It is important that the yield of the tax bill shall not fall below the $3.5 billion level. In fact, it is apparent from the size of the appropriations and the pressures of consumer purchasing power on prices that taxes even beyond this amount will have to be raised not later than next year.

In formulating the excise tax program an important consideration should be the diversion of producers' and consumers' demand from scarce commodities which compete with the defense program. Thus the tax on passenger automobiles might well be made much higher than the 7 percent adopted by the Committee. The Committee may have decided not to impose a higher tax because they did not wish to burden automobile purchasers. It is probable that a higher tax would not have much effect on prices to automobile purchasers. It would be extremely difficult to prevent price rises on cars sold by some retailers or the setting up of a "black market" in new and slightly used cars. The excise tax will in all probability come out of windfall profits which otherwise would be secured by profiteers in automobiles.

Automobiles are mentioned because they are perhaps the most important example. Other commodities which may be in the same category should be examined to
determine whether an excise should be imposed and if so, whether it should be on the final product or on a scarce material entering into the product. Through such taxes the demands for the most scarce commodities and the large windfall profits which may be made by those evading price control would be reduced.

A basic revision of the excess profits tax plan is also very desirable. In some respects the excess profits tax plan tentatively adopted by the Committee is an improvement over the present excess profits tax. The revenue will be much larger although to a considerable extent this is due merely to higher rates. Some of the larger defense industries with low rates of return in the base years will pay excess profits tax, whereas they are now exempt.

However, the excess profits tax plan fails to correct one fundamental weakness of the present law. It exempts from the tax profits in excess of a reasonable return on invested capital unless those profits are also in excess of the profits of the base period years.
Substantial numbers of companies make large earnings. A study by the Treasury Department shows that one out of five profit-making corporations with assets of $1 million and over averaged more than 10 percent net income on their recorded equity capital during the years 1935 to 1938 and that one out of 25 companies averaged more than 30 percent.

The manner in which the present law and the Committee's tentative plan exempt important amounts of excess profits is shown in the following examples.

After paying all taxes an automobile company (Chrysler) made during the base period years of 1936 through 1939 approximately 28 percent (on the basis of published financial statements, as the company has not filed its excess profits tax return.) Practically all (95 percent) of this amount can be earned tax free under the present law and under the Committee plan. After deducting a computed excess profits tax on the 1940 earnings above the base period average the company still has left 24 percent of its invested capital under the present law and 21 percent under the Committee proposal.
The tax returns of a manufacturer of tractors (Caterpillar) with approximately $55 million of equity capital indicate that after all taxes it averaged approximately 15 percent during 1936-1939, which amount continues to be tax-free.

A company (Aluminum Company of America) which has practically a monopoly on one of the important defense materials had earnings after taxes during the base period years averaging approximately 19 percent of the 1940 invested capital, which it can continue to earn tax-free.

A large manufacturer of beverages (Coca-Cola) can continue to earn free of tax over 25 percent of its 1940 reported equity capital.

Thus, large amounts of the kind of profits which ever since the excess profits tax of 1918 has been defined as excess profits, is free from tax under a law which is called an excess profits tax law.

Failure to tax such profits is unfortunate for a number of reasons:

(1) The highly prosperous, well established corporation which has been making 30, 40, 50 percent or more on its invested capital has a much larger ability to pay taxes than a corporation which has been earning
only 3, 4, or 5 percent on its invested capital, even though the dollar incomes of the two companies are the same. Taxation of corporations in accordance with ability to pay calls for higher taxes on the profits of corporations in excess of reasonable average return.

(2) The corporation which has been making high returns in the base period years in given a competitive advantage over newly organized concerns or concerns which have been struggling to establish themselves. The latter types are limited to a much smaller tax-free return than are the former. The effect is to confirm monopolies in their control and to protect well established prosperous businesses against competition.

(3) If we are to expect all classes of society, including laborers and farmers, to accept the sacrifices of the emergency period and not to press for every possible dollar of advantage, they must be convinced that sacrifices are being distributed according to ability and that no one is making unreasonably large profits. The stability of our prices and wages is thus to a considerable extent dependent on the imposition and enforcement of a true excess profits tax.
MEMORANDUM FOR THE PRESIDENT

I. The Present Price Situation

Since the beginning of the war, wholesale prices have risen about 16 percent, of which rise the greater part has occurred during the past five months.

The cost of living index has increased 5-1/2 percent since the beginning of the war.

The index of 26 basic commodities has increased 45 percent since the beginning of the war. This latter constitutes a danger signal of inflation which must not be ignored. The wholesale price index always lags greatly behind the index of basic commodities, while the cost of living index does not show anything like the full effects of inflation until long after the seeds of inflation have taken deep root.

The pattern of price rises summarized above roughly resembles the price movements during the first two years of World War I — little rise in the cost of living, a moderate rise in the wholesale price index, and a sharp rise in basic commodities. Apparently we are at the same point in price history as in 1916 — on the edge of inflation.

The forces making for further price rise are both potent and persistent:

(1) Estimated Defense spending during the fiscal year 1942 will be two and a half times as much as in the fiscal year 1941, exclusive of any extension of the Defense program since June 1.

(2) More important in its bearing on the danger of inflation than the figures for expenditures of the coming year are the estimates of deficit spending. The net deficit for the fiscal year 1942, as estimated by the Director of the Budget, will be $12.3 billions, compared with $5.1 billions for the previous fiscal year.
This assumes the present tax structure. If the present tax bill is passed by Congress, the deficit will be reduced by $2-1/2 billions, but it will still be twice that of fiscal 1941. This deficit does not take account, moreover, of the new defense expenditure estimates just submitted by the President, and whatever is expended on account of these estimates during fiscal 1942 will be added to the deficit, unless it is offset by yet additional assets.

(3) During the past year the inflationary force of the Federal deficit has been supplemented by an expansion of bank credit. Total loans of all member banks expanded by an estimated $2.8 billions, or by 20 percent during the fiscal year 1941. This rise, moreover, has been proceeding at an accelerated pace — 33 percent of the total estimated increase taking place during the final quarter.

(4) To the fiscal and monetary factors likely to cause price increases during the next fiscal year, the physical factors of reduced shipping space and other difficulties in the way of imports should be added.

Though there are factors appearing to check inflationary trends, such as some surplus stocks of agricultural commodities, unemployed labor resources, and partially employed production facilities, most of these factors were present in the fiscal year 1941 in greater degree and yet did not serve to restrain price rises even though the forces making for price rises were then much weaker. It would, therefore, be unwise to count on these to any important extent.

Important governmental steps have already been taken or are being taken to check inflation.

Every effort has been and is being made to limit price rises through voluntary cooperation of OPACS. These measures to restrain price rises though they have unquestionably been helpful are inadequate to meet the situation confronting us. We have gone only a small part
of the way it will be necessary to go. We must attack the problem on all fronts if we are successfully to check inflation.

We present below some specific tax proposals. The problem cannot, however, be met by tax measures alone, but must be attacked on a broad front by a variety of methods. In addition to these tax proposals, we recommend supplementary action along the following lines:

(1) OPA OS must be given the power to fix prices where necessary. Price fixing must be regarded as a complement to priorities and rationing. Without the power to impose a ceiling on prices of commodities where necessary, the task of restricting price rises is made much more difficult. The mere possession of such power tends to make the exercise of that power unnecessary. On the other hand, in the absence of an adequate fiscal program to mop up excess buying power, the attempt to prevent unwanted price increases by fiat is bound to break down here as it has elsewhere, when unaccompanied by these essential supplementary methods.

(2) Increase the supplies of goods required for military and civilian needs. Increased output is in itself a major objective of our defense program and the most effective and desirable means of preventing inflation. There should be further exploration of the possibilities of inducing expansion of production facilities and labor supply where such response could not be expected to occur automatically.

(3) Extension of the present system of priorities to include systematic rationing of scarce supplies to consumers.

(4) Extension of the general controls over bank credit.

(5) Establishment of controls over the entire field of consumer credit.

(6) Creation of controls over capital issues.

(7) An extension of the Social Security program along lines by which greater coverage and contributions would increase the inflow of funds from current income.
during the emergency and would not involve any substantial increase in the present outflow.

(8) A reduction of non-essential Federal expenditures and the Federal lending and underwriting program, such as non-emergency housing expenditures and mortgage guarantees.

(9) Promotion of economy in State and local governmental expenditure and a curtailment of their borrowing for non-emergency expenditures.

Even with substantial action along all of these lines it seems probable to us that a substantial amount of undesirable price inflation will occur in this fiscal year if our tax program is not carried farther than has as yet been proposed. We, therefore, urge that the tax program now under consideration by Congress be reexamined in the light of the following considerations.
MEMORANDUM FOR THE PRESIDENT

I. The Present Price Situation

Since the beginning of the war, September, 1939, wholesale prices have risen about 16 percent, of which rise the greater part has occurred during the past five months.

The cost of living index has increased 5-1/2 percent since the beginning of the war.

The index of 25 basic commodities has increased 42 percent since the beginning of the war. This latter constitutes a danger signal of inflation which must not be ignored. The wholesale price index always lags greatly behind the index of basic commodities, while the cost of living index does not show anything like the full effects of inflation until long after the seeds of inflation have taken deep root.

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In formulating the excise tax program an important consideration should be to divert the demand of producers and consumers for scarce commodities which compete with the defense program. Thus the tax on passenger automobiles might well be made much higher than the 7 percent adopted by the Committee. The production of passenger automobiles will undoubtedly have to be greatly restricted. It would be extremely difficult to prevent price rises on cars sold by some retailers or the setting up of a "black market" in new and slightly used cars. It is probable that the excise tax will in large part come out of windfall profits which otherwise would be secured by profiteers in automobiles, rather than being passed on in full in higher prices.

Automobiles are mentioned because they are perhaps the most important example. Other commodities which may be in the same category should be examined to
...are also in excess of the present tax plan. The reason for this is that the excess tax revenue from the tax plan in excess of a reason...However, the excess tax revenue will fall to zero, and there are no income tax returns in the base years. The reason is that the larger decrease in taxation will be too large on the...The reason will be much larger although to a counter-sub...The revenue will be much larger over the present excess tax plan...A decrease in the excess tax plan may be made by the large national program which may be imposed on the source national income into the product. Therefore, whether an exacte...
Substantial numbers of companies make large earnings. A study by the Treasury Department shows that one out of five profit-making corporations with assets of $1 million and over averaged more than 10 percent net income on their reported equity capital during the years 1935 to 1938 and that one out of 25 companies averaged more than 30 percent.

The manner in which the present law and the Committee's tentative plan exempt important amounts of excess profits is shown in the following examples.

After paying all taxes an automobile company made during the base period years of 1936 through 1939 approximately 28 percent (on the basis of published financial statements, as the company has not filed its excess profits tax return.) Practically all (95 percent) of this amount can be earned tax free under the present law and under the Committee plan. After deducting a computed excess profits tax on the 1940 earnings above the base period average the company despite the higher income taxes will still have left approximately 24 percent of its invested capital under the present law and 21 percent under the Committee proposal.
The tax returns of a manufacturer of tractors with approximately $43 million of equity capital indicate that after all taxes it averaged approximately 16 percent during 1936-1939, which amount continues to be tax-free.

A company which has practically a monopoly on one of the important defense materials had earnings after taxes during the base period years averaging approximately 19 percent of the 1940 invested capital, which it can continue to earn tax-free.

A large manufacturer of beverages can continue to earn free of tax over 25 percent of its 1940 reported equity capital.

Thus, large amounts of the kind of profits which are commonly defined as excess profits and were taxed as such under the 1918 Act are free from tax under the present law and the Committee plan.

Failure to tax such profits is unfortunate for a number of reasons:

(1) The highly prosperous, well established corporation which has been making 30, 40, 50 percent or more on its invested capital has a much larger ability to pay taxes than a corporation which has been earning
only 3, 4, or 5 percent on its invested capital, even though the dollar incomes of the two companies are the same. Taxation of corporations in accordance with ability to pay calls for higher taxes on the profits of corporations in excess of reasonable average return.

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July 14, 1941

My dear Mr. President:

I am enclosing herewith a draft of a memorandum which we have prepared in the Treasury.

I have sent copies, in strict confidence, to Chairman Eccles, Mr. Sidney Hillman, Mr. Lauchlin Currie, Mr. Lubin and Mr. Henderson. They are coming to my office, at 8:30 tomorrow morning, to give me the benefit of their suggestions and criticisms. Therefore, when I see you at 11 o'clock, I will give you a second draft which will incorporate wherever possible the suggestions of these men.

Yours sincerely,

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The White House.
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My dear Mr. Lubin:

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I would appreciate it very much if you would study this draft and meet with me at my office at 8:30 tomorrow morning prepared to give me the benefit of your suggestions and criticisms.

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Mr. Isador Lubin,
Assistant to the President,
Room 1901, Treasury Department Building,
Washington, D. C.
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Mr. Lauchlin Currie, Assistant to the President, The White House.
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The cost of living index has increased 5-1/2 percent since the beginning of the war.

The index of 28 basic commodities has increased 48 percent since the beginning of the war. This latter constitutes a danger signal of inflation which must not be ignored. The wholesale price index always lags greatly behind the index of basic commodities, while the cost of living index does not show anything like the full effects of inflation until long after the seeds of inflation have taken deep root.

The pattern of price rises summarized above roughly resembles the price movements during the first two years of World War I -- little rise in the cost of living, a moderate rise in the wholesale price index, and a sharp rise in basic commodities. Apparently we are at the same point in price history as in 1916 -- on the edge of inflation.

The forces making for further price rise are both potent and persistent:
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II. Comments on the Tax Bill

It is important that the yield of the tax bill shall not fall below the $3.5 billion level. In fact, it is apparent from the size of the appropriations and the pressures of consumer purchasing power on prices that taxes even beyond this amount will have to be raised not later than next year.

In formulating the excise tax program an important consideration should be to divert the demand of producers and consumers for scarce commodities which compete with the defense program. Thus the tax on passenger automobiles might well be made much higher than the 7 percent adopted by the Committee. The production of passenger automobiles will undoubtedly have to greatly restricted. It would be extremely difficult to prevent price rises on cars sold by some retailers or the setting up of a "black market" in new and slightly used cars. It is probable that the excise tax will in large part come out of windfall profits which otherwise would be secured by profiteers in automobiles, rather than being passed on in full in higher prices.

Automobiles are mentioned because they are perhaps the most important example. Other commodities which may be in the same category should be examined to
determine whether an excise should be imposed and if so, whether it should be on the final product or on a scarce material entering into the product. Through such taxes the demands for the most scarce commodities and the large windfall profits which may be made by those evading price control would be reduced.

A basic revision of the excess profits tax plan is also very desirable. In some respects the excess profits tax plan tentatively adopted by the Committee is an improvement over the present excess profits tax. The revenue will be much larger although to a considerable extent this is due merely to higher rates. Some of the larger defense industries with low rates of return in the base years will pay excess profits tax, whereas they are now exempt.

However, the excess profits tax plan fails to correct one fundamental weakness of the present law. It exempts from the tax profits in excess of a reasonable return on invested capital unless those profits are also in excess of the profits of the base period years.
Substantial numbers of companies make large earnings. A study by the Treasury Department shows that one out of five profit-making corporations with assets of $1 million and over averaged more than 10 percent net income on their reported equity capital during the years 1935 to 1938 and that one out of 25 companies averaged more than 30 percent.

The manner in which the present law and the Committee's tentative plan exempt important amounts of excess profits is shown in the following examples.

After paying all taxes an automobile company made during the base period years of 1936 through 1939 approximately 26 percent (on the basis of published financial statements, as the company has not filed its excess profits tax return.) Practically all (95 percent) of this amount can be earned tax free under the present law and under the Committee plan. After deducting a computed excess profits tax on the 1940 earnings above the base period average the company despite the higher income taxes will still have left approximately 24 percent of its invested capital under the present law and 21 percent under the Committee proposal.
The tax returns of a manufacturer of tractors with approximately $43 million of equity capital indicate that after all taxes it averaged approximately 18 percent during 1936-1939, which amount continues to be tax-free.

A company which has practically a monopoly on one of the important defense materials had earnings after taxes during the base period years averaging approximately 19 percent of the 1940 invested capital, which it can continue to earn tax-free.

A large manufacturer of beverages can continue to earn free of tax over 25 percent of its 1940 reported equity capital.

Thus, large amounts of the kind of profits which are commonly defined as excess profits and were taxed as such under the 1918 Act are free from tax under the present law and the Committee plan.

Failure to tax such profits is unfortunate for a number of reasons:

(1) The highly prosperous, well established corporation which has been making 30, 40, 50 percent or more on its invested capital has a much larger ability to pay taxes than a corporation which has been earning
only 3, 4, or 5 percent on its invested capital, even though the dollar incomes of the two companies are the same. Taxation of corporations in accordance with ability to pay calls for higher taxes on the profits of corporations in excess of reasonable average return.

(2) The corporation which has been making high returns in the base period years is given a competitive advantage over newly organized concerns or concerns which have been struggling to establish themselves. The latter types are limited to a much smaller tax-free return than are the former. The effect is to confirm monopolies in their control and to protect well established prosperous businesses against competition.

