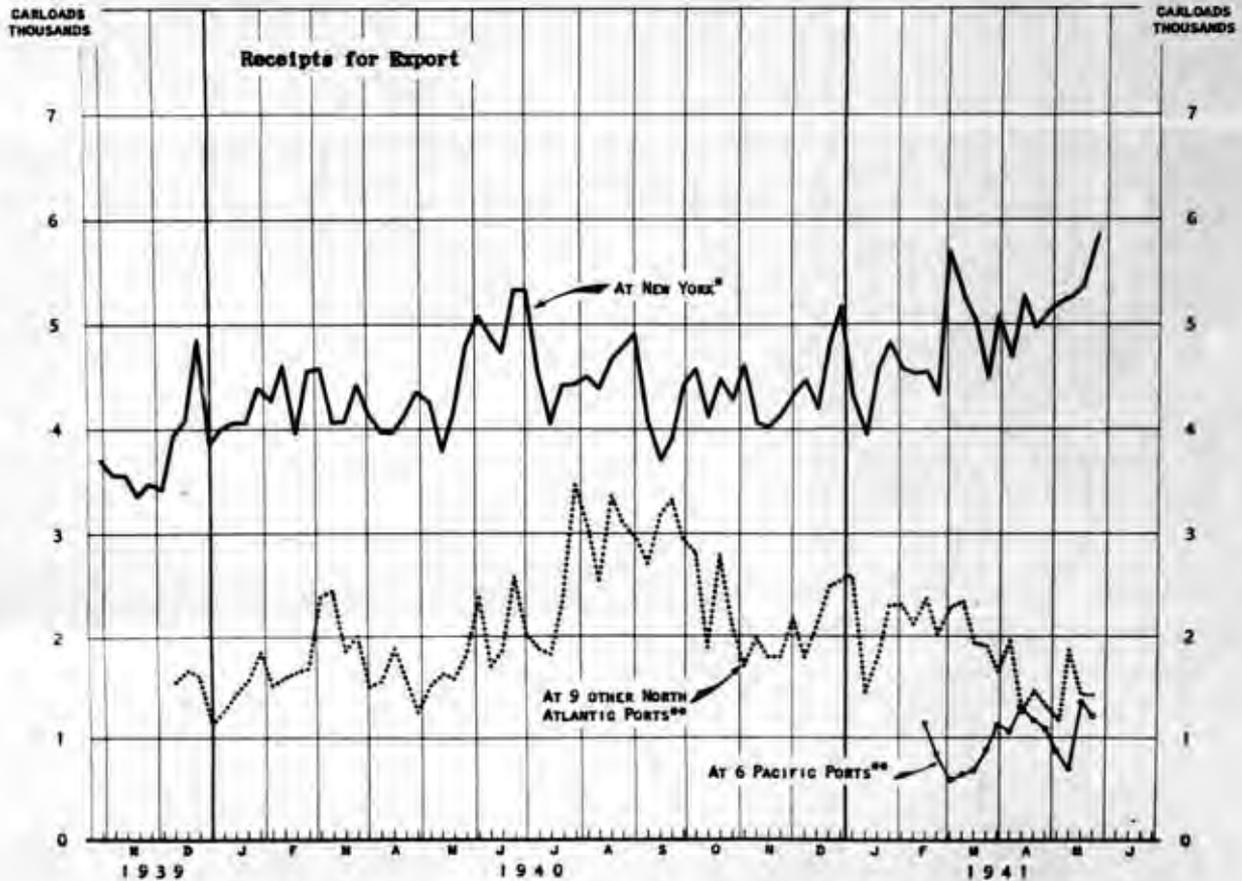
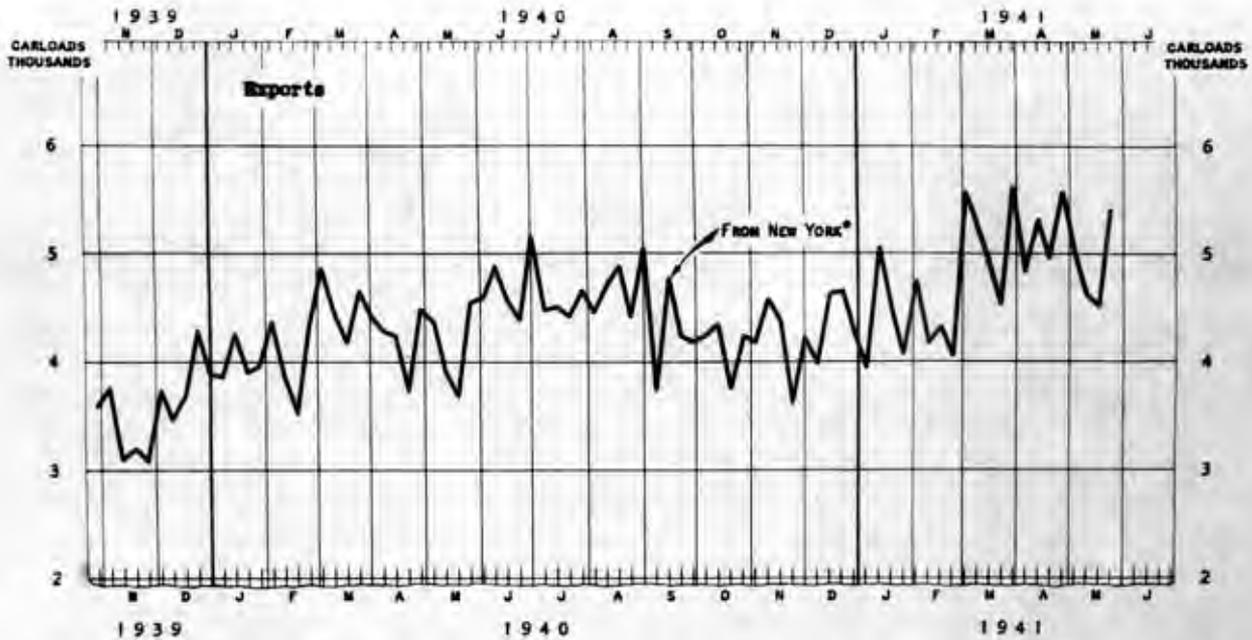
Office of the Secretary of the Treasury,
Division of Research and Statistics