(3) If we are to expect all classes of society, including laborers and farmers, to accept the sacrifices of the emergency period and not to press for every possible dollar of advantage, they must be convinced that sacrifices are being distributed according to ability and that no one is making unreasonably large profits. The stability of our prices and wages is thus to a considerable extent dependent on the imposition and enforcement of a true excess profits tax.
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE July 14, 1941

TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

At 3:10 this afternoon Mr. Loy Henderson telephoned me from the European Division of the Department of State. He told me that Mr. Oumansky wanted to come in to see Acting Secretary Welles this afternoon. It was understood that the Ambassador was urgently requesting an immediate exchange of notes between the American and Russian Governments incorporating therein the text of the memorandum on treatment of Soviet gold and silver which had been worked out between the Ambassador and the Secretary of the Treasury, presumably on October 23 or 24, 1940.

Since several months had elapsed since this question had received the study of the Treasury Department, Mr. Henderson thought it only proper to consult us to see if the phraseology of this memorandum would be acceptable to the Secretary in present circumstances, and considering developments since last October, for incorporation in an official exchange of notes. Then I asked Mr. Henderson just what the purpose of the Russian Ambassador was in pressing so urgently for an exchange of notes at this time, he said he understood the Russian Government would send a large amount of gold to this country for earmarking. Henderson presumed that the Russians would, upon obtaining this exchange of notes, feel that our freezing regulations could not be applied to Russian gold or silver unless applied to the gold and silver of all other countries. Henderson informed me further that he was not aware that any such broad provision of most favored nation treatment as that incorporated in the final paragraph of the draft of last October 24 had been utilized in any exchange of notes between our Government and any foreign Government.

I told Mr. Henderson that I would consult with my colleagues in the Treasury Department who had worked on this draft last October, and would also obtain the Secretary's opinion, and let the Department of State know the Treasury's present position. I immediately called Mr. Bernstein, but found that he was at the State Department. I then telephoned Mr. Foley but learned that he was having a press conference. I then went to the Secretary's office and was received by him at 3:25. I explained the situation to the Secretary. It was agreed that I should look into this matter with Mr. Foley and that the Secretary would study the question anew sometime after tomorrow at 1 p.m. Between now and that time the Secretary is devoting his entire attention to a matter for submission to the President. I told the Secretary that I had brought this matter immediately to his attention since I understood a meeting with the Russian Ambassador was to be held at 3:30 this afternoon in Acting Secretary Welles' office. At 3:25 I telephoned Mr. Henderson. I told him I had spoken with the Secretary but that Mr. Morgenthau could not go into this question before tomorrow afternoon, at the earliest. In the meantime, I requested that no action should be taken toward incorporating in an exchange of notes with the Soviet any part of the memorandum of last October on which the Treasury worked. Mr. Henderson told me that he would definitely arrange postponement of this question and would take no action thereon until he learned the Treasury's further desires. A copy of the draft of October 24, 1940, under reference, is attached.

[Signature]
Sir:

The receipt is acknowledged of your note of 1940, in which you state that the Government of the Union of Soviet Socialist Republics would appreciate certain assurances from the Government of the United States relating to the purchase of Soviet gold in the United States.

In announcements of January 31 and February 1, 1934, the Secretary of the Treasury stated that, until further notice, the United States would buy gold imported from abroad at the rate of $35 per fine troy ounce, less the usual mint charges and less one-fourth of one percent, all subject to compliance with the regulations issued under the Gold Reserve Act of 1934. Such gold purchases have been made continuously thereafter and without discrimination.

The foregoing continues to be the policy of the Government of the United States and assurances are given to the Government of the U.S.S.R. that no prohibitive or restrictive measures will be applied to the export or import of Soviet gold or silver which will not be applied to all other countries.
July 14, 1941

FOLLOW-UP FOR THE SECRETARY:

Dr. White was to furnish you with a memorandum on the possibility of organizing a group of economists in the Treasury to discuss economic adjustments during the emergency period. Requested at group meeting July 3rd.

"The need for a Fiscal Defense-Planning Committee"

7-8

Drug to see 7/9.
July 14, 1941

My dear Mr. Green:

This letter is a follow-up of my conversation with you last week.

We have arranged tentatively for the night of July 22 a round-table discussion in the interests of national unity and national defense. The discussion will take place in my office at the Treasury from 9:15 to 9:45 P. M., and will be broadcast over a coast-to-coast hook-up of the Columbia Broadcasting System.

I am extremely anxious that you join with me and the following gentlemen:

Mr. Albert Hawkes,
President, United States Chamber of Commerce

Mr. John A. Phillips,
Chairman, Railway Labor Executives Association

Mr. Walter D. Fuller,
President, National Association of Manufacturers

Mr. Philip Murray,
President, C. I. O.,

in this demonstration to the Nation that labor and business can put up a united front to the world. I don't know of any other single effort which would be so convincing to the public.

All of the other gentlemen have accepted. I sincerely hope that you will also accept. Will you let me know as soon as possible?

Yours sincerely,

Mr. William Green,
President, American Federation of Labor,
Washington, D. C.
My dear Mr. Green:

This letter is a follow-up on my conversation with you last week.

We have arranged tentatively for the night of July 22nd, at 9:15, over a coast to coast hook-up on the Columbia Broadcasting System, a round-table discussion in the interests of national unity and national defense. I am extremely anxious that you join me that evening in my office at the Treasury and the following gentlemen:

in this demonstration to the Nation that labor and business can put up a united front to the world. I do not know of any other single effort which would be so convincing to the public.

All of the other gentlemen have accepted. I sincerely hope that you will also accept.

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

Dear Mr. Secretary:

On your suggestion I have gone into the possibilities inherent in the movies to project a sense of "individual and group involvement" with what is going on in the world as relates to the international situation. The idea is to inspire in the key individuals in the film industry a realization that the screen can become the main branch of the "morale division" of our national effort; to suggest that it is of the utmost importance (1) to awaken among the people a new pride in America, a better understanding of free American institutions, and (2) at the same time to show our fellow citizens in every walk of life that the future of America and these free institutions may depend on an awareness to the danger that threatens.

There is no doubt that direct explanatory education is necessary. The traditional thinking that prevails in a democracy tends to regard all wars as one nation against another nation; or if the wars are civil wars, then one geographical section versus another. A nihilistic revolution that discards in its path all the formerly established rules governing human relations is not easy to comprehend, no less to explain.

Working on the promotion of the Defense Savings Bonds brings one very close to this real, yet elusive problem. When the public is informed properly I am certain that every phase of our financial drive will solve itself. But the newspapers, the radio and the movies do not seem to project us far enough in our thinking to draw this distinction between wars and revolutions, but merely leave us today where we were yesterday believing that some kind of a debate is going on in the conventional way that all debates are conducted. Newspapers, it is true, are telling the story. But, as time
presses, one finds that the confusion grows greater as a result of the very definition of what is news. The position of a personality is often the key to the prominence of the copy. And there are many good names used for spreading, in precise proportions, suggestions for America that seem pat and easy and flattering in contrast to the intellectual analyses on the part of those capable of discerning the chess moves which may checkmate our future and wipe out our past.

The radio as well is hampered by restrictions based on the theory that there are two sides to every question. For all I know there may be forty sides, but in radio there are two. This very premise makes the weaker side seem stronger than it is because it gets the full opportunity to befuddle, and even filibuster, public opinion. One side urges the American people to think and then to sacrifice, the other caters to a possible smugness which is the understandable inheritance of a nation that has outdistanced the world in every industrial effort. This other side tells us to relax in the security that we can rise to any occasion without going out to meet it.

I have gone into all this, by now old stuff, in order to clarify the basis of what I have been led to believe you wish done in terms of your expressed high opinion of the motion picture industry. The vital question regarding the movies is whether the confusion has grown already so great that it is impossible for the screen to convey the necessary pictorial statements without incurring damaging reaction. The opposition, ironically like our Minute Men, leaps into every breach to present the "other side". They write, wire, petition, boycott, abuse characters, and even bring in sinister reference to racial emotion, which, however distorted or unfounded, add to the very confusion we would attempt to cut through.

The movies, shorn of a foreign market, must nevertheless keep up that quality which was good enough to cater to seventy-seven percent of the theatre-going population outside the U.S.A. It was this latitude for revenue that enabled the American filmgoer to grow accustomed to so high a technical standard. Theatre-owners, generally, insist on adherence to escapist entertainment and they contend that even short films with direct messages are bad for business. Even
government films, essential to our national defense, are requested only at a maximum length of about three minutes, and many theatres deliberately eliminate these required subjects from their programs. Over sixty-five percent of the theatres run two feature films with each show. Their short subjects consist merely of a newsreel and an animated cartoon. Formerly, before the consent decree resolved the government suit by changing the method of distribution, many exhibitors would buy more short subjects than they could use as part of the blanket contract for the entire output of one or more distributing companies. Today, however, there is a selectiveness and therefore more short films than ever before will not be played if made. Even though the studios were to make short films dealing directly with the issue at hand, it is another step to see that they appear on the screens. The test then will depend entirely on the merit of the film, even assuming there existed no conditional consideration concerning the theme.

But stating the difficulties must not eliminate attempts at solution. Most of the leaders in the movie industry would find this communication a fair statement of an enforced position. These men are patriots and sympathetic to the American situation. In the last week I have traced through a recent history of the American film in terms of its contribution to the building of American morale. It is important that you are aware of the amazing bibliography attached (listing films from 1939 to 1941 alone) which develop patriotism in terms of love of our country’s history, its great men, its democracy, its attempts to eliminate racial and religious prejudice, its material resources, its housing, its labor projects, its war on juvenile delinquency, crime, etc., its geography, its science and natural history, its sports, its literature, its art, its music, its battle for health conservation. One feature film “Land of Liberty” was produced from excerpts from many films and is a history of America showing how ours has been a heritage of blood, toil and tears. This picture was distributed without profit, the revenue going to war charities.

All of this has a direct bearing on the first half of your two proposals. It represents steps taken by the movies to keep alight the glow of pride in our land and our ways. This will go on.
But it is the second half of the proposition which presents the problem. I have talked with several individuals during the last week who may be most helpful and I am at least encouraged to attempt the next step. This should take the form of specific film series which the various companies may possibly be willing to make even though they run the gauntlet of violent criticism.

Following are five suggested series. The routine to be followed would be - First, for you to approve the themes, add, modify or eliminate. Especially elaborate. Second, for me to see each company with the idea of convincing them to take on one of the series, producing one reel films for monthly service to theatres. Third, to go to California and discuss the films with the production men into whose laps these assignments fall. Fourth, to outline the plans for selling the films to the theatres.

Nicholas M. Schenck, President of Loew's, Inc., suggested that it might be most practical to make one film immediately to see how it shapes up. This assumes that its production problems can be quickly solved. Which film do you think would be best to start on? I attach a list of the suggested ideas.

1. WASHINGTON QUIZ

A well-known journalist, with a cameraman, calls on cabinet officers, Representatives and Senators to get their reactions to a specific query related to the United States and the war. Each film would run ten minutes (one reel). They might be elaborated with some montage scenes. They would be produced one a month.

2. INSIDE GERMANY

John Gunther would be the editor of this series. It would consist of six films, one reel each dealing with the following subjects:

(continued)
2. INSIDE GERMANY (continued)

Education Inside Germany
(a prominent educator will be the commentator)

The Church Inside Germany
(a prominent clergyman would be the commentator)

Labor Inside Germany
(a prominent labor leader)

Business Inside Germany
(a prominent businessman)

Justice Inside Germany
(J. Edgar Hoover on The Gestapo or a prominent lawyer on law)

Women Inside Germany
(the status of women)

3. THE PROPOSED CONQUEST OF THE WORLD

This series would generally be a digest of books which have vital relation. The rights would have to be acquired to deal with these books and wherever possible the author would be asked to appear.

Mein Kampf
(The author would not be asked to appear)

The Time Is Now
(Van Passen)

The Voice of Destruction
(Rauchning)

My German Diary
(Shirer)

Ambassador Dodd's Journal
4. THE U.S.A. AND THE WAR

Interviews to be elaborated with montage scenes

The Army
(General Marshall on the screen talking)

The Navy
(Admiral Stark? Sherling? Yates?)

The Air Force
(General H.H. Arnold)

The Pacific
(Admiral Yarnell)

O P M
(Knudsen, or possibly Stettinius)

One reel each, one a month

5. THE INQUIRING CAMERAMAN

A cameraman rings doorbells and asks some question about the crisis. One reel contains as many interviews as the film allows. It might prove to be a most interesting series because of the current interest in polls. Also, it has the informality of those sweepstakes winners we see in newreels. One a month.

One thing all these film series has in common is that they represent the opinions of either experts or the people. They are not confections from a movie studio. They have the detachment in presentation that a newspaper has. Also, because of the nature of the ideas, they give possibility of speed in production.

I shall come to Washington at your request.

Very truly yours,

[Signature]

Enclosures
HD: ML
ATTACHMENTS:

1 - Motion Pictures In A Democracy

2 - Films Exhibited Under the Auspices of the Motion Picture Committee Cooperating For National Defense

3 - Short Subjects, Current or Planned
I. To develop patriotism
   A. Love of country, based on a knowledge of its history and traditions
   B. An appreciation of the great men and women who have helped to build America
   C. Present day responsibility for preserving both American and World democracy

II. Family life in a democracy

III. A democracy works to eliminate racial and religious prejudice

IV. A democracy conserves its material resources

V. A democracy works for better housing and recreational facilities

VI. Local and national projects in a democracy

VII. Problems of labor in a democracy

VIII. A democracy studies its social problems
   A. Social evils
   B. Juvenile Delinquency
   C. Crime control

IX. A democracy educates its people
   1. Geography
   2. Science and natural history
   3. Physical education through sports
   4. Stimulates interest in classic literature
   5. History
   6. Art
   7. Music
   8. Health Conservation
I A. Love of country, based on a knowledge of its history and traditions

ADVENTURE IN WASHINGTON, Columbia
ARIZONA, Columbia
HIVES, THE, Colum. Short
BE LINCOLN IN ILLINOIS, RKO
ALLEGHENY UPRISING, RKO
HILL OF RIGHTS, Warner's short
BRIGHAM YOUNG, Fox

CHAD HANNA, Fox
CAPITAL CITY, THE, Vitaphone short
DECLARATION OF INDEPENDENCE, Vita. short
DRUMS ALONG THE MOHAWK, Fox
MARCH COMMAND, THE, Republic
Lodge City, Warner's

WAG SPEAKS, THE, MGM short
LIGHTING 69TH, THE, Warner's short
FLAG OF HUMANITY, Warner's short
FRONTIER PONY EXPRESS, Republic

GONE WITH THE WIND, MGM
CRONIMO, Paramount
COME ME LIBERTY, Vitaphone short

THE HOWARDS OF VIRGINIA, Columbia
INSIDE THE F.B.I., Columbia short
INSIDE THE CAPITOL, Columbia short
INSIDE THE WHITE HOUSE, Colum. short
KIT CARSON, United Artists

LINCOLN IN THE WHITE HOUSE, Vita. short
LIBERTY TREE, MGM short
LAND OF LIBERTY, MPTDA; MGM
LITTLE OLD NEW YORK, Fox
LIBRARY OF CONGRESS, Colum. short

MRS. SMITH GOES TO WASHINGTON, Col.
MIRACLE OF SALT LAKE, MGM short
THE MINT, Columbia short
MILITARY ACADEMY, Colum. short
MAN OF CONQUEST, Republic
MAN WITHOUT A COUNTRY, Warner's short

NORTHWEST MOUNTED, Paramount
NORTHWEST PASSAGE, MGM
NEW HAMPSHIRE, Colum. short

OKLAHOMA KID, Warner's
OLD AND NEW ARIZONA, Colum. short
OLD NATCHES, MGM short
OLD DOMINION STATE, Fox short
THE OLD SOUTH, MGM

PONY EXPRESS DAYS, Vitaphone short
PONY POST, Universal
THE RAMPARTS WE WATCH, RKO, M. of T.
THE ROARING TWENTIES, Warner's
THE REAL GLORY, United Artists

STAGECOACH, United Artists
SANTA FE TRAIL, Warner's
SMITHSONIAN INSTITUTION, Colum. short
STORY OF LOUISIANA,
SONS OF LIBERTY, Warner's short

THOSE WERE THE DAYS, Paramount
20 MULE TEAM, MGM
TEDDY THE ROUGH RIDER, Vita short

UNION PACIFIC, Paramount
UNITED STATES TREASURY, Colum. short
U.S. NAVAL ACADEMY, Colum. short

VIRGINIA CITY, Warner's
WASHINGTON PARADE series, Colum. shorts
WESTERN UNION, Fox
THE WESTERNER, United Artists
THE WORLD IN FLAMES, Paramount
WYOMING, MGM
WAGON TRAIN, RKO

YANKEE DOODLE, MGM short
I B. An Appreciation of the great men and women who have helped to build America

ARIZONA, Columbia

BEER HIVES, THE, Columbia short

BERE LINDON IN ILLINOIS, RKO

ALLEGHENY UPRISING, RKO

ANGEL OF MERCY, MGM short

BLACKHAM YOUNG, Fox

BOHEMIAN CITY, Warner's

DRUMS ALONG THE MOHAWK, Fox

EDISON, THE MAN, MGM

THE FLAG SPEAKS, MGM short

FORGOTTEN VICTORY, MGM short

FLYING IRISHMAN, RKO

GIVE ME LIBERTY, Vitaphone short

HE GREAT MEDELLER, MGM short

HE GREAT VICTOR HERBERT, Para.

HE GREAT HEART, MGM short

GEORGE WASHINGTON CARVER, St. Geo.

HHPARDS OF VIRGINIA, Columbia

HIT CARSON, United Artists

INE THE ROCKIES, ALL AMERICAN, Warner's

LINCOLN IN THE WHITE HOUSE, Vita. short

LAND OF LIBERTY, MPPDA and MGM

LITTLE OLD NEW YORK, Fox

MRS. SMITH GOES TO WASHINGTON, Columbia

MIRACLE OF SALT LAKE, MGM short

MAN OF CONQUEST, Republic

NORTHWEST PASSAGE, MGM

OLD HICKORY, Vita. short

PROPHET WITHOUT HONOR, MGM short

THE RAMPARTS WE WATCH, RKO, M. of T.

SERGEANT YORK, Warner's

SERVANT OF MANKIND, MGM short

SWANEE RIVER, Fox

STORY OF ALEX. GRAHAM BELL, Fox

A LEE & LIVINGSTONE, Fox

SONS OF LIBERTY, Warner's short

STORY OF DR. CARVER, MGM short

TEDDY THE ROUGH RIDER, Vita. short

UNION PACIFIC, Paramount

VIRGINIA CITY, Warner's

WESTERN UNION, Fox

YOUNG TOM EDISON, MGM

YOUNG MR. LINCOLN, Fox
A1
A1 C. Present day responsibility for preserving both American and world democracy.

PARACHUTE BATTALION, RKO
POWER FOR DEFENSE (Made by Nat'l Defen. Ad. Com. Use of TVA power for defense industries)
POWER DIVE, Paramount
1939, DARK YEAR OF CONTRASTS, Para.

THE RAMPARTS WE WATCH, RKO, M. of T.
HOAR OF THE PRESS, Monogram

THE SPIRIT OF 1941, Colum. short
SUBMARINE ZONE, Colum.
SWASTIKA IN CHILE, RKO short
SERVICE WITH THE COLORS, Vita. short
THE SPIRIT OF CULVER, Universal
SKI PATROL, Universal
SIEGE, RKO
SO ENDS OUR NIGHT, U.A.
SKY FIGHTERS, Fox
SOLDIERS OF THE SWORD, RKO short
SOLDIERS WITH WINGS, RKO, M. of T.
SPORTING WINGS, RKO short
SUBMARINE PATROL, Fox

THIS IS ENGLAND, Columbia
TORPEDO RAIDER, Monogram
THEY DARE NOT LOVE, Columbia
TAILSPIN, Fox
THUNDER AFOOT, MGM
20,000 RHM A YEAR, Fox short
U.S. NAVAL ACADEMY, Colum.

WINGS OF STEEL, Warner's short
WHAT'S HAPPENING IN ARGENTINA?, RKO short

WORLD IN FLAMES, Paramount
WOMEN IN WAR, Republic
WEST WALL, RKO short

WGM WINGS OF THE NAVY, Warner's

A YANK IN THE R.A.F., coop. Am-Br
YOUNG AMERICA FLIES, Vita. short
II. Family life in a democracy

THE ALDRICH FAMILY Series, Para.

JANE BLONDELLE Series, Columbia

A HILL OF DIVORCEMENT, RKO

BLOSSOMS IN THE DUST, MGM

DAUGHTERS COURAGEOUS, Warner's

FIVE LITTLE PEPPERS Series, Colum.

YOUR DAUGHTERS, Warner's

FORTY LITTLE MOTHERS; MGM

YOUR MOTHERS, Warner's

YOUR WIVES, Warner's

FATHER IS A PRINCE, Warner's

FATHER'S SON, Warner's

FLIGHT ANGELS, Warner's

THE HONEYMOON'S OVER, Fox

HER FIRST BEAU, Columbia

I WANT A DIVORCE, Paramount

THE JONES Family Series, Fox

THE JUDGE HARDY Series, MGM

THE GREAT ACCIDENT, Universal

LITTLE NELLY KELLY, MGM

MEN OF BOYS' TOWN, MGM

MADE FOR EACH OTHER, U.A.

MOTHER CAREY'S CHICKENS, RKO

MY BILL, Warner's

MY SON, MY SON, U.A.

MONEY TO BURN, Republic

NEW GIRL?, Universal

NOBODY'S CHILDREN, Columbia

OUR NEIGHBORS, THE CARTERS, Para.

OUR TOWN, United Artists

PENNY SERENADE, Columbia

SING YOU SINNERs, Paramount

THE SISTERS, Warner's

SPLENDOR, U.A.

SWEETGNGS, RKO

SORELL AND SON, U.A.

STOP, LOOK, AND LOVE, Fox

THE SMART GIRLS, Universal

THEE SMART GIRLS GROW UP, Univ.

WAITING FOR BABY, Paramount

WHITE BANNERS, Warner's
III. A democracy works to eliminate racial and religious prejudice

BLACK LEGION, Warner's
VALCADE' OF FAITH,
GRAPES OF WRATH, Fox
THE GREAT COMMANDMENT, Fox
JOURNEY TO JERUSALEM, Theatre-on-Film
LET FREEDOM RING, MGM short
MEET JOHN DOE, Warner's
MEN OF BOYS' TOWN, MGM
NAVAJO LAND, RKO short
OF MICE AND MEN, U.A.
REFUGEE, Republic
RED MEN ON PARADE, MGM short
THE STORY OF DR. CARVER, MGM short

IV. A democracy conserves its material resources

ACRES OF PLENTY, RKO short
BOOM TOWN, MGM
FORGOTTEN VICTORY, MGM short
FLOWING GOLD, Warner's
MIRACLE OF HYDRO, Fox short
NAVAJO LAND, RKO short
THE OLD SOUTH, MGM short
TOWER AND THE LAND, RKO short
THO' THE PLOUGH THAT BROKE THE PLAIN,
THE THREADS OF A NATION, COLUM. SHORT
TWENTY-MULE TEAM, MGM
UNCLE SAM, THE FARMER, RKO, M. of T.
V. A democracy works for better housing and recreational facilities.

DURING ALASKA, MGM short

COURAGEOUS DR. KILDARE, RKO

EAD END, United Artists

THE GIRL FROM AVENUE A, Fox

MAGIC IN MUSIC, Paramount

MY SON IS GUILTY, Columbia

ONE THIRD OF A NATION, Paramount

POWER AND THE LAND, RKO

STREETS OF NEW YORK, Monogram

THE VALLEY, Vitaphone short

VI. Local and national projects in a democracy

ACRES OF PLENTY, RKO

RAGES OF WRATH, Fox

THE MODERN HIGHWAY, Fox short

THE MIRACLE OF HYDRO, Fox short

AVAJO LAND, RKO short

F LICE AND MEN, United Artists

POWER AND THE LAND, RKO

ONE OF THE BOWERY, Monogram


THE RIVER, Para. - U.S. govt.

SOCIAL SECURITY, Colum. short

THE SPIRIT OF 1941, RKO - M. of T.

UNCLE SAM, THE FARMER, RKO - M. of T.

THE VALLEY, Vitaphone short

THE WEATHER, U.S. Weather Bureau
Problems of labor in a democracy

A democracy studies its social problems.

RES OF PLENTY, RKO
BOY SLAVES, RKO

CHRISTMAS IN JULY, Paramount
BOY SLAVES, RKO

THE DEVIL AND MISS JON, S, RKO

EMERGENCY SQUAD, Paramount

GRAPES OF WRATH, Fox

HELP WANTED, MGM

INSIDE INFORMATION, Universal

MEN WANTED, Vitaphone, short

MICE AND MEN, United Artists

RIDE OF THE BOWERY, Monogram

THE REFUGEE, Republic

REACHING FOR THE SUN, Paramount

BACK DOOR TO HEAVEN, Paramount

THE STARS LOOK DOWN, MGM

TUESDAY'S CHILDREN, Warner's

THEY COME IN FROM A PRISON CAMP, Columbia

THEY ALL COME OUT, MGM

TOBACCO ROAD, Fox, Republic

THEY DRIVE BY NIGHT, Warner's

THE VALLEY, Vitaphone, short

WHO ARE YOU YOUNG, MGM

THE WITNESS, Columbia

THE THING OF A NATION, Paramount

YOU'RE NOT SO TOUGH, Universal

ORPHANS OF THE CITY, Republic

THE PRISON PATH, MGM

THE PENALTY, MGM

THEM MADE MEN, CRIMINAL, Warner's

UNDER AGE, Columbia

THE UNGOVERNED, Universal
VIII. A democracy studies its social problems.

A. Social Evils

BLOSSOMS IN THE DUST, MGM
BOY SLAVES, RKO
BUYER BEWARE, MGM short
CODE OF THE STREETS, Universal
FIRST OFFENDERS, Columbia
NOBODY'S CHILDREN, Columbia
THE PENALTY, MGM
THE PRIMROSE PATH, RKO
PRIDE OF THE BOWERY, Monogram
TOBACCO ROAD, Fox
WHISPERS, MGM short
YOU, THE PEOPLE, MGM short

B. Juvenile Delinquency

BOY SLAVES, RKO
BOYS REFORMATORY, Monogram
BACK DOOR TO HEAVEN, Paramount
CODE OF THE STREETS, Universal
DEAD END, United Artists
FUGITIVE FROM A PRISON CAMP, Columbia
FIRST OFFENDERS, Columbia
FORGOTTEN GIRLS, Republic
GIRLS UNDER 21, Columbia
INVISIBLE STRIPES, Warner's
MEN OF BOYS' TOWN, MGM
MY SON IS A CRIMINAL, Columbia
ONE THIRD OF A NATION, Paramount
OF MICE AND MEN, United Artists
ORPHANS OF THE CITY, Republic
PRIMROSE PATH, RKO
THE PENALTY, MGM
THEY MADE ME A CRIMINAL, Warner's
UNDER AGE, Columbia
THE UNDERPUP, Universal
VIII. A democracy studies its social problems.

Crime Control

BOYS' TOWN, MGM
BOY SLAVES, RKO
BABIES FOR SALE, Columbia
CODE OF THE STREETS, Universal
CONTINS ON WHEELS, MGM short
DEAD END, United Artists
DANGEROUS DOLLARS, Para, short
FORBIDDEN PASSAGE, MGM short
FIRST OFFENDERS, Columbia
GANGS OF CHICAGO, Republic
GOLDEN GLOVES, Paramount
GIIRLS UNDER 21, Columbia
HIGH SIERRA, Warner's
I WAS A CONVICT, Republic
JACK POT, MGM short
KNOW YOUR MONEY, MGM short
LET US LIVE, Columbia
MEN OF BOYS TOWN, MGM
MONEY TO LOAN, MGM short
MILLIONAIRES IN PRISON, RKO

IX. A democracy educates its people.

CHEERS FOR MISS BISHOP, United Artists
GOODBYE, MR. CHIPS, MGM
INFORMATION, PLEASE series, RKO

OF MICE AND MEN, United Artists
THE PENALTY, MGM
PRIMROSE PATH, RKO
PAROLE FIXER, Paramount
POUND FOOLISH, MGM short
PERSONS IN HIDING, Paramount
RESPECT THE LAW, MGM short
ROOKIE COP, RKO
STREET OF MISSING MEN, Republic
SERGEANT MADDEN, MGM
THEIR MADE ME A CRIMINAL, Warner's
THOU SHALT NOT KILL, Republic
UNDERCOVER DOCTOR, Paramount
WHISPERS, MGM short
WOMEN IN HIDING, MGM short
WHILE AMERICA SLEEPS, MGM short
YOU, THE PEOPLE, MGM short
YOU CAN'T GET AWAY WITH MURDER, Warner's
IX. A democracy educates its people.

1. Geography

- ANCIENT EGYPT, MGM short
- ARIZONA, Columbia
- ALLURING ALASKA, MGM short
- ARCTIC SPRINGTIME, Fox short
- ARGENTINA, Paramount short
- BEAUTIFUL BALI, MGM short
- BEAUTIFUL BRITISH COLUMBIA, Colum. short
- BEAUTIFUL SWITZERLAND, Columbia
- BLUE GRASS, RKO
- CARIBBEAN SENTINEL, Fox
- CAPITAL CITY, MGM short
- CALLING ON COLOMBIA, MGM short
- CLIMBING THE SPIRITS' HOME, Fox
- CUBA, Paramount short
- THE CAPITAL CITY, Vita. short
- CAVALCADE OF SAN FRANCISCO, MGM short
- EYES ON BRAZIL, RKO short
- ESKIMO TRAILS, Fox short
- FROM SINGAPORE TO HONGKONG, Colum. short
- FITZPATRICK TRAVEL TALK Series, MGM shorts
- GOING PLACES Series, Univ. shorts
- Glimpses of Washington State, MGM short
- I MARRIED ADVENTURE, Columbia
- INSIDE THE CAPITOL, Columbia short
- IMPERIAL DELHI, MGM short
- INSIDE THE WHITE HOUSE, Colum. short
- ISLES OF THE EAST, Fox short
- IN THE LAND OF THE PAGODAS, Colum. short
- ISLE OF MYSTERY, Fox short
- JERUSALEM, United Artists
- KANGAROO COUNTRY, Fox short
- LAND OF FLOWERS, Fox short
- LAND OF INCA MEMORIES, Para. short
- LIBRARY OF CONGRESS, Colum. short
- MIRACLE OF SALT LAKE, MGM short
- MEDITERRANEAN PORTS OF CALL, MGM short
- MODERN NEW ORLEANS, MGM short
- MARINE CIRCUS, MGM short
- MYSTIC SIAM, Fox short
- THE MINT, Columbia short
- MARCH OF TIME Series, RKO
- NORTHWARD HO! MGM short
- NEW HAMPSHIRE, Columbia short
- NEW HORIZONS, Vitaphone short
- NAVAJO LAND, RKO short
- NATURAL WONDERS OF WASH. STATE, MGM short
- OLD NEW MEXICO, MGM short
- OLD AND NEW ARIZONA, Colum. short
- OLD NEW ORLEANS, MGM short
- OLD DOMINION STATE, Fox short
- OLD NATCHEZ, MGM short
- THE OLD SOUTH, MGM short
- PACIFIC PARADISE, Para. short
- PARAMOUNT PICTORIAL Series, Para.
- RIVER THAMES YESTERDAY, Para. short
- THE SACRED GANGES, Para short
- SPOTLIGHT OF INDO-CHINA, Fox short
- SNOW EAGLE, RKO short
- SINGAPORE & JAHORE, MGM short
- SENTINELS OF THE CARIBBEAN, Fox short
- SOJOURN IN HAVANA, Colum. short
- SWASTIKA IN CHILE, RKO short
- SPORTING EVERGLADES, Para. short
- SUVA, PRIDE OF FIJI, MGM short
- SITKA AND JUNEAU, MGM short
- SUGAR WIND, Para. short
- SKI BIRDS, MGM short

- SMITHSONIAN INSTITUTION, Colum. short
- THIS IS ENGLAND, Colum. short
- THAT'S AFRICA, Para. short
- THREADS OF A NATION, Colum. short
- UTOPIA OF DEATH, MGM short
- UNVEILING ALGERIA, Colum. short
- U. S. TREASURY, Colum. short
- A VILLAGE IN INDIA, Para. short
- THE VALLEY OF 10,000 SMOKE, Fox short
- THE VIKING TRAIL, Fox short
- VALIANT VENEZUELA, MGM short
- WESTERN WONDERLAND, Colum. short
- WHAT'S HAPPENING IN ARGENTINA?, RKO short
- WASHINGTON PARADE Series, Colum.
- THE WORLD OF 1960, Colum. short
- WEST WALL, RKO short
- YOSEMITE THE MAGNIFICENT, MGM short

Regraded Unclassified
IX. A democracy educates its people.

2. Science and Natural History

THE BIRTH OF A QUEEN, Colum. short
THE BARON AND THE ROSE, MGM short
THE BISCUIT EATER, Paramount
DR. EHRLICH'S MAGIC BULLET, Warner's
EDISON THE MAN, MGM
FEATHERS, Colum. short
FORGOTTEN VICTORY, MGM short
FIGHT FOR LIFE, Sam Goldwyn
THE GREAT AMERICAN BROADCAST, Fox
GEORGE WASHINGTON CARVER, St. Geo.