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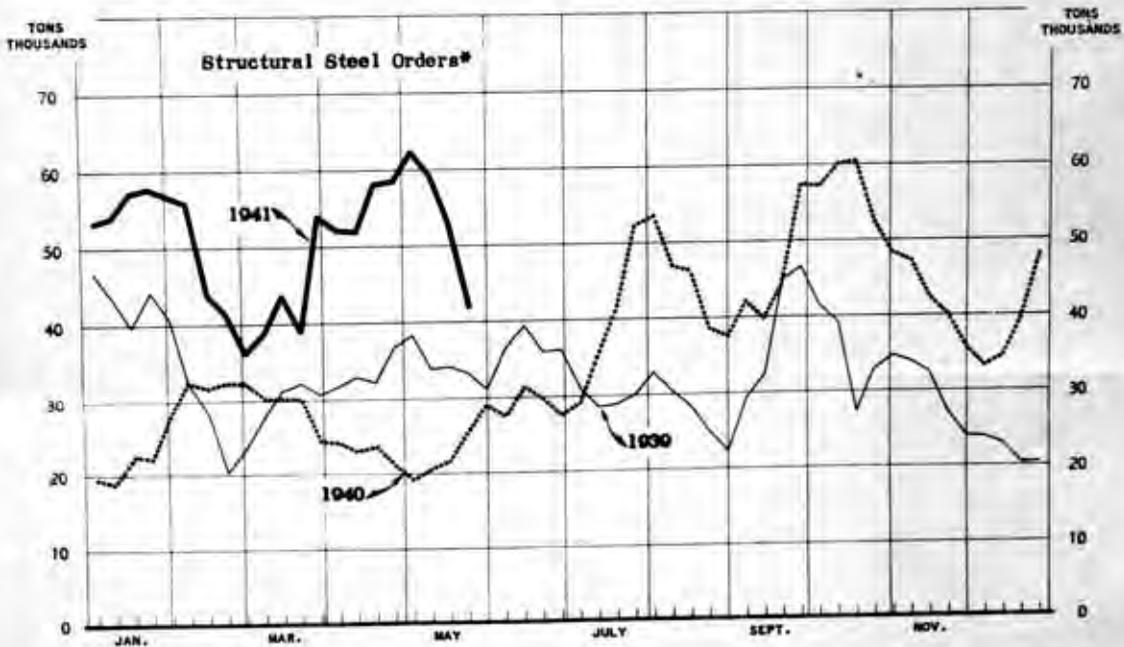
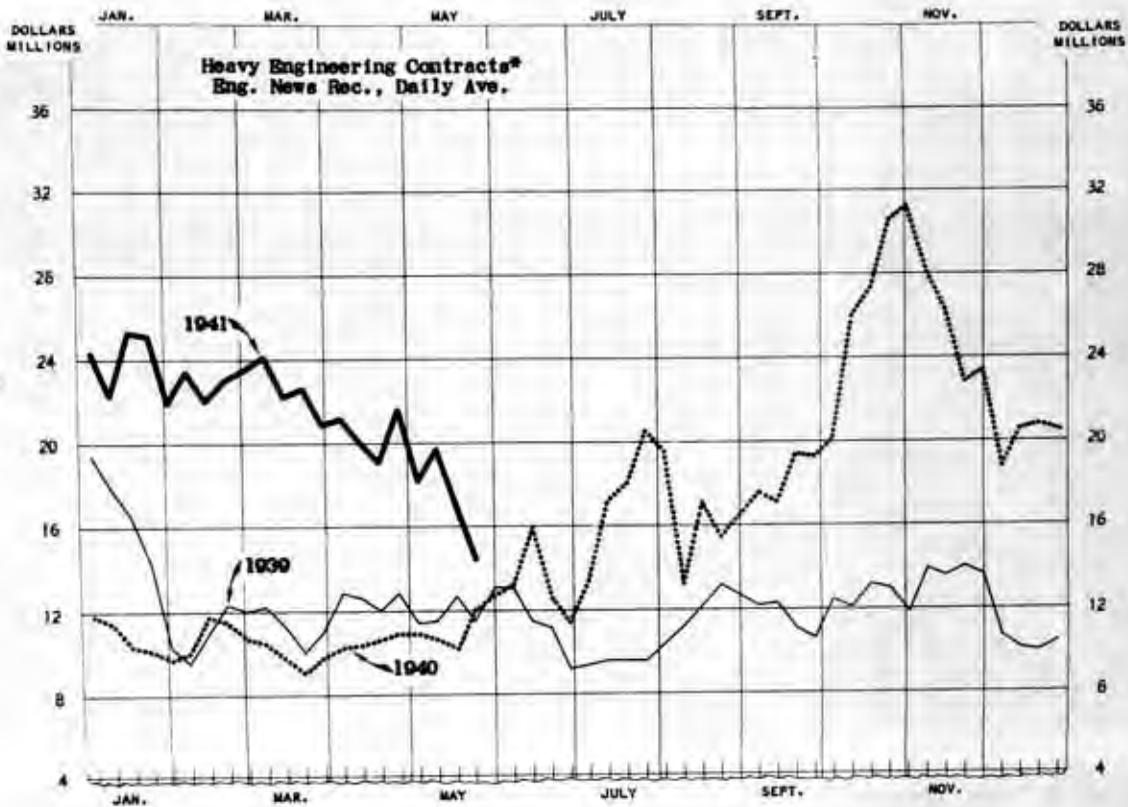
Chart 3

EXPORT FREIGHT MOVEMENT



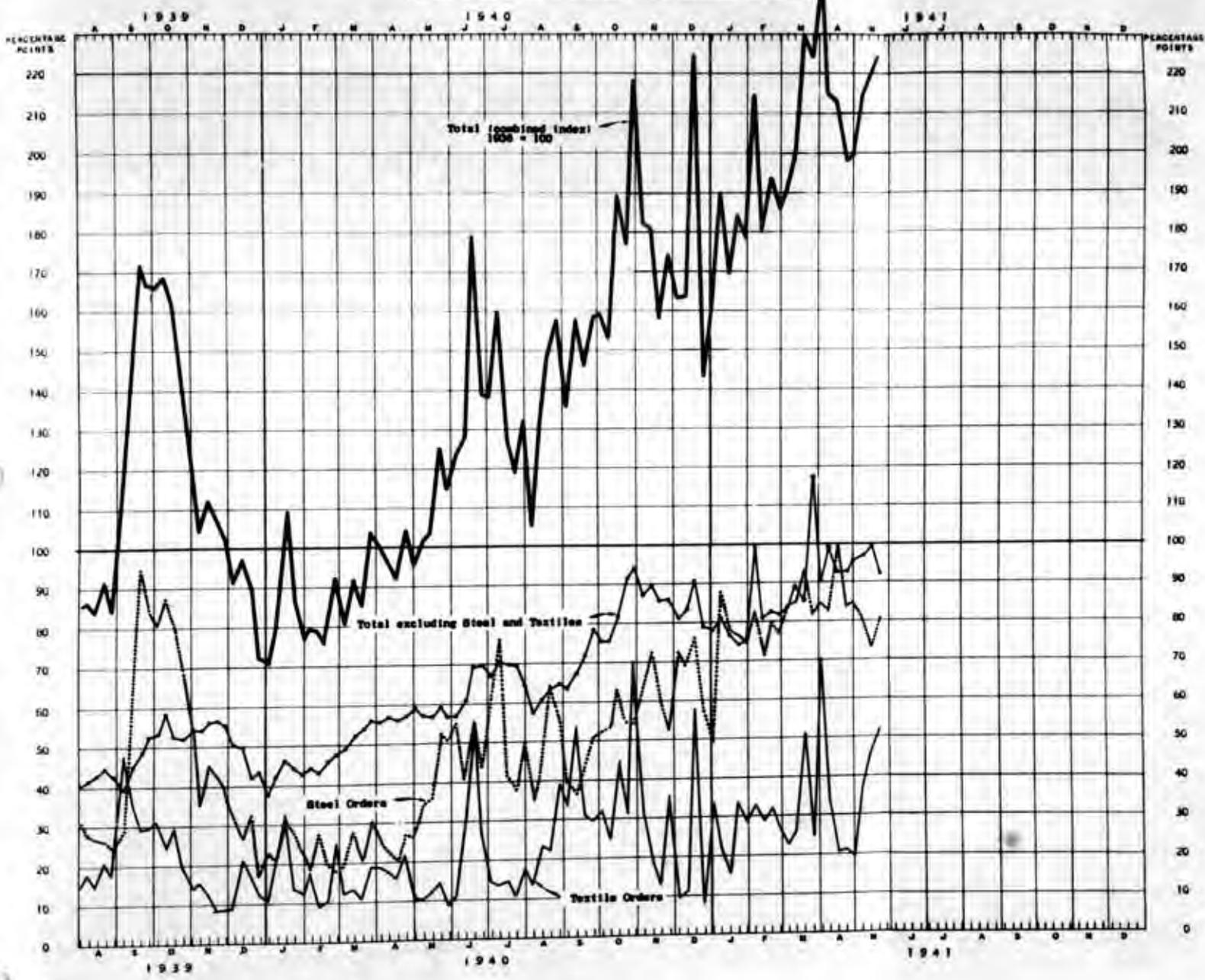
*AS ESTIMATED FROM DATA OF GENERAL MANAGERS' ASSOCIATION OF NEW YORK,
 **ASSOCIATION OF AMERICAN RAILROADS.

CONSTRUCTION CONTRACTS AND STRUCTURAL STEEL ORDERS



* FOUR-WEEK MOVING AVERAGE PLACED ON FOURTH WEEK

INDEXES OF NEW ORDERS Combined Index of New Orders and Selected Components



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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 2, 1941

TO Secretary Morgenthau
FROM Mr. Haas *HA*

During the week ended May 21, 1941, employment under the Work Projects Administration declined from 1,497,000 to 1,474,000 persons.