HOT STEEL, Universal
HEROES AT LEISURE, MGM short
INSIDE THE F.B.I., Colum. short
I MARRIED ADVENTURE, Colum.
LITTLE OLD NEW YORK, Fox
MARINE ROUND-UP, Para. short
MIRACLE OF HYDRO, Fox
MORE TRIFLES OF IMPORTANCE, MGM short
MORE ABOUT NOSTRADAMUS, MGM short
MIRACLE OF SOUND, MGM short
MARINE CIRCUS, MGM short
MECHANIX ILLUSTRATED Series, Vita.
MICROSCOPIC MYSTERIES, MGM short
NOSTRADAMUS, MGM short
NEW ROADWAYS, MGM short
POPULAR SCIENCE Series, Para.
PARAMOUNT PICTORIAL Series

POINTS ON POINTERS, Vita. short
ROMANCE OF THE POTATO, MGM short
RULES OF THE SEA, Para. short
THE SPORTING EVERGLADES, Para. short
SERVANT OF MANKIND, MGM short
STORY OF ALEXANDER GRAHAM BELL, Fox
SMITHSONIAN INSTITUTION, Colum. short
STORY OF DR. JENNER, MGM short
STORY OF DR. CARVER, MGM short
SPEAKING OF ANIMALS, Para. short
THE STORY THAT COULDN'T BE PRINTED, MGM short

STORY OF LOUIS PASTEUR, Warner's
SEEING IS BELIEVING, Para. short
THE SEEING EYE, Warner's short
TRIFLES OF IMPORTANCE, MGM short
TWO OF A KIND, Para. short
THE THREADS OF A NATION, Colum. short
U.S. TREASURY, Colum. short
UNUSUAL OCCUPATIONS Series, Para.
VALLEY OF 10,000 SMOKES, Fox short
WATCHDOG OF A NATION, MGM short
THE WORLD OF 1960, Colum. short
WEATHER WIZARDS, MGM short
YOUNG TOM EDISON, MGM
YELLOW JACK, MGM
YOU CAN'T FOOL A CAMERA, MGM short
ZOO, RKO short

3. Physical Education through sports

ACTION ON ICE, Fox short
AQUAPOISE, RKO short
BIG BILL TILDEN, Warner short
BOWLING SKILL, Para. short
BOW STRINGS, RKO short
CRADLE OF CHAMPIONS, Para. short
EVERYTHING'S ON ICE, RKO short
FEMININE FITNESS, Para. short
FOOTBALL HIGHLIGHTS, Vita. short
FOOTBALL THRILLS OF 1939, MGM short
FIGHT, FISH, FIGHT, Warner short
GOOD SKATES, Para. short
HOPPLE HOPPERS, RKO short
ICE CUTTERS, RKO short
ICE ANTICS, MGM short
ICE FOLLIES OF 1939, MGM short
JUDO EXPERTS, Para. short
KINUTE ROCKNE, ALL AMERICAN, Warner's
MAT MEN, RKO short
MOTORCYCLE STUNTING, Para short
MEN OF MUSCLE, RKO short
NAVY CHAMPIONS, Colum. short
PENNANT CHASERS, RKO short
SPORTS REVIEW Series, Fox
SPORTING EVERGLADES, Para short
SAVING STROKES WITH SAM SNEAD, Colum. short
SINK OR SWIM, Para. short
SPORTING WINGS, RKO short
SPLITS, SPARES, AND STRIKES. Col. short
SEA FOR YOURSELF, MGM short
SNOW EAGLE, RKO short
SNOW FUN, RKO short
SWORD SOLDIERS, RKO short
TROUBLE SHOOTER, RKO short
TWO OF A KIND, Para. short
YOUNG AMERICA FLIES, Vita. short
IX. A democracy educates its people.

4. Stimulates interest in classic literature

**Adult**

- THE BARRETTS OF WIMPOLE STREET, MGM
- CAPTAINS COURAGEOUS, MGM
- A CHRISTMAS CAROL, MGM
- DAVID COPPERFIELD, MGM
- GULLIVER'S TRAVELS, Para.
- THE HOUND OF THE BASKERVILLES, Fox
- THE HUNCHBACK OF NOTRE DAME, RKO
- THE HOUSE OF SEVEN GABLES, Univ.
- THE LIFE OF EMILE ZOLA, Warner's
- THE LONG VOYAGE HOME, U.A.
- THE LIGHT THAT FAILED, Para.
- MAJOR BARBARA, United Artists
- THE MAN IN THE IRON MASK, U.A.
- THE MILL ON THE FLOSS, Standard Prod.
- THE PRIVATE LIVES OF ELIZABETH AND ESSEX, Warner's
- PYGMALION, MGM
- PRIDE AND PREJUDICE, MGM
- SORRELL AND SON, U.A.
- THE SEA WOLF, Warner's
- VICTORY, Paramount

**Children**

- THE ADVENTURES OF HUCKLEBERRY FINN, MGM
- ANNE OF WINDY POPLARS, RKO
- SIXTY GLORIOUS YEARS, RKO
- THE BLUEBIRD, Fox
- THE FIVE LITTLE PEPPERS AT HOME, Colum.
- THE LITTLE PRINCESS, Fox
- LITTLE ORVIE, RKO
- PINOCCHIO, Disney-RKO
- SNOW WHITE, Disney-RKO
- SEVENTEEN, Paramount
- TOM SAWYER, DETECTIVE, Para.
- TOM BROWN'S SCHOOL DAYS, RKO
- THE THIEF OF BAGDAD, U.A.
- THE WIZARD OF OZ, MGM
III. A democracy educates its people.

3. History

ANCIENT EGYPT, MGM short
ALL QUIET ON THE WESTERN FRONT, Univ.
ANGEL OF MERCY, MGM short
CONQUEST, MGM
CAPTAIN FURY, United Artists
A DISPATCH FROM REUTER'S, Warner's
DREAM OF LOVE, MGM short
FLORIAN, MGM
FOUR FEATHERS, United Artists
GONE WITH THE WIND, MGM
GUNGA DIN, RKO
THE GREAT HEART, MGM short
Hudson's Bay, Fox
HOLLYWOOD CAVALCADE, Fox
JUAREZ, Warner's
KIT CARSON, United Artists
LAND OF LIBERTY, MPPDA-MGM
LAND OF INCA MEMORIES, Paramount
LILLIAN RUSSELL, Fox
LADY WITH RED HAIR, Warner's
MAD EMPRESS, Warner's
MARCH OF TIME Series, RKO
NURSE EDITH CAVELL, RKO
PRIVATE LIVES OF ELIZABETH AND ESSEX, Warner's
THE ROARING TWENTIES, Warner's
RENO, RKO

THE REAL GLORY, United Artists
RULERS OF THE SEA, Paramount
SIXTY GLORIOUS YEARS, RKO
STORY OF VERNON & IRENE CASTLE, RKO
STORY OF DR. JENNER, MGM
STAND UP AND FIGHT, MGM
STANLEY AND LIVINGSTONE, Fox
STRIKE UP THE BAND, MGM
THE SEA HAWK, Warner's
TOWER OF LONDON, Universal
THAT HAMILTON WOMAN, United Artists
VIRGINIA, Paramount
YOUNG MR. LINCOLN, Fox
 IX. A democracy educates its people.

6. Artic

THE IMMORTAL BRUSH, Warner's
LAND OF INCA MEMORIES, Para.
THE MASTER'S TOUCH, Warner's
REMBRANDT, United Artists
STAR DUST, Fox
A STAR IS BORN, United Artists
THAT HAMILTON WOMAN, United Artists
LAST SILENCE, Universal
FANTASIA, Disney-San
FIRST LOVE, Universal
THE GREAT VICTOR HERBERT, Para.
INTERMEZZO, United Artists
IT'S A DATE, Universal
NANITA, RKO
MY MIND BY RAY, Universal
LITTLE GIRL BLUE, RKO
LET'S MAKE MUSIC, RKO
MAGIC IN MUSIC, Paramount
MERRY WIVES OF WINDSOR, Para. Short
THE MIRACO, Universal
MY LOVE CAME BACK, Warner's
SALLY FOR THREE, RKO
MUSIC IN MY HEART, Columbia
NEW MOON, RKO
MY, My, Nanette, RKO
MY CUP RUNNETH OVER, United Artists

RHYTH ON THE RIVER, Para.
THE STAR MAKER, Paramount
SMILIN' THROUGH, MGM
SPRING PARADE, Universal
SWEETHEARTS, MGM
SWANEE RIVER (Stephen Foster), Fox
TIN PAN ALLEY, Fox
TOO MANY GIRLS, RKO
THEY SHALL HAVE MUSCI, U.A.
THAT'S RIGHT, YOU'RE WRONG, U.A.
THREE SMART GIRLS, Universal
THREE BRAVE GIRLS GROW UP, Univ.
THE UNFINISHED SYMPHONY, Para.
(Schubert) Short
IX. A democracy educates its people.

7. Music

<table>
<thead>
<tr>
<th>Song Title</th>
<th>Studio</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAJOR ROADWAY SERENADE</td>
<td>MGM</td>
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<tr>
<td>BALALAIKA</td>
<td>MGM</td>
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<tr>
<td>BADES IN ARMS</td>
<td>MGM</td>
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<tr>
<td>BITTERSWEET</td>
<td>MGM</td>
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<tr>
<td>BROADWAY MELODY</td>
<td>MGM</td>
</tr>
<tr>
<td>DREAM OF LOVE (Franz Liszt)</td>
<td>MGM</td>
</tr>
<tr>
<td>DOUBLE DATE</td>
<td>Universal</td>
</tr>
<tr>
<td>EAST SIDE OF HEAVEN</td>
<td>Universal</td>
</tr>
<tr>
<td>FANTASIA</td>
<td>Disney-RKO</td>
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<tr>
<td>FIRST LOVE</td>
<td>Universal</td>
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<td>THE GREAT VICTOR HERBERT</td>
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<td>INTERMEZZO</td>
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<td>IT'S A DATE</td>
<td>Universal</td>
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<tr>
<td>IRENE</td>
<td>RKO</td>
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<tr>
<td>IF I HAD MY WAY</td>
<td>Universal</td>
</tr>
<tr>
<td>LITTLE NELLY KELLY</td>
<td>MGM</td>
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<tr>
<td>LET'S MAKE MUSIC</td>
<td>RKO</td>
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<tr>
<td>MAGIC IN MUSIC</td>
<td>Paramount</td>
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<tr>
<td>MERRY WIVES OF WINDSOR</td>
<td>Para. short</td>
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<tr>
<td>THE MIKADO</td>
<td>Universal</td>
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<tr>
<td>MY LOVE CAME BACK</td>
<td>Warners</td>
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<tr>
<td>MELODY FOR THREE</td>
<td>RKO</td>
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<tr>
<td>MUSIC IN MY HEART</td>
<td>Columbia</td>
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<tr>
<td>NEW MOON</td>
<td>MGM</td>
</tr>
<tr>
<td>NO, NO, NENETTE</td>
<td>RKO</td>
</tr>
<tr>
<td>PUT UP GOLD</td>
<td>United Artists</td>
</tr>
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</table>

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<tr>
<td>RHYTH ON THE RIVER</td>
<td>Para.</td>
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<tr>
<td>THE STAR MAKER</td>
<td>Paramount</td>
</tr>
<tr>
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<td>Universal</td>
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<tr>
<td>SWEETHEARTS</td>
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<td>SWANEE RIVER (Stephen Foster)</td>
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<tr>
<td>THE UNFINISHED SYMPHONY</td>
<td>Para. short</td>
</tr>
</tbody>
</table>

(Schubert)
IX. A democracy educates its people.

8. Health Conservation

THE CITADEL, MGM
COURAGEOUS DR. CHRISTIAN, RKO
DR. KILDARE Series, MGM
DR. EHRLICH'S MAGIC BULLET, Warner's
FIGHT FOR LIFE, Goldwyn
FOUR GIRLS IN WHITE, MGM
THE GREAT HEART (Father Damien), MGM
MORE TRIFLES OF IMPORTANCE, MGM
MEET DR. CHRISTIAN, RKO
A MAN TO REMEMBER, RKO
THE OUTSIDER, Alliance-British
THE STORY OF DR. JENNER, MGM short
THE STORY OF LOUIS PASTEUR, Warner's
VIGIL IN THE NIGHT, RKO
A WAY IN THE WILDERNESS, MGM
XXX MEDICO, MGM short
WATCHDOG OF A NATION, MGM short
FILMS EXHIBITED UNDER THE AUSPICES OF THE
MOTION PICTURE COMMITTEE COOPERATING FOR
NATIONAL DEFENSE.

POWER FOR DEFENSE - National Defense Commission, 10 minutes.
12 War Department Trailers - War Department, 1 minute each
CALLING ALL WORKERS - Social Security Board - 160 feet
AMERICA PREFERRED - U. S. Treasury Department - 750 feet
AMERICA PREFERRED - U. S. Treasury Department - 372 feet
8 Trailers - U. S. Treasury Department - 50 feet each
WHERE DO WE GO? - United Service Organizations - 162 feet
BITS AND PIECES - Office of Production Management, 3 minutes
AMERICA BUILDS SHIPS - Office of Production Management, 3 minutes
ARMY IN OVERALLS - Office of Production Management, 3 minutes
Twentieth Century-Fox

Short subjects for current season

<table>
<thead>
<tr>
<th>Title</th>
<th>Format</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAR IN THE DESERT</td>
<td>1 reel</td>
<td>B &amp; W World of Today series (Quentin Reynolds.) War in Africa</td>
</tr>
<tr>
<td>SPOTLIGHT ON INDO CHINA</td>
<td>1 reel</td>
<td>&quot; Magic Carpet series (Lowell Thomas) Indo-China in relation to World War II</td>
</tr>
<tr>
<td>CARIBBEAN SENTINALS</td>
<td>1 reel</td>
<td>&quot; Magic Carpet series (Lowell Thomas) Importance of Caribbeans to War.</td>
</tr>
<tr>
<td>ANZACS IN ACTION</td>
<td>1 reel</td>
<td>&quot; World of Today series (Leland Stowe) Anzacs in the war.</td>
</tr>
<tr>
<td>EMPIRE IN EXILE</td>
<td>1 reel</td>
<td>&quot; World of Today series (Leland Stowe) Dutch East Indies.</td>
</tr>
<tr>
<td>A LETTER FROM CAIRO</td>
<td>1 reel</td>
<td>&quot; Magic Carpet series (Lowell Thomas) Importance of Africa in World War</td>
</tr>
<tr>
<td>MIRACLE OF HYDRA</td>
<td>1 reel</td>
<td>&quot; Magic Carpet series (Lowell Thomas) Electric power for war.</td>
</tr>
<tr>
<td>BATTLE OF THE ATLANTIC</td>
<td>1 reel</td>
<td>&quot; World of Today series (Quentin Reynolds) Britain at Bay</td>
</tr>
</tbody>
</table>

Possibly coming from Movietone News: a series on National Defense. Problem is that such shorts would have to compete with shorts commercially made by industrial producers at government expense which are "given away."

PARAMOUNT

Short subjects for current season

Commercial: DEFENSE FOR AMERICA 1 reel B & W Made for N.A.M. (distributed by Audio), showing what manufacturers are doing in National Defense.

WORLD IN FLAMES (About 8 reels, B & W. an elongated newswave or documentary film pointing up the treaty infidelities of the Axis powers.)
Short subjects for current season.

Coming:

**Paramount**


**Warner Bros.**

Short subjects for current season.

MARCH ON MARINES 2 reels Technician Life in Marine Corps at Presidio.

MEET THE FLEET 2 reels " Navy training - life on warships.

WINGS OF STEEL 2 reels " Army Air Corps, Recruiting angle.


FLAG OF HUMANITY 2 reels " Red Cross - history of activity and relation to military.

Planned for next year:

THE TANKS ARE COMING 2 reels (completed)

5 additional 2 reel technicolor subjects in this series contemplated.

**Metro-Goldwyn-Mayer**

Short subjects for current season

EYES OF THE NAVY 2 reels B & W Naval aviation training Pensacola, San Diego, etc.
Short subjects for current season

**THE BATTLE**
1 reel  B & W
Explanation of navy maneuvers from layman's point of view. How navy spends tax-payers money. Supplies to the navy.

**AERONUTICS**
1 reel  B & W
Learning to fly. Not direct defense.

Next season:
(not titled on OPM)  2 reels " "

**SUMMARY OF NATIONAL DEFENSE COMMISSION PROGRESS ON:**
1. Production of equipment featuring Mr. Knudsen.

**ARMY CHAMPIONS**
(ready for release) 1 reel " "
Champion machine gunner, tank driver, etc.

Several similar subjects under consideration or in production.

**UNIVERSAL**
Short subjects for current season

These travelogues were made by Universal in the belief that the islands in the Atlantic should be better known because of their importance in the national defense program.

**GOING PLACES #61**
- " " #65
- " " #69
- " " #74
- " " #78
- " " #81
- " " #84
- " " #86
- " " #92

- Rio de Janeiro
- Windward Islands
- Virgin Islands
- Barbados
- Curacao
- Cadet Cruise
- Coast Guard with Graduates
- Trinidad
- Down Mexico Way
- Mountain summer in Canada
Universal (Cont.)

Short subjects for current season

5 more Canadian travel subjects in preparation.

MT. VERNON
Home of George Washington

STRANGER THAN FICTION, Magazine Reel series, is carrying 6 subjects each. Has had three subjects on defense.

COLUMBIA
Short subjects for current season

1. MILITARY ACADEMY 1 reel B & W
   Washington Parade Series

2. U.S. NAVAL ACADEMY 1 reel " "
   West Point

3. SPIRIT OF 1941 1 reel " "
   Preparedness - cooperation of everyone.

Also several Parade subjects on various government departments.

Columbia also distributing 3 British documentary films:

FLOATING ELEPHANTS
Balloon Barage

THIS IS ENGLAND

FIGHTER PILOT

International Forum Series, 2 reels each, B & W:

I. THE WAR IN EUROPE
   Symposium: Dorothy Thompson, Wythe Williams, Lenten Wells and W. L. Shirer

II. INVASION OF ENGLAND
   Ralph Ingersal, George Fielding Elliot, Wythe Williams, Lenten Wells

In preparation:

Raymond Gram Swing narration series, in color, 1 reel:

I. Cartoon Background, INVASION OF POLAND

II. BROKEN TREATIES
Columbia (Cont.)

Short subjects for current season

Travel reels - featuring Western Hemisphere; Virginia, Arizona Islands of West Indies, Havana, British Columbia, Western Wonderland, San Francisco, Ontario, Singapore to Hong Kong.

THE ARCHIVES
SOCIAL SECURITY
INSIDE THE FEDERAL BUREAU OF INVESTIGATION
OUR NATIONAL DEFENSE
THE MINT

RKO - PATHE

Short subjects for current season

SOLDIERS OF THE SEA 1 reel  B & W  Pathe Realism Series Marine Corps.
SOLDIERS OF THE SWORD 1 reel  "  "  West Point, Sabers and Fencing.
AIR ARMY 1 "  "  "  Pathe Realism series. Air Corps.
AIR COLLEGE 1 "  "  "  Parade Series. Military Aviation, Randolph Field
POWER IN THE LAND 3 reels  "  "  Made by Rural Electrification Administration, RKO distributing

MARCH OF TIME

RAMPARTS WE WATCH 5 reels War experiences of last war with implications for the present.
(elongated MARCH OF TIME or Documentary)
CRISIS IN THE ATLANTIC 2 reels  B & W  Convos
AUSTRALIA AT WAR 2 reels  B & W  Part Australia playing in British War.
AMERICANS ALL 2 reels  B & W  Assimilating foreigners.
MARCH OF TIME (cont.)

LABOR & DEFENSE
2 reels B & W
Labor in National Defense Program

ARMS AND THE MAN-U.S.A. 2 reels B & W
The Draft

MEXICO-GOOD NEIGHBORS' DILEMMA 2 r. B & W
Relations with Mexico

BRITAIN'S R.A.F. 2 reels B & W
War in the Air

ON FOREIGN NEWS FRONT 2 reels B & W
Getting the news for U.S.A

SPOILS OF CONQUEST 2 reels B & W
Dutch East Indies
Before I leave to be gone for several days, I thought you might like to have a few suggestions concerning the matter we discussed with Howard Dietz.

Following are some ideas that you might consider and pass on. They are, of course, only a few and are not meant to represent anything other than random ideas.

1. GIANTS OF THE EARTH and PETER VICTORIOUS

So far as I know, no motion picture has yet been made of the great novels by Ole Rolvaag — "Giants of the Earth" and "Peter Victorious". I am not suggesting that these stories would be suitable vehicles for the kind of motion pictures we most need now. It does seem to me, though, that the ideas embodied in these novels of the struggle of European immigrants to make a new home and a new world in this country is a theme which could stir the emotions of millions of people. If such a picture could personify and dramatize the living ties between our culture and that of Europe, it would help to promote that sense of involvement which is so important.

2. THE STORY OF APPEASEMENT

I should like to see a movie telling in dramatic form the story of appeasement from Munich in 1931, to Moscow in 1940. Such a picture done on the pattern of "Foreign Correspondent" should contribute mightily to undermine the Wheelers, the Lindberghs and the Nyes. I can think of a dozen or more highly interesting incidents that might be incorporated into such a picture to give it great dramatic power.

3. LINCOLN AND THE APPEASERS

Although there has been a motion picture called THE COPPER-HEAD, there is a great opportunity now for another dealing with the defeatists and appeasers of the American Civil War. Indeed,
it ought to be possible to give to the character of Vallendigham all the habiliments of Senator Wheeler. You will remember that the appeasers of that day called for peace at any price and cried out against Lincoln’s policy of continuing the war. There is a great story here which can be slanted to feature the present crisis without being too subtle.

4. DEPENDENT AMERICA

This is the title of a book by former Secretary of Commerce Redfield, and deals with the dependence of the United States upon the rest of the world for many indispensable products. A motion picture might be produced, not under this title, but showing how intimately we are involved in the total world picture. I can think, for example, of a picture telling a story of adventure and romance in the struggle for rubber in the South Pacific; tin in Bolivia; manganese in Russia and Brazil, etc. Such a picture might also drive home the real menace to the United States of having these materials under the control and domination of an unfriendly power like the Nazis. If Hollywood can dramatize and weave romance about the story of anthrax, as it did in the Life of Louis Pasteur, it ought to do as well with a theme like this.

5. HOMELAND OF HUMANITY

With this title, or some other, I should like to see the movies tell the story of American immigration and what it means. It should be a personal narrative against the background of the greatest human immigration in history. It could drive home the record of achievement here and the need for making a world in which the principles which make for toleration in America are secured to everyone throughout the world. Its message should be that, not only America, but the world should be the homeland of humanity.

6. THE WINNING OF THE WEST

This is the title, as you know, of Theodore Roosevelt’s study of our western movement. Parts of the story have been dealt with in such pictures as THE COVERED WAGON, WESTERN UNION, DODGE CITY, etc. What is needed now, is to emphasize the qualities of courage, adventure and determination which made the frontier a training ground for the new frontier upon which we stand today.

7. THE PATH OF EMPIRE

It has always seemed a curious thing to me, and strange indeed, that no one has yet made a picture of the life of Theodore Roosevelt.
It was during his life that America first felt her power in world affairs. The story of the Spanish-American war and the building of the Panama Canal, the Open Door in China, etc. It could review the background of these events from the Monroe Doctrine to the Venezuela affair to the Boxer rebellion, and so on through the life of T.R. It would give Hollywood an opportunity to do for Franklin Roosevelt what the German picture BISMARCK does for Hitler, and the Russian picture PETER THE FIRST does for Stalin.

2. CHILDREN OF GOD

I take this title from Vardis Fisher’s novel of the Mormons. A picture of this particular aspect of our history has already been made in the film BRIGHAM YOUNG. I had not thought of it, however, in that connection, but rather as the story of the struggle for religious liberty throughout the world and its achievement in the United States. It should be the story of the threat to that freedom employed in the Nazi dictatorship and the need, not only for vigilance but a willingness to fight to maintain it. There is a wealth of material here in the story of the early Pilgrim Fathers, of Roger Williams and Anne Hutchinson, as well as the courageous men and women of all creeds who are today resisting the Nazis everywhere.

9. JOSEPH PULITZER

Orson Wells has done a story of Hearst’s life in CITIZEN KANE. It seems to me that ideologically he rather missed the point. There is an opportunity in the life of Joseph Pulitzer to dramatise the story of the Freedom of the Press and to tie it in with the life of the German Immigrant who became one of the greatest exponents of that principle. The contrast could be drawn with the regimented press of the dictatorships and the difference between a system based on free trade in ideas with one based upon repression, censorship and a closed mind. Pulitzer lends himself to dramatic treatment, perhaps better than any other journalist, except, possibly, Hearst.

10. JOHN DOE GOES ABROAD

I have not seen figures, but I should be greatly surprised if the recent picture MEET JOHN DOE had not proved a great success. Is there any reason why this film should not be followed-up with another having an international angle? It might tell the story of an American John Doe and his conversion from isolationism to intervention by actual experiences in Europe. It might afford a chance to dramatise William Shirer’s BERLIN DIARY.
MEMORANDUM FOR THE SECRETARY:

In addition to officers of the Defense Savings Staff in Washington and the field, the Field Organization News Letter goes each week to the attached list of Federal officials.

GRAVES.
Mr. George Fort Milton
Mr. Lorimer P. Milton

Hon. Harry B. Mitchell, President, Civil Service Commission
Mr. D. J. Needham, General Counsel, American Bankers Association
Mr. Roy W. North, Deputy Assistant, 3rd Assistant Postmaster General’s Office
Dr. Peter H. Odagard

Hon. Leland Olds, Chairman, Federal Power Commission

Hon. William F. Penniman, Deputy Governor, Federal Home Loan Bank Board (14 copies)

Mr. Horace W. Peters

Mr. William Pickens

Hon. Warren Lee Pierson, President, Export-Import Bank of Washington

Mr. Orville S. Poland

Mr. Charles R. Schoeneman

*Mr. George J. Schoeneman, Deputy Commissioner, Accounts and Collection Unit

Hon. Raymond B. Stevens, Chairman, U. S. Tariff Commission

Mrs. Jewell W. Swofford, Chairman, Employees’ Compensation Commission

Mr. W. H. Thompson, Administrative Assistant to the Secretary of the Treasury

Hon. James Twoby, Governor, Federal Home Loan Bank Board

Hon. Lindsay C. Warren, Comptroller General of the United States

Hon. George B. Williams, President, The R. P. C. Mortgage Company

*Being added to the mailing list on July 14.
July 14, 1941

"ANY BONDS TODAY?"

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</table>

COPY TO MR. GRAVES 7/15/41
DEFENSE SAVINGS STAFF

ADVANCE NOTICE RADIO PROGRAMS

MONDAY - JULY 14, 1941

Time: 10:30 - 10:45 A.M.
Program: Big Sister
Station: WJSV and Columbia Broadcasting System

Time: 11:30 - 11:45 A.M.
Program: Romance of Helen Trent
Station: WJSV and Columbia Broadcasting System

Time: 11:45 - 2:00 P.M.
Program: Kate Hopkins
Station: WJSV and Columbia Broadcasting System

Time: 6:30 - 6:55 P.M.
Program: Cavalcade of America
Station: WRC and National Broadcasting Red Network

Time: 9:00 - 9:30 P.M.
Program: Famous Jury Trials
Station: WMAL and National Broadcasting Blue Network

Time: 9:00 - 9:30 P.M.
Program: Lady Esther Serenade
Station: WJSV and Columbia Broadcasting System

THESE PROGRAMS PROMOTE THE SALE OF DEFENSE BONDS AND STAMPS.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE July 14, 1941

PERSONAL and CONFIDENTIAL

TO Secretary Morgenthau

FROM John C. Wiley

In re: Japanese Shipping.

The following background on Japanese oil shipments may be of
some interest to you:

An AP dispatch from San Pedro, California, dated July 10, re-
ports that Japanese vessels were taking more than 400,000 barrels of
oil from Los Angeles last week. Commander McCallum of ONI states that
the AP is quite accurate and that the Japanese ships in question have
already sailed from the West Coast. He added that the Japanese are
making strenuous efforts to increase the number of tankers calling at
West Coast ports for oil. The oil is more expensive on the West
Coast but the procedure permits a faster turnaround than going around
to the East Coast. The Commander went on to say that since the embar-
rate a year ago the Japanese have been taking better than five times
as much oil as they did before — they always have on the average of
seven to ten tankers loading oil in West Coast ports. He concluded
that he, personally, has been most exercised over the situation.

Mr. Shumhart tells us that the State Department has been kept
currently informed by Customs and is fully aware of the situation.
Indeed, everyone — Export Control, Navy, etc., — know all about
it and they have not been fit to take action. Customs has had many
letters from outraged citizens but in each case an examination into
a given complaint has revealed that the octane content of the ship-
ment was at least 1½ below the octane content which requires an ex-
port license.
July 16, 1941

File

Mr. Cockran

I talked by telephone with Sir Frederick Phillips this morning. I recalled that in one of our recent meetings either he or Mr. Keynes had mentioned in the British requirements which could not be taken care of under Lend-Lease a sum of foreign exchange required for remittances to the American movie industry. I asked Phillips if he could give me the specific figure which he had in mind, since this question was now having the attention of the Department of State, and had, I understood, been the subject of conversations between that Department and the British Embassy. Phillips promised to look this up and let me hear from him.

At 12:15 today Sir Frederick called back to tell me that the British figure for providing dollar exchange to the American movie industry was that of $3,000,000 sterling. Phillips assumed that the British would not want to go higher than the amount which has been allocated for payments for the current fiscal year. He said this amount had only been arrived at through the strenuous representations of former Ambassador Kennedy.
Some questions have been raised recently concerning the relation of
British export policy, particularly in South America, towards the provision
of supplies for Great Britain under Lease-Lend.

Difficulties of shipping and of man-power have been making it increas-
ingly difficult for Britain to maintain a level of export trade even
approaching the peace-time basis. Nevertheless, before the Lease-Lend
arrangements came into force it was of such extraordinary importance for
Great Britain to maintain her power of purchasing goods abroad that trade
was being maintained wherever possible, even at considerable sacrifice.

Since the generous arrangements came into force under the Lease-Lend
Act, a drastic reduction of British exports has proved possible, thus releas-
ing man-power and shipping for other essential purposes. But the following
considerations must not be overlooked.

There have been appearing in the pages of the press and in other con-
nections recently a variety of charges to the general effect that articles or
materials which are being lend-leased to Great Britain are either being them-
selves re-exported by the British, perhaps in more advanced form, to foreign
markets which Great Britain customarily supplies, in some cases in competition
with American export trade, or else are being used in Great Britain to replace
similar articles or materials which the British are thereby enabled to export
to foreign markets.
These fears are quite without foundation. In the first place supplies under the Lease-Lend Act are only just beginning to flow and it would have been physically impossible for such supplies to have been processed and exported by now. Careful enquiry indicates no instance in which a violation of the Lease-Lend Act has occurred in letter or in spirit. Take, for example, some recent talk in the press and elsewhere in regard to the export of tin-plate. In actual fact, tin-plate production in Great Britain has been drastically curtailed in order to release material and labour for war purposes with the result that markets normally supplied by Great Britain, particularly Australia and Argentina, now have to obtain their tin-plate from the United States. In the second place, the U. S. Departments in charge of the Lease-Lend procedure have to be satisfied in every case as to the ultimate disposal of the goods, and stringent precautions are taken to see that their instructions and requests are strictly regarded.

The British Supply Council would much appreciate it if any complaints or cases of apparent abuse could be reported to them in the first instance for investigation.

It should not be assumed that the mere fact that we are exporting goods of one sort or another which may be more or less similar in character to goods which we are obtaining from America under the Lease-Lend Act or by cash payment is an indication of any violation of the spirit of the Lease-Lend Act or that it is in any sense a violation of the letter or spirit of our obligations to the United States.
Obviously the fact that we are obtaining American aid under the Lease-
Lend Act does not mean in the minds of Americans that Great Britain should
completely abandon its export trade. It would not be in the interest of
Americans for us to do so. By exporting, Britain earns foreign exchange
towards paying her way and her dependence upon Lease-Lend aid is thus reduced
and the burden of defence from the standpoint of American taxpayers is corres-
pondingly less. Moreover, it is only by this method that we can command
from countries other than the United States adequate supplies of many kinds
of materials which we require for the prosecution of our war effort.

At the same time the passing of the Lease-Lend Act has greatly reduced
our dependence on exports, though there has been no time as yet for the
change of policy to produce its effect in export statistics. We certainly
do not export today just for the sake of doing business. Exports are now
strictly limited by a Government licensing scheme to the minimum which is
required to pay for current essential purchases.

As regards South America this means that there is a very drastic
restriction of British supplies to all markets except the Argentine, where
large-scale British purchases of meat have to be paid for. Even in the
Argentine trade is being reduced to about half what it used to be. Elsewhere
Great Britain is not only restricting exports to a very small figure but is
informing large contractors that it is now out of the question for Britain
to facilitate a supply of material for schemes of capital construction in
South America. For example, instructions have been issued that two large
schemes initiated before the war, which were of great importance to exporting
contractors, must be abandoned, namely, the electrification of the Central
Brazilian Railway, which was being undertaken by Metro Vickers, and the Rio Negro Hydro-Electric scheme.

In the particular case of steel products, including re-rolled products, plates, tubes, wire rope, etc., export is now totally forbidden except where they are needed overseas in connection with the supply of goods essential for the war effort and cannot be obtained from the United States. In the case of machinery there has been a very great reduction and every proposed new order is subject to careful scrutiny from the supply aspect.

It will be understood that these new instructions cannot be brought into immediate operation where there are partly completed orders using materials which could not be diverted to other purposes and where half-finished goods in progress are occupying factory space. These orders tend to give a misleading impression as to the rate of current exports, and to hide the extent to which new schemes have been cut out. It is also necessary to keep up a supply of spare parts to maintain British-made machinery in South America. There is, in particular, one large order for oil pipe-line for the Argentine Government, expected to absorb some 7,500 tons of steel tubes, which is being allowed to continue for special reasons.

Nevertheless, in spite of the inevitable time-lags, the exports in the first five months of 1941 were already heavily reduced. Exports of iron and steel manufactures to Mexico, Chile, Uruguay and Argentina in the first five months of 1941 averaged only 6,000 tons a month out of a total monthly United Kingdom steel production of 1,000,000 ingot tons. Exports of machinery and parts to Mexico, Peru, Brazil, Uruguay, Argentina and Chile averaged just over 1,000 tons a month during the period mentioned. Iron and steel products
exported to all destinations outside the British Commonwealth were averaging 14,000 tons a month, and exports of machinery 3,000 tons. Allocations of steel for export from now onwards are less than a quarter of what they were in the corresponding period even of 1940.

It is clear, therefore, how mistaken it would be to suggest that Great Britain is using the facilities allowed to her under the Lease-Lend Act to push her export industries. On the contrary she is using the assistance thus granted to cut her own exports to the bone, only maintaining the minimum provision which is necessary for essential purposes.
Regraded Unclassified

[Letter content]

Regraded Unclassified

[Letter content]

Regraded Unclassified

[Letter content]

Regraded Unclassified

[Letter content]
Dr. White
Mrs. Klots

Please talk to the Secretary about this on Monday, also show the attached to Oscar Cox.
2nd July, 1941

Dear Sir,

In the absence of Mr. Purvis I have the honour, by direction of the British Supply Council, to acknowledge your letter of June 30th with its enclosure, being a memorandum to Mr. William Knudsen, Director General of the Office of Production Management.

The British Supply Council is most grateful for the initiative which you have been good enough to take towards the compilation of a consolidated balance sheet of United States – British munitions production. Equally with you, it attaches the highest importance to the prompt preparation of the statement and to that end assures you of its fullest co-operation.

Your request for information as to the productive effort in the United Kingdom is being referred immediately to London. In the meantime, action is already on foot both here and in Canada which will enable the provision to Mr. Stacy May of the necessary British data with which along with his own information on United States production to complete the North American picture.