Attachments

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Weekly
United States

Week ending 1940-41	Number of Workers (In thousands)
November 6	1,783
November 13	1,786
November 20	1,807
November 27	1,822
December 4	1,832
December 11	1,855
December 18	1,872
December 25	1,878
January 1	1,880
January 8	1,887
January 15	1,894
January 22	1,895
January 29	1,895
February 5	1,892
February 12	1,893
February 19	1,885
February 26	1,867
March 5	1,806
March 12	1,764
March 19	1,736
March 26	1,708
April 2	1,662
April 9	1,634
April 16	1,607
April 23	1,586
April 30	1,560
May 7	1,519
May 14	1,497
May 21	1,474

Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Monthly
United States

	Number of Workers (In thousands)
1938	
July	3,053
August	3,171
September	3,228
October	3,346
November	3,287
December	3,094
1939	
January	2,986
February	3,043
March	2,980
April	2,751
May	2,600
June	2,551
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,926
June	1,665
July	1,701
August	1,691
September	1,704
October	1,779
November	1,821
December	1,878
1941	
January	1,895
February	1,867
March	1,708
April	1,560

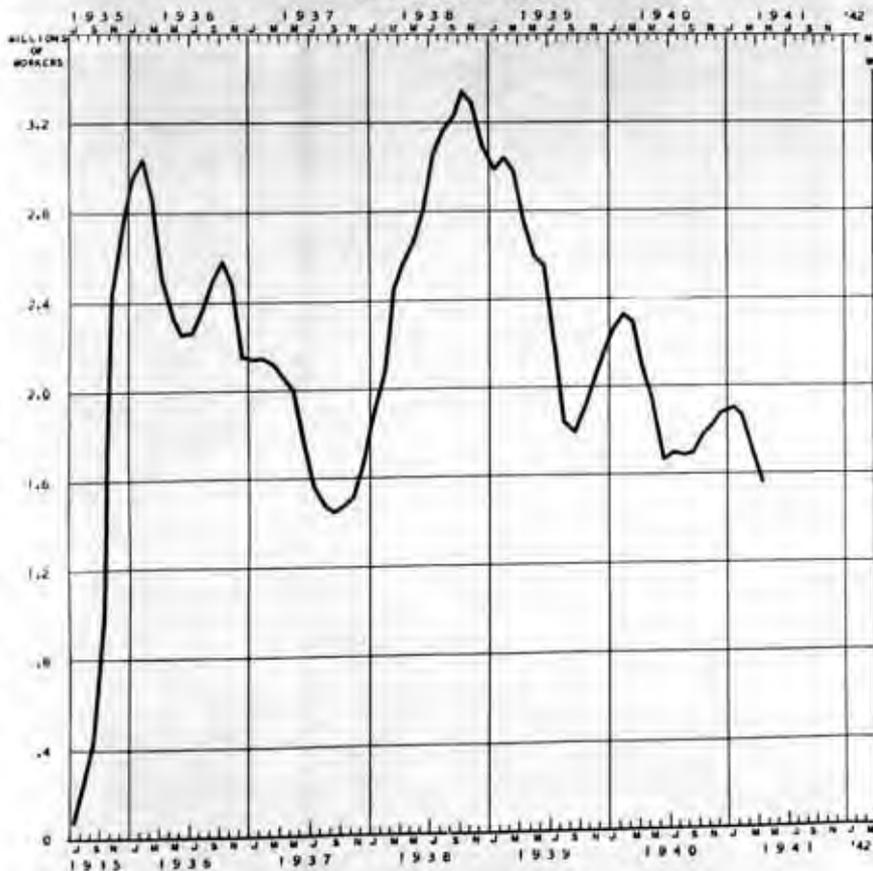
Source: Work Projects Administration

Monthly figures are weekly figures for the latest week of the month.