Mr. Geoffrey Grother who has been closely connected with the gathering and preparation of statistical data in the Ministry of Supply in England happens to be in the United States for a few months. In view of his intimate knowledge of the London position this Council has taken the opportunity afforded by his presence and asked him to take charge of the British side of this work. He is already in touch with Mr. Stacy May.

I am, Sir,

Tours faithfully,

(Signed) Leslie Chance
Secretary
British Supply Council in N.A.

The Honourable
The Secretary of War,
Washington, D.C.
MEMORANDUM FOR MR. KNUDSEN, DIRECTOR GENERAL, OFFICE OF
PRODUCTION MANAGEMENT:

June 30, 1941

In view of the importance of modern weapons of war in the present conflict, the efficient planning of our effort requires a constant and over-all knowledge of all equipment, material, shipping, etc., which are now being produced or planned in this country, the United Kingdom and Canada. To that end, an over-all balance sheet should be prepared. That part of the balance sheet which has to do with the United States productive effort should include production for foreign account in this country, as well as production resulting from United States appropriations for the various Government Departments and Defense Aid.

Apparently there exists at this time a great deal of statistical information which has been prepared by the various United States agencies and also by the foreign agencies with contracts in this country. It seems necessary to have some central statistical agency assemble this information into a single balance sheet. I believe that Stacy May's office in the Office of Production Management, which now assembles much of these data, is the proper agency for this consolidation. In addition, there must exist in Great Britain a production program which I am requesting Mr. Purvis, the chairman of the British Supply Council in North America, to obtain from his Government and transmit to me.

When the United States and foreign production programs are consolidated, it would be well to compare them with obtainable information of the production available to Germany. I believe that Stacy May's office in the Office of Production Management could round up from various sources here in Washington a fairly accurate statement of the German production program. To this end, he may call on General Miles for such assistance as the War Department can give.
I am sending copies of this request to you to the Secretary of the Navy and the Chairman of the United States Maritime Commission, as well as to the Chairman of the British Supply Council. I hope that you will see your way clear to have Stacy May's office in the Office of Production Management undertake immediately the preparation of this over-all balance sheet of productive effort.

HENRY L. STIMSON

Secretary of War

Copy sent to:

Secretary of the Treasury
Secretary of the Navy
Mr. Harry L. Hopkins
U. S. Maritime Commission
ASO
Chief of Staff
G-2
June 30, 1941

Mr. Arthur B. Purvis, Chairman,
British Supply Council in North America,
Willard Hotel,
Washington, D. C.

Dear Mr. Purvis:

I am enclosing a memorandum for Mr. Knudsen, Director General, Office of Production Management, which I have just transmitted, requesting him that Mr. Stacy May’s office in the Office of Production Management prepare promptly a consolidated balance sheet of the defense production in the United States.

This balance sheet, to be complete, should include productive effort in the United Kingdom. I wish you would be good enough to communicate this request to the British Government, asking them that this information be transmitted to me through the British Supply Council. I will see, then, that these figures are consolidated with the United States figures in a way that will insure secrecy of the consolidated balance sheet. You can assure the British Government that the information on British production will be kept strictly confidential and placed only in a few trusted hands.

I attach the greatest importance to this work being done promptly. Some of the major decisions that have to be made concerning the program of production in the United States may well depend on the information we obtain from this over-all balance sheet of productive effort. Also, it is almost impossible to resolve the important question of allocation of United States production between our two countries until this balance sheet has been prepared.

Sincerely yours,

HENRY L. STIMSON

Copy sent to:
	Secretary of the Treasury
Secretary of the Navy
Mr. Harry L. Hopkins
U. S. Maritime Commission

Chief of Staff

Secretary of War.
Memorandum to the Secretary:

Mr. James P. Davis, Textile Representative of OPACS, telephoned Saturday morning (7/12) suggesting that we make a further effort to purchase greige goods within the price limitations. We sent our textile buyer to New York with instructions to endeavor to negotiate purchases within OPACS limitations and in a telephone conversation with him this morning he stated that the trade did not make any offerings, indicating that they were awaiting the outcome of a proposed conference tomorrow (7/15) between representatives of the textile industry and Mr. Henderson. It was verified through OPACS that a meeting is scheduled for tomorrow.

We will keep in close touch with the meeting scheduled for tomorrow to avoid further delay in making purchases.

Clifton E. Mack,
Director of Procurement
July 14, 1941

Dear Cliff:

I am enclosing herewith a copy of my letter to Sir Arthur Salter. If his letter calls for an answer, please give him one directly and send me a copy.

Sincerely,

Mr. Clifton E. Mack,
Director, Procurement Division,
Washington, D. C.

Enclosures: Orig. Ltr 7/12/41 from Sir Arthur and cc of Secy's reply of 7/14/41.

Sent by Messenger 7/14/41 4:40 PM
July 14, 1941

Dear Cliff:

I am enclosing herewith a copy of my letter to Sir Arthur Salter. If his letter calls for an answer, please give him one directly and send me a copy.

Sincerely,

[Signature]

Mr. Clifton E. Mack,
Director, Procurement Division,
Washington, D.C.

Enclosures: Orig. Ltr 7/12/41 from Sir Arthur and cc of Secy's reply of 7/14/41.

Sent by Messenger 7/14/41 4:40 PM

By Messenger
July 14, 1941

My dear Sir Arthur:

I beg to acknowledge receipt of your letter of July 12th, and thank you for the information contained therein.

I have turned your letter over to Mr. Clifton E. Mack, Director of Procurement, who is in charge of these matters for me.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Sir Arthur Salter,  
British Merchant Shipping Mission,  
Washington, D. C.

By Hand 7/14/41 4:40 PM  
(Gave to Dowling)
Dear Mr. Morgenthau,

Since your letter of July 9th, 1941, concerning pebble phosphate, I have again been in communication with Sir Ashley Sparks, the head of the Ministry of War Transport's organisation in New York, which is responsible for the operating arrangements for loading. He will insure that full information is furnished to the Treasury Procurement Division as to the expected arrivals of ships, and that it is corrected when later information is available which shows that the date first notified will not be kept. We are grateful for your assurance that, so long as this is done, any delays arising in respect of the readiness of the cargo will be avoided.

We should, however, add that cases are bound to arise in which the anticipated date of arrival is not attained through delays to the ship of which no information had reached us before its actual arrival. The uncertainties of war, and convoy speeds and routing, make arrivals much more irregular than in peace time, and as all ships have to maintain strict wireless silence while at sea, they have no means of informing us of delay.

As to the two particular cases referred to in our correspondence, the ship which caused the hold up between June 21st and June 24th was the "Clare Hilley" whose late arrival was due solely to the causes I have outlined above. However, as she was, in any case, scheduled to load triple super phosphate, the delay in loading her would not have interfered in any way with the movement or loading of pebble phosphate.
The other vessel, the "Testbank", which arrived at Tampa on June 30th to load pebble phosphate, found that there was none there, and to avoid delay, took on 4000 tons of triple super phosphate. A full cargo was not available, and I understand that 3500 tons of pebble phosphate has now been obtained to complete the cargo. Loading was scheduled to begin on July 11th, and all appears to be well.

Yours sincerely,

[Signature]

Arthur Salter.

Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington.
Dear Mr. Morgenthau,

Since your letter of July 9th, 1941, concerning pebble phosphate, I have again been in communication with Sir Ashley Sparks, the head of the Ministry of War Transport's organisation in New York, which is responsible for the operating arrangements for loading. He will insure that full information is furnished to the Treasury Procurement Division as to the expected arrivals of ships, and that it is corrected when later information is available which shows that the date first notified will not be kept. We are grateful for your assurance that, so long as this is done, any delays arising in respect of the readiness of the cargo will be avoided.

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As to the two particular cases referred to in our correspondence, the ship which caused the hold up between June 21st and June 23rd was the "Clare Lilley" whose late arrival was due solely to the causes I have outlined above. However, as she was, in any case, scheduled to load triple super phosphate, the delay in loading her would not have interfered in any way with the movement or loading of pebble phosphate.
The other vessel, the "Testbank", which arrived at Tampa on June 30th to load pebble phosphate, found that there was none there, and to avoid delay, took on 4000 tons of triple super phosphate. A full cargo was not available, and I understand that 3500 tons of pebble phosphate has now been obtained to complete the cargo. Loading was scheduled to begin on July 11th, and all appears to be well.

Yours sincerely,

Arthur Salter.

Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington.
TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

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

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<td>361,515</td>
<td>22,000</td>
<td>21,473</td>
</tr>
<tr>
<td>10</td>
<td>24,928</td>
<td>358,510</td>
<td>86,000</td>
<td>74,452</td>
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<tr>
<td>11</td>
<td>6,809</td>
<td>191,338</td>
<td>6,000</td>
<td>3,640</td>
</tr>
<tr>
<td>12</td>
<td>150</td>
<td>11,117</td>
<td>11</td>
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<tr>
<td></td>
<td>66,424</td>
<td>1,438,422</td>
<td>142,500</td>
<td>125,939</td>
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</table>

Sales from Feb. 22, 1940 to July 5, 1941:

<table>
<thead>
<tr>
<th>Date</th>
<th>Proceeds of Shares Sold</th>
<th>Nominal Value of Bonds Sold</th>
<th>Proceeds of Bonds Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,509,080-1/2</td>
<td>272,602,760</td>
<td>43,792,250</td>
<td>36,026,834</td>
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</table>

Total Feb. 22, 1940 to July 12, 1941:

<table>
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<tr>
<th>Date</th>
<th>Proceeds of Shares Sold</th>
<th>Nominal Value of Bonds Sold</th>
<th>Proceeds of Bonds Sold</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,575,504-1/2</td>
<td>274,043,182</td>
<td>43,934,750</td>
<td>36,152,773</td>
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Regraded Unclassified
OFFICIAL RECORD OF BRITISH-OWNED DOLLAR SECURITIES UNDER THE WARTIME ORDER EFFECTIVE FEBRUARY 19, 1940:

<table>
<thead>
<tr>
<th></th>
<th>$ Proceeds of Shares Sold</th>
<th>$ Proceeds of Bonds Sold</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 7</td>
<td>260,267</td>
<td>16,920</td>
<td>277,187</td>
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<tr>
<td>8</td>
<td>255,675</td>
<td>9,454</td>
<td>265,129</td>
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<tr>
<td>9</td>
<td>361,515</td>
<td>21,473</td>
<td>383,988</td>
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<tr>
<td>10</td>
<td>358,510</td>
<td>74,452</td>
<td>433,962</td>
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<td>11</td>
<td>191,338</td>
<td>3,640</td>
<td>195,978</td>
</tr>
<tr>
<td>12</td>
<td>11,117</td>
<td>11,117</td>
<td>11,117</td>
</tr>
</tbody>
</table>

Sales from Feb. 22, 1940 to July 5, 1941: $272,602,760 in proceeds of Shares Sold and $36,026,834 in proceeds of Bonds Sold, $308,629,594 total.

Total proceeds of non-vested securities sold: $300,000.

$228,700,000 in proceeds of non-vested securities sold from Sept. 1, 1939 to June 28, 1941.

$229,000,000 in proceeds of non-vested securities sold from July 12, 1941 to July 5, 1941.

GRAND TOTAL: $539,193,955.
July 14, 1941.

CONFIDENTIAL

Dear Mr. Knopf:

Permit me to acknowledge for the Secretary the receipt of your letter of July 10, 1941, enclosing your compilation for the week ended July 2, 1941, showing dollar disbursements out of the British Empire accounts and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Faithfully yours,

(Init.) H. M. C.

H. Merle Cochran,
Technical Assistant to the Secretary.

L. V. Knopf, Esquire,
Vice President,
Federal Reserve Bank of New York,
New York, New York.
FEDERAL RESERVE BANK

of New York

July 10, 1941

CONFIDENTIAL

Dear Mr. Secretary:

Attention: Mr. H. Morle Cochran

I am enclosing our compilation for the week ended July 2, 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,

L. W. Knake,
Vice President.

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

Enclosure

COPY - 4m - 7/12/41
<table>
<thead>
<tr>
<th>Period</th>
<th>Debits</th>
<th>Credits</th>
<th>Debits</th>
<th>Credits</th>
<th>Debits</th>
<th>Credits</th>
<th>Debits</th>
<th>Credits</th>
<th>Debits</th>
<th>Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>First year of war</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(8/29/40 - 8/29/40)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Aug. 29 - Oct. 2</td>
<td>1,793.3</td>
<td>605.6</td>
<td>1,187.6</td>
<td>628.2</td>
<td>1,356.1</td>
<td>820.3</td>
<td>420.1</td>
<td>55.0</td>
<td>866.3</td>
<td>416.6</td>
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<tr>
<td>Oct. 3 - Nov. 21</td>
<td>218.7</td>
<td>187.9</td>
<td>209.5</td>
<td>180.7</td>
<td>21.4</td>
<td>0.0</td>
<td>-1.8</td>
<td>0.5</td>
<td>13.3</td>
<td>13.3</td>
</tr>
<tr>
<td>Nov. 22 - Dec. 31</td>
<td>241.0</td>
<td>201.1</td>
<td>180.5</td>
<td>175.9</td>
<td>60.9</td>
<td>0.1</td>
<td>-1.8</td>
<td>0.1</td>
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<td>13.3</td>
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<tr>
<td>Apr. 24 - May 31</td>
<td>244.6</td>
<td>206.8</td>
<td>218.6</td>
<td>196.5</td>
<td>62.2</td>
<td>0.1</td>
<td>-1.8</td>
<td>0.1</td>
<td>13.3</td>
<td>13.3</td>
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<tr>
<td>Apr. 22 - Aug. 31</td>
<td>2,782.5</td>
<td>1,426.5</td>
<td>1,556.7</td>
<td>779.1</td>
<td>2,109.5</td>
<td>1,095.6</td>
<td>573.6</td>
<td>10.8</td>
<td>892.8</td>
<td>451.4</td>
</tr>
<tr>
<td>1941</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Jan. 3 - Apr. 31</td>
<td>154.5</td>
<td>104.6</td>
<td>17.6</td>
<td>11.4</td>
<td>1.9</td>
<td>1.9</td>
<td>-1.8</td>
<td>0.1</td>
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<td>13.3</td>
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<tr>
<td>Feb. 25 - Apr. 30</td>
<td>226.7</td>
<td>158.8</td>
<td>32.2</td>
<td>21.3</td>
<td>27.2</td>
<td>27.2</td>
<td>-1.8</td>
<td>0.1</td>
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<tr>
<td>Apr. 5 - Apr. 30</td>
<td>126.0</td>
<td>101.2</td>
<td>26.7</td>
<td>75.0</td>
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<td>-1.8</td>
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<tr>
<td>May 1 - July 2</td>
<td>140.5</td>
<td>111.8</td>
<td>25.7</td>
<td>76.7</td>
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<td>3.3</td>
<td>-1.8</td>
<td>0.1</td>
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<tr>
<td>July 3 - July 29</td>
<td>242.8</td>
<td>184.9</td>
<td>33.5</td>
<td>25.3</td>
<td>4.2</td>
<td>4.2</td>
<td>-1.8</td>
<td>0.1</td>
<td>13.3</td>
<td>13.3</td>
</tr>
<tr>
<td>Aug. 29 - Sept. 2</td>
<td>204.7</td>
<td>146.8</td>
<td>28.7</td>
<td>22.8</td>
<td>1.9</td>
<td>1.9</td>
<td>-1.8</td>
<td>0.1</td>
<td>13.3</td>
<td>13.3</td>
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<tr>
<td>Week ended</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>June 12</td>
<td>35.3</td>
<td>30.0</td>
<td>5.3</td>
<td>33.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>July 30</td>
<td>24.1</td>
<td>20.6</td>
<td>4.7</td>
<td>15.5</td>
<td>1.8</td>
<td>1.8</td>
<td>-1.8</td>
<td>0.1</td>
<td>13.3</td>
<td>13.3</td>
</tr>
<tr>
<td>August 30 - Dec. 30</td>
<td>24.1</td>
<td>16.0</td>
<td>4.7</td>
<td>15.5</td>
<td>1.8</td>
<td>1.8</td>
<td>-1.8</td>
<td>0.1</td>
<td>13.3</td>
<td>13.3</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(through June 19) 1940</td>
<td>267.6</td>
<td>200.6</td>
<td>47.0</td>
<td>212.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>England (through June 19)</td>
<td>267.6</td>
<td>200.6</td>
<td>47.0</td>
<td>212.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>England (since June 19) 1941</td>
<td>48.2</td>
<td>34.2</td>
<td>14.0</td>
<td>34.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

(See footnotes on reverse side)
(a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Government 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 represented all 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 $25 million received during October, 1940, 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 during October, 1940, apparently represent the acquisition of proceeds of exports from the sterling area and other currently securable dollar receipts.