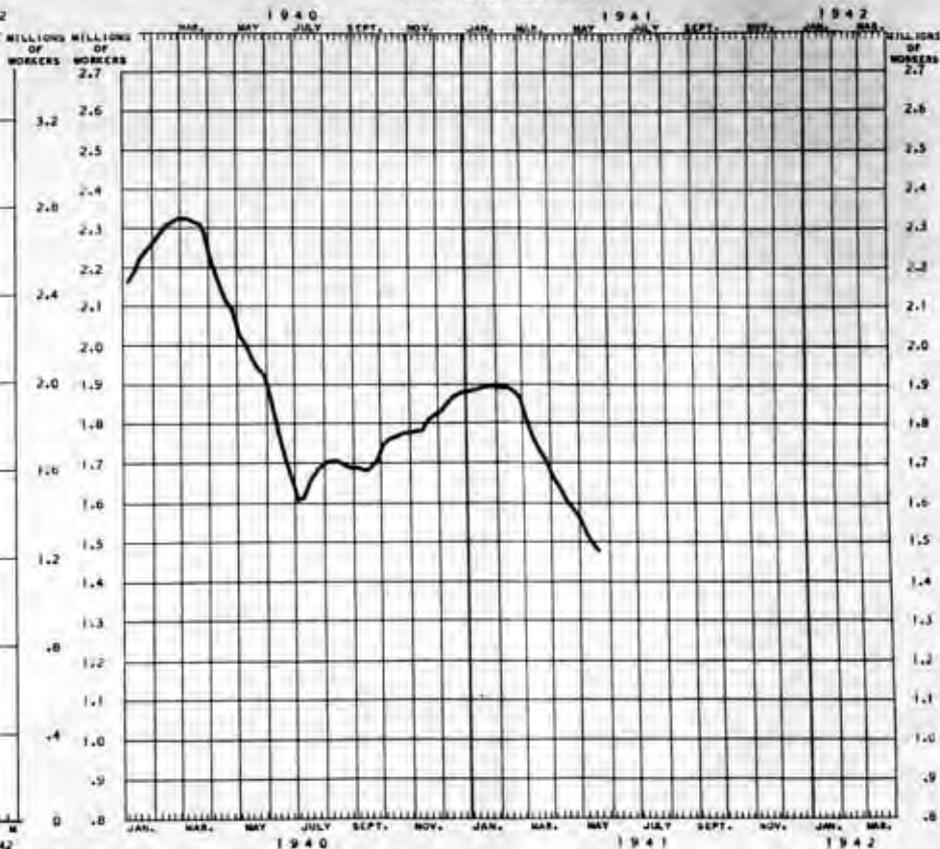
They include certified and noncertified workers.

WORK PROJECTS ADMINISTRATION
Number of Workers Employed
United States

Monthly W.P.A. Employment



Weekly W.P.A. Employment



SOURCE: WORK PROJECTS ADMINISTRATION

BRITISH EMBASSY,
WASHINGTON.

Recvd June 3,
4.00 PM
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June 2nd, 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,

Naville Butler

The Honourable
Henry Morgenthau, Jr.,
United States Treadurer,
Washington, D.C.

Telegram from London dated May 30th.

1. Naval. Enemy attacks on trade during last week much less successful.
2. Imports into Great Britain by ships in convoy, week ending May 24th, totalled 664,736 tons.
3. A trawler destroyed enemy aircraft off Plymouth May 28th.
4. One JU 88 believed destroyed by Anti-aircraft fire Malta.
5. Four ex United States coast guard cutters arrived United Kingdom May 22nd.
6. Suez Canal now open to shipping.
7. Attacks on Crete: during operations Dido and Orion twice hit by bombs. Former badly damaged, also Hereward.
8. More enemy parachutists and supplies dropped Heraklion area May 28th.
9. From captured documents evidence that the Germans hoped to occupy Crete first day by parachute troops. Extent of our resistance came as a complete surprise. Our failure to hold Maleme and subsequent withdrawals due to unprecedented scale of continued dive-bombing. Present attacks from the air heaviest yet experienced by troops familiar with conditions of France and Greece.

A.M. 29th, estimate up to 30,000 enemy troops landed in Crete, 90 per cent by air. Greek and Cretans have cooperated with great courage. Our troops have fought magnificently and undoubtedly set back German plans and inflicted losses the enemy can ill-afford in specialised personnel.
10. May 27th/28th. Heavy bombers attacked aerodromes at Scarpanto and Maleme and beaches near the latter. Fires started both aerodromes and amongst 100 aircraft on the beaches. Two Blenheims sent to attack troops at Maleme missing.

-2-

11. East Africa. Remarkable achievements of our troops here overshadowed by the other world events. Positions of great natural strength/^{captured}one after another in unbelievable climatic conditions. Fall of rock like Amba Alagi opens up communications between East African and Sudanese commands. In the battle at the Lakes our achievements no less spectacular in heavy and continuous rains from April to September.
12. Tobruk. Our continued occupation here has caused enemy to allocate disproportionately large number of troops to contain Tobruk itself.
13. Iraq. Capture of Fallujah and the continued successful raids by the Royal Air Force combined with the inadequate support from Axis seriously discouraging the rebels. Basrah quiet. Our troops arrived at Luqait 55 miles west of Basrah May 27th. Advance of our Forces from Kharput and Nuqta held up by flooding and damage to bridge eight miles west of Bagdad but small detachments have reached northern districts of Bagdad.
14. On the 28th and 29th our aircraft carried out reconnaissance and operated in support of our ground forces; a reconnaissance aircraft was forced down by three Italian fighters, one of which was destroyed by Gladiators. At Baquba aerodrome 10 enemy aircraft on the ground severely damaged by machine gun fire.

RESTRICTED

G-2/2657-220; No. 406 H.I.D., W.D. 12:00 H., June 2, 1941

SITUATION REPORTI. Western Theater

Air: German. Fairly strong attacks on the Manchester area on the night of the 1st - 2d, with light raids on English southwest ports.

British. No reports of important activity.

II. Crete.

The German High Command reports the capture of about 13,000 British and Greek troops.

The British report the successful evacuation of about 15,000 troops to Egypt.

III. Mediterranean and African Theaters.

Ground: Nothing of importance to report.

Air: Normal raids on Tobruk and Benghazi.

IV. Iraq.

The British control the situation at Baghdad and to the west and south thereof. Situation in the Mosul area remains obscure.

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Paraphrase of Code Callaghan
Received at the War Department
at 19:18, June 2, 1941.

Dublin, filed 11:55, June 2, 1941.

1. The Government of Eire has formally protested the German bombing of Dublin in the early hours of May 31, after it was definitely determined that the four 500-pound bombs indiscriminately dropped were of German manufacture.

2. It was requested that pilots be given orders not to violate neutral territory and that damages be awarded to 50 injured and the 600 who lost their homes.

WOFFORD

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Assistant Chief of Staff, G-3
War Plans Division
Office of Naval Intelligence
Air Corps

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Paraphrase of Code Cablegram
Received at the War Department
at 08:25, June 2, 1941

London, filed 15:31, June 2, 1941.

1. British Air Activity over the Continent.

a. Night of June 1-2 and Day of June 1. Bad weather prevailed during this period, and as a result no operations were carried out by the Royal Air Force.

2. German Air Activity over Britain.

a. Night of June 1-2. German air operations were on a large scale. Merseyside and Manchester were the principal targets, and Western England, the Midlands, and Wales were also bombed.

3. Aircraft Losses. British Theater.

a. No operations and consequently no losses.

b. During the bombing attacks on Merseyside and Manchester one German plane shot down and two damaged.

4. The British War Office believes that the German planes which bombed Dublin were lost, and that the bombing was a mistake.

5. The Cretan evacuation was accomplished most successfully. The total number of troops landed at Alexandria was 15,000. Planes of the Royal Air Force based in Egypt staged intensive bombing attacks on Maleni and Heraklion, following the removal of troops to Alexandria.

6. German losses in Crete are estimated by the British to be 180 operational aircraft and 280 transports destroyed or completely damaged.

7. There has been no noticeable activity in Egypt and Libya.

LEH

Distribution:

Secretary of War, State Department, Secretary of Treasury, Under Secretary of War; Chief of Staff; A. G. of S., G-3; WFD; ONI; AS; 2-3

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