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

(e) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.
<table>
<thead>
<tr>
<th>PERIOD</th>
<th>DEBITS</th>
<th>BANK OF CANADA</th>
<th>COMMONWEALTH</th>
<th>BANK OF AUSTRALIA</th>
<th>DEBITS</th>
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<tbody>
<tr>
<td></td>
<td>Transfers to Official British A/C</td>
<td>Other Debits</td>
<td>Total Credits</td>
<td>Transfers from Official British A/C</td>
<td>Other Credits</td>
</tr>
<tr>
<td>First Year of War</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6/29/39-5/28/40)</td>
<td>333.0</td>
<td>15.6</td>
<td>306.4</td>
<td>504.7</td>
<td>412.7</td>
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<tr>
<td>Aug. 29 - Oct. 2</td>
<td>44.3</td>
<td>-</td>
<td>44.3</td>
<td>43.9</td>
<td>16.4</td>
</tr>
<tr>
<td>Aug. 3 - 30</td>
<td>26.7</td>
<td>-</td>
<td>26.7</td>
<td>28.6</td>
<td>14.0</td>
</tr>
<tr>
<td>Oct. 31 - Nov. 27</td>
<td>35.2</td>
<td>-</td>
<td>35.2</td>
<td>62.8</td>
<td>49.2</td>
</tr>
<tr>
<td>Nov. 28 - Dec. 31</td>
<td>45.0</td>
<td>-</td>
<td>45.0</td>
<td>60.9</td>
<td>46.3</td>
</tr>
<tr>
<td>Per Period Through Date</td>
<td>477.2</td>
<td>15.6</td>
<td>460.6</td>
<td>707.4</td>
<td>524.9</td>
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<td>Total 1941</td>
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<td></td>
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<td>Jan. 1 - Feb</td>
<td>33.7</td>
<td>-</td>
<td>33.7</td>
<td>35.9</td>
<td>16.9</td>
</tr>
<tr>
<td>Apr. 30 - May 8</td>
<td>31.1</td>
<td>-</td>
<td>31.1</td>
<td>24.3</td>
<td>13.3</td>
</tr>
<tr>
<td>Apr. 29 - Apr. 2</td>
<td>60.9</td>
<td>-</td>
<td>60.9</td>
<td>46.0</td>
<td>23.1</td>
</tr>
<tr>
<td>Apr. 3 - Apr. 30</td>
<td>34.2</td>
<td>-</td>
<td>34.2</td>
<td>55.2</td>
<td>12.5</td>
</tr>
<tr>
<td>May 1 - May 8</td>
<td>45.2</td>
<td>-</td>
<td>45.2</td>
<td>28.6</td>
<td>14.8</td>
</tr>
<tr>
<td>May 25 - July 1</td>
<td>43.2</td>
<td>-</td>
<td>43.2</td>
<td>41.2</td>
<td>10.3</td>
</tr>
<tr>
<td>July 5 - July 31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>July 31 - Aug. 27</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Aug. 28 - Sept. 1</td>
<td></td>
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<td></td>
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<td>Sept. 20 - Sept. 2</td>
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<td>Sept. 23 - Dec. 5</td>
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<tr>
<td>Nov. 4 - 31</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Weekly Debit:</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 4</td>
<td>11.3</td>
<td>-</td>
<td>11.3</td>
<td>9.9</td>
<td>3.6</td>
</tr>
<tr>
<td>June 11</td>
<td>5.7</td>
<td>-</td>
<td>5.7</td>
<td>4.0</td>
<td>1.8</td>
</tr>
<tr>
<td>June 18</td>
<td>11.6</td>
<td>-</td>
<td>11.6</td>
<td>26.0</td>
<td>13.5</td>
</tr>
<tr>
<td>July 2</td>
<td>4.1</td>
<td>-</td>
<td>4.1</td>
<td>5.4</td>
<td>2.0</td>
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<tr>
<td>July 9</td>
<td>10.3</td>
<td>-</td>
<td>10.3</td>
<td>24.3</td>
<td>6.3</td>
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<tr>
<td>Weekly Average of Total Debits Since Outbreak of War Through July 2, 1941</td>
<td>7.5 million</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
* For monthly breakdown see tabulations prior to April 30, 1941.
MEMORANDUM

FROM British Supply Council in North America

TO Mrs. Henrietta Klotz

Compliments of E.N. Gray

Regraded Unclassified
<table>
<thead>
<tr>
<th>TYPE</th>
<th>DESTINATION</th>
<th>ASSEMBLY POINT</th>
<th>By Sea during Week ending</th>
<th>By Air during Week ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vickers</td>
<td>U. K.</td>
<td>U. K.</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Boulton &amp; Paul</td>
<td>Far East</td>
<td>Singapore</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Bomber Command</td>
<td>Middle East</td>
<td>Port Sudan</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Vickers</td>
<td>U. K.</td>
<td>U. K.</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Vickers</td>
<td>U. K.</td>
<td>U. K.</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Halibut</td>
<td>U. K.</td>
<td>U. K.</td>
<td>( via Bermuda )</td>
<td>( via Bermuda )</td>
</tr>
</tbody>
</table>

British Air Commission, July 14, 1941.
TO  Secretary Morgenthau
FROM  Mr. Cochran

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns  £74,000
Purchased from commercial concerns  £14,000

The Federal Reserve Bank of New York purchased £3,700 in registered sterling
from the French-American Banking Corporation, New York.

Open market sterling remained at 4.03-1/2. The only reported transactions
consisted of £11,000 in sales to commercial concerns.

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

- Canadian dollar  11-3/4% discount
- Argentine peso (free)  .2385
- Brazilian milreis (free)  .0505
- Uruguayan peso (free)  .4380
- Colombian peso  .5800
- Mexican peso  .2070
- Cuban peso  1-1/4% discount
- Japanese yen  .2358

In Shanghai, the yuan advanced 1/32 to 5-5/16. Sterling declined 1-3/4 to
3.92-1/4.

It was reported that the New York agency of the Banco di Napoli Trust Co. pur-
chased approximately 100,000 Argentine pesos in this market at the end of last week.
We understand that, from time to time, the pesos will be transferred in Argentina
from the account of the Banco di Napoli Trust Co. to the account of an Italian
bank. Such transfers cover lira payments effected by a bank in Italy upon instructions
from the Banco di Napoli Trust. We understand that the rate is 18.40 Argentine
pesos per 100 lira. At the current free peso-dollar exchange rate, the rate per
lira is .0437.

There were no gold transactions consummated by us today.

No new gold engagements were reported.

In London, spot silver was fixed at 23-5/16d, up 1/16d. Forward silver rose
1/8d to 23-3/8d. The U.S. equivalents were 42.33¢ and 42.44¢ respectively.
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 one purchase of silver amounting to 50,000 ounces under the Silver Purchase Act. This silver consisted of new production from various foreign countries, and was bought for forward delivery.

We also purchased 250,000 ounces of silver from the Bank of Canada under our regular monthly agreement.

The Federal Reserve Bank's report of July 9, listing deposits of banks in Asia with the New York agencies of Japanese banks, showed that such deposits totaled $58,152,000, an increase of $1,076,000 since July 2. Most of the change in deposits took place on the books of the Yokohama Specie Bank's New York agency. The latter's principal dollar liabilities to and dollar claims on Japanese banks in Asia stood as follows on July 9:

<table>
<thead>
<tr>
<th>Liabilities: Deposits for Japan and Manchuria</th>
<th>$37,990,000</th>
<th>Change from July 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits for China</td>
<td>13,822,000</td>
<td>+ $2,214,000</td>
</tr>
<tr>
<td>&quot; : U.S. Treas.Bills, comm. paper, etc.</td>
<td>31,214,000</td>
<td>- 583,000</td>
</tr>
<tr>
<td>Claims : Loans</td>
<td>$12,041,000</td>
<td>+ $1,222,000</td>
</tr>
<tr>
<td>&quot; : Other - mainly Jap. import bills</td>
<td>5,068,000</td>
<td>- 2,023,000</td>
</tr>
</tbody>
</table>

It will be seen that the Agency's liabilities shown above increased $2,639,000 on balance, while its claims experienced a net decline of $801,000.

CONFIDENTIAL
Subject: The Business Situation,  
Week ending July 12, 1941

Summary

(1) The past week has seen a somewhat more stable tendency in commodity prices, although prices of a number of important commodities have made further advances. General commodity prices, since the beginning of the year, have risen more rapidly in the United States than in Canada.

(2) Living costs are increasing at an accelerated rate. The NICB cost-of-living index in June rose to 3.5 percent above June 1940, with more than one-third of the advance occurring in the one month. The cost of food has risen 8 percent above the previous year, of which 4 percent occurred in June.

(3) Cotton prices continue to rise under the influence of the high Government loan, to which is added the effects of record domestic consumption, high prices of substitute fibers, prospect of the smallest acreage since 1895, and weather favorable to boll weevil damage.

(4) The freight car outlook has been improved somewhat by an increased flow of steel to railroad car builders, which has enabled some plants to resume operations after several weeks of idleness.

(5) The steel industry continues to be seriously concerned over short supplies of steel scrap and pig iron, although 5 more blast furnaces were in operation at the end of June. Two plants in the Pittsburgh area working on defense orders are reported to have curtailed production because of a shortage of pig iron.

(6) Sales of new cars by General Motors dealers in June ran 36 percent above year-earlier levels. As a result of the heavy sales of new cars, dealers' stocks at the end of the month were far below those of June 1940.
General situation

Weekly business indexes for the July 4th holiday week showed declines, but this action may be discounted due to the usual difficulties of making accurate statistical adjustments for holiday influences. The fact that the holiday fell on a Friday doubtless distorted normal business activity at the end of the week. However, steel operations during the past week failed to snap back to pre-holiday levels. Automobile production also fell short of pre-holiday output, but a tapering off in production is to be expected at this time of the year, as manufacturers prepare to wind up production on 1941 model cars. Meanwhile, another spurt in defense construction activity was foreshadowed during the past week as engineering construction awards soared to the highest figure on record.

The gradual improvement in stock prices which has been under way since the early part of June continued last week, with the volume of trading on the New York Stock Exchange on Tuesday rising above the one million share mark for the first time this year. The gain in the Dow Jones industrial stock average since the beginning of June now amounts to approximately 12 points or 10 percent. Since the German invasion of Russia, industrial stock prices in both London and New York have risen around 5 percent, thus lending color to the belief that the better tone in the stock market recently has been at least partly due to a more optimistic evaluation of war news.

Commodity prices somewhat more stable

Following the OPACS statements on cottonseed oil and print cloth prices at the end of June, the prices of basic commodities have at least temporarily shown a somewhat more stable tendency. (See Chart 1, upper section.) While the indexes of both foodstuffs and industrial materials rose slightly last week, the upturn in the latter was due almost entirely to a higher price for rosin. For the first time in some weeks, the BLS all-commodity index in the week ended July 5 made no further gain, remaining unchanged at 87.7 (1926 = 100).

In the foodstuffs group (Chart 1, lower section) hogs and coffee last week showed important price increases. The Department of Agriculture's buying program continues to lift hog prices, but it is significant that pork production
has already begun to expand in response to the higher price levels. In place of a 14 percent decline in the spring pig crop (as expected by the Department of Agriculture last December) the crop actually showed a slight increase, partly due to saving more pigs per litter. If farrowing intentions for the fall pig crop are realized, indicating a 13 percent increase, the fall crop would be the largest on record.

Recent price increase larger than in Canada

General commodity prices have risen more rapidly in the United States than in Canada during the first 6 months of this year, an advance of 7.6 percent in the BLS all-commodity index during that period comparing with a rise of 6.0 percent in the all-commodity price index of the Dominion Bureau of Statistics. (See Chart 2, upper section.) The total rise since the beginning of the war, however, has been somewhat greater in Canada, partly because of the depreciation in Canadian exchange early in the war.

Food prices in the United States during March and April rose more steeply than in Canada. (See lower section of Chart 2.) Later data on the index of food prices in Canada are not yet available. The NICB cost of living index in June rose to 3.5 percent above the June 1940 level, with more than one-third of the rise occurring in the most recent month.

Cotton price exceeds 1937 peak

The price of raw cotton has been rising steeply since last fall (see Chart 3) and the latest quotation has reached a level which exceeds the speculative peak of 1937. The crop loan at 85 percent of parity has been a major bullish factor. Additional influences have been the record rate of domestic cotton consumption, recent rainy weather favoring boll weevil damage, and an unusually small cotton acreage. The official acreage estimate of the Department of Agriculture indicates that fewer acres will be picked this season than in any year since 1895.

The extent of the rise in cotton prices and in print cloth prices is shown in Chart 3. Lending additional strength to the price situation for cotton goods is the very high price of burlap (shown on Chart 3) which has reached a point where cotton can economically be substituted. High wool prices have been a further bullish influence.
New orders higher

Our index of new orders increased in the week ended July 5, in spite of the holiday, to 204 compared with 200 (revised) in the preceding week. (See Chart 4.) Orders for steel and textiles were higher, although the total excluding steel and textiles fell off somewhat.

U. S. Steel Corporation orders for the same week increased to 133 percent of capacity as compared with 130 percent in the preceding week.

Steel trade concerned over pig iron and scrap supplies

Although daily average pig iron production in June rose 2 percent above May levels, and a net gain of 5 furnaces in blast was shown for the month, trade sources continue to show serious concern over the tight supply prevailing for that product.

The Iron Age reports that 2 plants in the Pittsburgh area working on defense orders have had to curtail operations or shut down as a result of pig iron shortages, and it is asserted that some form of distribution control is expected to be invoked by the OPM in the near future. At the same time, the supply situation with respect to steel scrap is characterized as precarious. In the New York area concern is expressed over the effect on the domestic market of scrap exports being made to England and Canada.

Improvement in steel supply enables car builders to resume

The preference rating recently granted to railroad car builders has somewhat improved the freight car supply outlook, although steel is still not reaching the equipment makers in sufficient volume to sustain full production. However, 3 plants which were shut down from 6 to 8 weeks due to lack of steel plates are now said to be operating at nearly 50 percent of capacity, and a fourth plant was slated to resume operations during the past week.

As a result of the recent curtailment in car building operations due to steel shortages, it is asserted in press reports that deliveries by October 1 will be 7,500 cars short of what otherwise would have been the case. As part of the program for stepping up production of steel plates, the OPM has announced that the capacity of wide strip mills
to make light plates will be increased by around 750,000 tons by the early part of next year.

Steel operations last week rose to 96.8 percent of capacity from 93.7 percent in the previous week, but still fell 3.1 points short of the rate prevailing in the week before the holiday. While shortages of materials or shutdowns for repairs have been advanced as reasons for the faltering recovery in operations, definite confirmation to that effect is lacking. During the current week, steel operations are scheduled at 97.2 percent of capacity.

Heavy automobile sales cut dealers' stocks to low levels

Although sales of new cars and trucks by General Motors dealers in June were somewhat below the levels of the previous three months, they continued to run far above sales for the corresponding month in previous years. Thus the gain over June 1940 was no less than 36 percent and even sharper gains were shown over earlier years. (See Chart 5.)

As a result of the heavy sales volume, stocks of new cars in the hands of dealers at the end of June were cut to the lowest levels since last October, amounting to only 117,000 units as compared with 217,000 units on June 30, 1940. New car stocks at the end of June amounted to only about one-half of the sales volume for the month, in sharp contrast to the much higher stocks-to-sales ratios prevailing on corresponding dates of recent years. (See Chart 6, upper section.)

Used car stocks at the end of June were still about 37,000 units or 14 percent above the corresponding date last year. The ratio of used car stocks to sales, however, showed a further decline in June and was below that prevailing on corresponding periods of recent years, although the contrast with earlier periods was not as sharp as in the case of new cars. (Refer to Chart 6, lower section.)

The heavy sales and depleted stocks of new cars reflect not only the expansion which has occurred in public purchasing power but also apprehension of car purchasers over future production curtailments and price increases. In April the OPM ordered a 20 percent cut in production of 1942 model cars. However, it is now believed that a larger reduction will be made, although opinions vary as to how big this additional cut will be.
Residential construction contracts at new high

Residential construction contract awards, as reported by the F. W. Dodge Corporation for the month of June, extended their sharp rise of the previous month and reached the highest level since April 1929. The total for the month amounted to nearly $206,000,000 and was 52 percent above June 1940. (See Chart 7, upper section.) While details are not yet available, expansion of housing facilities in connection with various phases of the defense program undoubtedly contributed strongly to the large total.

In line with the usual seasonal tendency, mortgages selected for appraisal by the FHA have declined from the high point reached in the spring. Mortgages selected for appraisal in June ran 24 percent above year-earlier levels, but near the end of the month the gain narrowed to about 9 percent. (See Chart 7.) Although material shortages and rising costs may cut into private building activity in coming months, defense housing construction promises to keep residential building at high levels.

Heavy construction contracts sharply higher

After reaching the highest monthly level on record in June, engineering construction contract awards in the week ended July 10 spurted sharply to a new all-time high. The total for the week of no less than $299,000,000 was 25 percent above the previous high reached in the week ended October 17, 1940.

The sharp rise in contract awards reflects a further expansion in construction in connection with the defense program. Thus the construction cost of additional buildings and facilities for a small arms plant at St. Louis, Missouri is estimated at $34,000,000, while a TNT plant at Sylacauga, Alabama will cost $25,000,000. Ammunition storage depots at Milan, Tennessee and Texarkana, Texas costing $11,000,000 and $9,000,000, respectively, are also included in the total, in addition to a TNT plant at Sandusky, Ohio costing $9,000,000.
MOVEMENT OF BASIC COMMODITY PRICES
AUGUST 1939 - 100.

Weekly Average
16 Raw Industrial Materials
12 Foodstuffs

Daily
12 Foodstuffs
16 Raw Industrial Materials

Percentage Change for Individual Commodities, August Low to July 3 and to July 11, 1941

16 Raw Industrial Materials
- Burpee 106.6%
- Shale 96.6%
- Cotton 57.1%
- Hides 53.8%
- Pulp 52.5
- Poppy 35.4%
- Wool 47.2%
- Flaxseed 33.8%
- Lead 23.2%
- Silk 18.9%
- Zinc 14.5%
- Rubber 13.7%
- Copper 11.8%
- Steel Scrap domestic 8.7%
- Lead Scrap exp. 2.7%

12 Foodstuffs
- Cottonseed Oil 116.5%
- Land 99.1%
- Coffee 87.4%
- Coffee 83.4%
- Hogs 76.7%
- Wheat 50.7%
- Sugar 32.2%
- Butter 31.7%
- Berley 20.0%
- Corn 15.3%
- Steer 14.8%
Chart 2

PRICES, U.S. AND CANADA
Aug. 1939 = 100

All Commodities

Canada
(Dom. Bur. of Stat)

Week Ended Aug. 8

U.S.
(B.L.S.)

Foods

Canada
(Bur. of Stat)

U.S.
(B.L.S.)
PRICES OF SELECTED TEXTILES

COTTON

1924 1926 1928 1930

WOOL

1924 1926 1928 1930

BURGAR

1934 1936 1938 1940

SILK

1934 1936 1938 1940

PRINT CLOTH

1934 1936 1938 1940

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

*Latest Quotation

Regarded Unclassified
GENERAL MOTORS
Stocks of New and Used Cars, Ratio to Sales

Chart 6
CONFIDENTIAL

PER CENT

PER CENT

New Cars

1938 Model Year

1939 Model Year

1940 Model Year

1941 Model Year

Used Cars

1938 Model Year

1939 Model Year

1940 Model Year

1941 Model Year

Office of the Secretary of the Treasury
Division of Research and Statistics
which was usually at a discount. Of course, Bank of China notes in all probability would not circulate in an area under Japanese occupation. The currency which the recipients may receive most likely is Yen-Ching-Yol currency. 6

After receiving this memorandum from Mr. Dietrich, I called back Mr. Goyne, but he was in a meeting of the International Wheat Conference and he did not return my call until Saturday morning, July 12. At that time I gave him the information provided in Mr. Dietrich’s memorandum and also read to him the following sentences from cablegram No. 800, dated July 5, 1941, which we had received from the American Consul General at Shanghai:

"Banking regime announced regulations requiring official passes to cover import consignment of Chinese national currency of greater than yen ten thousand per shipment into Shanghai effective July 1st. Each arrival passenger to be allowed to bring in maximum of yen fifteen hundred, excess to be confiscated." 7

Mr. Goyne said that with this information he would now get in touch directly with Governor Powers. I volunteered to obtain any more specific information which might be available in New York, or to send a cablegram to China if, after having the information which I had provided Mr. Goyne, Governor Powers still desired some supplementary data from China itself. Mr. Goyne promised to call me back as soon as he had a reply from Governor Powers.

[Signature]

HMO: 1 Sep 7/14/41

Regraded Unclassified
Draft of Message to Fox from Secretary

Governor Toronto of Bank of Canada raised question of Canadian remittances to China with Chinese who passed it on to Treasury. Canadian authorities would like to know whether they should permit continuation of remittances and charitable remittances to China amounting to some $6 million a year. Could you assist in:

1. Whether emigrants' and charitable remittances for remittances remitted via Hongkong result in payment to designated recipients and in exchange available for free China?

2. Any effects with respect to remittances for remittances of Japanese institutions centralized money exchange in Canton with military government fixed at 3.03 yen, and of Japanese shipments of tea from Canton to Shanghai?

Suggestion best procedure is for Canadian authorities to permit remittances if they are made through Chinese government banks and would like your reaction to this proposal.

Copy: 7/14/41
A telegram (no. 290) of July 14, 1941 from the American Ambassador at Chungking reads substantially as follows:

Mr. Baker feels that as a result of consultations at Chungking it may be expected that there will be several actions tightening control over the Burma Road after August 1. There are further complications, however, which still prevent control of traffic police and drivers. According to Mr. Baker the orders are urgent for crushers, rollers and other highway tools. On July 15 the Arnstein party which is in Chungking is leaving for Yunnanfu with Mr. Baker. The fact that these are not remaining as a part of the supervisory organization which is urgently in need of technical assistance is the cause of much disappointment.
The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith copies of the paraphrase of telegram no. 815, dated July 9, 1941, from the American Embassy at Rio de Janeiro concerning dollar credits opened in banks in Argentina, Bolivia and Chile by the Yokohama Specie Bank for the exportation of strategic materials to Japan from those countries.

Enclosure:
Paraphrase of no. 815 from Rio de Janeiro, July 9, 1941.
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro

DATE: July 9, 1941, 6 p.m.

NO. : 815.

This refers to the report sent by the Embassy on the second day of July, 1941.

The Bank of Brazil is continuing to receive requests from the local branch of the Yokohama Specie Bank that dollar credits be opened for the purpose of exporting strategic materials to Japan from Chile, Bolivia and Argentina. There is submitted below a list of the credits which have recently been established.

In Banco de Chile, $30,000 for copper.

In Banco de la Provincia de Buenos Aires, $32,687.50 for tungsten.

In de Nacion, Buenos Aires, $32,660 for casein. (This covers two transactions.)

In Banco Central de Bolivia, $52,650 for tungsten.

In addition to the above, the bank has opened credits amounting to $89,678 and $237,000.95 for Iida and cia Buenos Aires. No information concerning the disposal of these funds is available at the bank.

Caffery

WSB

EA: VCL

Copy: bj: 7-15-41
NO OBJECTION TO PUBLICATION IN SERVICE JOURNALS

MILITARY INTELLIGENCE DIVISION
WAR DEPARTMENT
Washington, July 14, 1941

TENTATIVE LESSONS BULLETIN
No. 132
0-2/2657-235

NOTICE

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

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction see Letter TAG 360.06 (9-19-40) M-B-M.

THE BREN AND THE HOTCHKISS LIGHT MACHINE
GUNS IN ANTI AIRCRAFT DEFENSE

SOURCE

This is the second of a series of three bulletins based upon information contained in a British handbook for light machine gunners. The handbook was written by a retired English army officer and its publication in March 1941 was approved by the Ministry of Information.

The first bulletin of the series, Tentative Lessons Bulletin No. 124, covered data on the Lewis light machine gun. The third will give instances of light machine gun successes against low-flying aircraft.

CONTENTS

1. BREN GUN
2. HOTCHKISS GUN
3. ENGAGEMENT OF AIR TARGETS BY LIGHT AUTOMATICS
4. AIMING AND CONTROLLING FIRE BY OBSERVATION OF TRACERS

NO OBJECTION TO PUBLICATION IN SERVICE JOURNALS
-1-
1. **BREN GUN**

   a. **General**

   The Bren gun, which is a light machine gun of .303 caliber, has superseded the Lewis gun in the British Army as a platoon light automatic for use against ground and air targets.

   It is gas operated and magazine fed – 30 rounds of ammunition are fixed vertically above the body of the gun. The cooling system operates by air, aided by the composition of the barrel.

   Its tripod can be quickly changed into an antiaircraft mounting for use against low-flying enemy aircraft.

   The Bren has the following characteristics:

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weight of gun with bipod</td>
<td>23 lb.</td>
</tr>
<tr>
<td>Weight of spare barrel</td>
<td>6 lb.</td>
</tr>
<tr>
<td>Weight of magazine (filled)</td>
<td>2 3/4 lb.</td>
</tr>
<tr>
<td>Weight of tripod</td>
<td>30 lb.</td>
</tr>
<tr>
<td>Length of gun</td>
<td>48 1/2 in.</td>
</tr>
<tr>
<td>Length of barrel</td>
<td>25 in.</td>
</tr>
<tr>
<td>Normal rate of fire</td>
<td>30 rounds - 1 magazine - per minute</td>
</tr>
<tr>
<td>Maximum rate of fire</td>
<td>120 rounds - 4 magazines - per minute</td>
</tr>
</tbody>
</table>

   Single shots may also be fired if necessary by moving a lever on the gun to a point marked "R."

   The barrel must be changed after firing 300 rounds – 10 magazines – at the maximum rate of fire. This change can be made in approximately six seconds.

   After overheating caused by firing at the maximum rate, the barrel can be cooled, without injury, by plunging it into cold water.

   b. **Method of Holding for Antiaircraft Firing**

   When the tripod is used as an antiaircraft mounting, the Bren gun is held with the butt strap on the shoulder, the left hand gripping the carrying handle, and the right hand on the pistol grip; the body is balanced with the legs well apart.
When no tripod is used the gun may be fired from a standing position for short periods with the butt against the shoulder. It is preferable, however, to kneel and rest the butt on the hip, or to sit down, leaning against a support, with the butt on the ground.

2. HOTCHKISS GUN

Of Austrian origin, the .303 caliber Hotchkiss light machine gun was formerly manufactured by the Hotchkiss Company of Paris and Coventry and was used in the French and Belgian Armies. The French authorities preferred the air-cooled Hotchkiss to a water-cooled gun because of the difficulty of obtaining water in the desert areas where, prior to the War of 1914-18, the French Army did most of its fighting.

In the British Army, the light Hotchkiss gun was issued to cavalry regiments and tanks, as its shape was such that it could more easily be carried on horseback or fitted in tanks than could other guns. In the tank corps, belts of 50 rounds were used instead of the normal metal strips of ammunition.

The Hotchkiss has the following characteristics:

Weight of gun 28 lb.;
Weight of magazine (filled)* 1 lb. 15 oz.;
Rate of fire 600 rounds per minute;

Single shots can also be fired.

The gun is air-cooled, and the very thick, heavy barrel is fitted with 35 ring-shaped flanges around the thickest part. These flanges afford extra space for air to circulate.

The barrel can be changed when overheated — after 500 continuous rounds have been fired — in approximately 20 seconds.

3. ENGAGEMENT OF AIR TARGETS BY LIGHT AUTOMATICs

a. General

Enemy airplanes flying at a height of 1,000 feet or under, and at a distance not greater than 600 yards, are targets suitable for light automatic guns or rifles. Beyond that range the .303, or .300, S.A.A. — Small Arms Ammunition — bullet will not retain sufficient penetrating power for good fire effect.

At 600 yards, national markings — of varying shapes and colors — on the wings of a crossing or overhead plane may be seen.

* The magazine ordinarily handles a metal strip of 30 rounds of ammunition.
but the colors are not recognizable, and markings on the tail or body are invisible. Beyond 600 yards the markings quickly become indistinguishable, and the aircraft is seen only in silhouette. At closer ranges the pilot's head, the struts, and the colors of the national markings soon become visible, and the nationality of the plane becomes apparent.

The general rule is that fire should be opened as soon as this maximum range is reached. Aiming is easier at 600 yards, and chances of hitting the target are favorable. Another rule, largely applicable to dive bombing, is discussed later.

Since opening fire is likely to disclose to the enemy - flashes of machine gun or rifle fire are visible to aircraft - the presence of troops in the area over which he is flying, orders to open fire should not be given when concealment is the first consideration.

Hostile aircraft may be crossing the gun position or diving to attack it. When the plane is crossing, opportunities are apt to arise for both light machine gun and rifle fire. The same principles of fire apply to all small arms. Aiming at crossing targets, which is easiest at maximum effective range, becomes increasingly difficult as the plane approaches a position overhead.

Above an angle of sight of 50 degrees, aiming may become impracticable. It is then preferable to stop firing, switch the gun around, and re-engage the plane as it flies away. If, however, another enemy plane approaches, the new target should be engaged in preference to the receding one.

b. The Dive Attack at the Gun Position

The dive bomber, which gives practically no warning, is always either diving or climbing away.

When diving down at the gun site, it is flying straight down the trajectory, or stream of tracers, and for that reason is an easy target. Similarly, when climbing away it is flying up the trajectory and therefore is a simpler target than when it is almost overhead.

The dive begins when the plane banks over to lose height, and fire may be opened the moment the wings begin to tilt. However, in recent fighting against dive bombers, Lewis and Bren guns have been used with the greatest effect by gunners holding their fire until the very closest ranges have been reached.

It should be remembered that if enemy infantry is attacking...
under cover of a barrage of bombs from its own planes, light machine guns should not be used against the aircraft overhead, but must be kept ready for use against the infantry itself.

4. AIMING AND CONTROLLING FIRE BY OBSERVATION OF TRACERS

Fire is controlled by observing the stream of tracers at or near the target and by correcting it on the target until hits are obtained.

For crossing airplanes, the point of aim for light machine guns and rifles is 12 degrees ahead of the target, regardless of speed.

The distance between the first and fourth fingers of the left hand, when the fingers are widespread and the arm is extended, may be used as a rough guide, good at any range, for estimating 12 degrees.

The following rules are helpful in firing light machine guns against low-flying aircraft.

a. Set sights at 500 yards; glance at them only to obtain proper elevation.

b. Point the gun with a 12 degree lead in front of the nose of the plane, swing along the line of flight, and press the trigger without checking the swing. All further use of sights can then be ignored.

c. Speed in opening fire is essential. The opening burst should be on, or close in front of the target. Bursts falling behind are not only useless, but they also are difficult to correct.

d. Short bursts are ineffective; the trigger should be pressed until all rounds in the magazine have been expended.

e. The gunner's eyes should be focused on the target, and not on the tracers. The tracers will shortly appear in his field of view, and his aim can then be corrected on to the target.

f. Slow down or increase the swing of the gun in accordance with the relative position of the stream of tracers seen at the nose of the plane.

* For dive bombers diving directly towards the gun position, ahead of the target means a point of aim just above the nose of the plane.
g. Tracers missing the target will appear to fall behind in a long curved trajectory. This illusion is caused by the speed at which the plane is moving across the path of the tracer. The faster the plane and the longer the range, the greater will this curve seem to be.

h. Tracers hitting the target will be seen in a straighter trajectory than those missing; their path is shorter, and the deceptive curve disappears.

i. Observation must be made entirely from the stream of tracers at or near the target and not from the stream as it leaves the gun.

j. The same principles apply for a target approaching the gun site. Tracers missing appear to be left behind. Hits seem to be traveling direct to the target, and the curved tail behind the target disappears.

k. Rather than to allow bursts to fall behind the target, it is preferable to aim too far in front and correct with slow traverse* until the tracers reach the nose of the plane.

l. Elevation must be corrected as soon as the position of the stream of tracers indicates that the aim is high or low.

m. If the stream is watched too closely, or is watched too near the gun, the eye tends to focus on a point in the trajectory far from the target, and wrong corrections may result.

n. Three or four tracers and one or two rounds of Mk. VII small arms ammunition are used in every five rounds of ammunition. The tendency lately has been to increase the number of tracers; ordinary small arms ammunition is inserted only to clear the fouling caused by tracer ammunition.

* An alternative method of traversing the gun is to lay a barrage of bullets ahead of the plane, but along its line of flight - or in the case of a dive bomber attacking the gun position, just above its nose - so that the plane continues on its course into the barrage.
SITUATION REPORT

I. GERMAN-RUSSIAN FIGHT.

Ground: Germans and Finns have started a vigorous offensive northeast of Lake Ladoga. German columns from line Pskov-Ostrov are advancing on Leningrad. Vitebsk occupied by Germans. Russians recapture Rogachev. The Hungarians are advancing east of Zbrucz River as German Eleventh Army makes gains toward Kiev.

Air: Germans bombed Leningrad and railroad to Moscow. Transportation net south of Kiev heavily bombed by Luftwaffe. Continued Russian bombing of Ploesti (oilfields) and Constanta.

II. GERMAN-BRITISH FIGHT.

Air: German. Very light activity.


III. MEDITERRANEAN FIGHT.

Ground: Hostilities in Syria halted during armistice negotiations.

Air: Normal harassing attacks on Tripoli (Libya), Rhodes, Tobruk and Mersa Matruh. There appears to have been a sharp air fight over Malta on the 12th.
CONFIDENTIAL

London, filed 16:30, July 14, 1941.

1. British Air Activity over the Continent.

2. Night of July 12-13. During this night 36 tons of high explosive bombs and 5700 incendiary bombs were dropped by the British bombers.

3. Day of July 13. A total of 390 fighters were employed as follows: 202 in the protection of shipping, 79 on interception patrols, 1 on an offensive patrol, and 16 on special patrols. No losses were suffered. On this day no British bombers were sent out.

4. Night of July 13-14. 47 bombers were dispatched to attack warehouses at Bremen, 20 to attack Vegesak, and 2 to attack Hamb. More extensive operations were prevented by unfavorable weather conditions.

5. German Air Activity over Britain.

6. Day of July 13. The Germans employed the following aircraft: 303 fighters on defensive patrols, and, against England, 20 reconnaissance aircraft and 5 long range bombers.

7. Night of July 13-14. 10 reconnaissance aircraft and 10 long range bombers were used.

8. Night of July 14-15. Operations were upon a very small scale and consisted principally of the dropping of mines in the Thames Estuary.

2. British Losses. One bomber parked in the sea and another was unreported from the operations against Bruxen the night of July 13-14.

3. Axis Losses. During the night of July 13-14 the Germans lost one Ju-88 and one He-111.

The DUMONT and the ENSCHEID were sunk during the raids on Hanen in April according to reports received by the Air Ministry. In this same period, six vessels loaded with war supplies were sunk by the attacks upon Brunsheaven. Photographs taken of the results of daylight raids made during July, it is also stated by the Air Ministry, reveal direct hits upon chemical works buildings, two gas storage tanks, railway facilities and a Benzol by-product plant at Cheqonic and direct hits upon the machine shops, spare parts department and general assembly shop at Hanen.

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