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Press Service
Oct. 17-54

The Treasury Department announced last night that the subscription books for the receipt of cash subscriptions to the current offering of \$1,200,000,000 of 2-1/2 percent Treasury bonds of 1961-72 closed at the close of business Thursday, October 14.

The subscription books will close at the close of business tonight, October 16, for the receipt of subscriptions in payment of which Treasury Notes of Series M-1941, maturing December 16, 1941, are tendered.

Subscriptions of either class addressed to a Federal Reserve Bank or Branch or to the Treasury Department and placed in the mail before 12 o'clock midnight of the respective closing days will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and the basis of allotment will probably be made on Wednesday, October 16.

-oOo-

October 10, 1941
9:45 a.m.

GROUP MEETING

Present: Mr. Blough
Mr. Barnard
Mr. Buffington
Mr. Kuhn
Mr. Johnson
Mr. Thompson
Mr. Schwarz
Mr. Sullivan
Mr. Graves
Mr. Foley
Mr. Waesche
Mr. Bell
Mrs. Klotz
Mr. Odegard

H.M. Jr: Ferdie, see whether you can or cannot give Mrs. Roosevelt an answer on a broadcast for Sunday. I would rather tell her it will have to go over until another Sunday because it has to be done very well.

Thompson: On that matter that Mr. Klaus was in to see you about, you had phoned me about it yesterday.

H.M. Jr: Yes.

Thompson: I have arranged with Admiral Waesche for the Coast Guard to buy the machines and we will get reimbursement from the Defense Funds.

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H.M.Jr: Right. Anything else?

Thompson: I was wondering if you were going to be at Cabinet this afternoon so I could get the telephone company to see about making one box out of those two on your desk.

H.M.Jr: Yes. But whatever you do, let Mrs. Klotz pass on it first.

Thompson: Oh, yes. They are not sure it can be done, and that is the reason they wanted to come in.

H.M.Jr: Mr. Barnard thought they could do it on one. He said they could do it up in New Jersey.

Barnard: I may be wrong about that.

Thompson: They said they could do it, but they are a little afraid that with the recording attachment there might be too much on one. But at any rate they want the engineer to come in, and he is going to work it out if he can.

H.M.Jr: Before he does it, I would like to see a drawing of what he is going to do.

Dan?

Bell: Any indication as to whether they are going to sign this Mexican agreement Sunday?

H.M.Jr: I asked Mr. Welles that question and he said he thought the chances were not good. I gather--

Bell: Then there is no necessity, I take it, for you to sign before you leave.

H.M.Jr: I told them I wouldn't be here Sunday.

Bell: But you ought to sign the documents before you

- 2 -

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Bell: But you ought to sign the documents before you

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leave if they are going to sign them Sunday.

H.M.Jr: Oh! Why can't I sign today?

Bell: You can, if you want to, and then we will hold them until--

H.M.Jr: When do you want to do it?

Bell: It will only take you a minute.

H.M.Jr: Got them all now?

Bell: Yes, I have them right here unless you would like to have them explained.

H.M.Jr: Oh, that would only embarrass me. (Laughter)

Bell: I would like for you to know about them. That is a letter to the Secretary of the Mexican Treasury sending a copy of the letter which the Federal Reserve Banks sent. It is on the purchase of silver. Here is a copy of the agreement. Here is the duplicate.

H.M.Jr: The Brazilian thing and the Argentine thing never went through, did they?

Bell: The Argentine went through, but the legislature turned it down. That is the silver letter. They adjourned for several months so we won't lose any money on that.

H.M.Jr: Anything else?

Bell: That is all.

Buffington: At your suggestion yesterday, Mr. Secretary, I talked to Mr. Odegard and Mr. Kuhn about the tax savings plan. I wondered if it might not be helpful - I know it would be helpful to me if I could have a meeting sometime with

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Mr. Graves and Mr. Schwarz and Mr. Odegard and Mr. Kuhn to correlate some of these ideas.

H.M.Jr: Sure. Ask Graves when he wants it. Sure. A good time to get him is when I am at Cabinet because I won't be fussing at him then.

Buffington: What time is that?

H.M.Jr: Two o'clock.

Graves: Today, if you like, at two o'clock.

Buffington: It is all right with me.

H.M.Jr: Harold?

Graves: George Haas is ill today.

H.M.Jr: Oh, I am sorry.

Graves: His people have asked me to give you his statements, including the savings stamp sale.

H.M.Jr: How are we? Eleven percent ahead?

Graves: The stamp thing is very bad.

H.M.Jr: No, I haven't had a chance to look at that.

Graves: Well, that one looks favorable. It is eleven percent by comparison with September.

H.M.Jr: If it got up to about twenty percent, it would be my nose ahead.

Graves: Well, we might be there because as I remember--

H.M.Jr: What is the matter with the stamps?

Graves: Well, the stamps, as you see, show no particular gain in September over August and since we put

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in this retail thing in September I had supposed that we would show a very much greater gain and there is pretty strong evidence that these retail stores have not, except in certain areas, done us a job on this thing after all.

For instance, in Baltimore, where we have yet no organization except the bare bones, the Sun has made an investigation and tried to go around and find stamps, and it simply finds that there are no stamps on sale at the stores anywhere in Baltimore.

Of course, that just shows that we have been very indifferently treated, as I see it, by these associations of retailers that promised their cooperation, and we have got to do something about it.

H.M.Jr: I wish that you and Kuhn and Odegard would give serious consideration - I would like to divide up the work that Callahan does and leave him on the radio, but the other stuff that he is doing, I would like to have another man. Leave him on the radio.

Graves: I will talk with him.

H.M.Jr: But I would like to have another man, a man that you three people would select to do the other work that he is attempting to do.

Graves: All right, I will talk that over with him. Of course, he has a staff of several men.

H.M.Jr: Well, I want to divide it up. I am willing to leave him on radio, but I am not willing to leave him doing the other work that he is doing. I am not satisfied. Talk about it, and I am available.

Graves: Very good. I will be glad to.

H.M.Jr: I am just not satisfied. You all say he is so wonderful on radion All right, leave him there, but let's get somebody else to do the newspapers and magazines and labor papers, and all that kind of stuff.

Graves: I have nothing more.

H.M.Jr: O.K.

Bell: On your memorandum --

H.M.Jr: Don't be so low down on stamps, after all. Walk over to the Civilian Defense and then come back and see how good you are. (Laughter). Cheer up, Harold.

Bell: On your memorandum to me suggesting that the Treasury Seal be eliminated from Treasury checks, and the Minute Man put on, I haven't had a chance to do much work on it, but would you be satisfied with a stamp on the Treasury check, "Buy Defense Savings Bonds and Stamps"?

H.M.Jr: And the Seal?

Bell: I won't recommend that you ever remove the Treasury Seal from any document for anything. I think it is the most important thing on it.

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H.M.Jr: I want our Defense Bond trademark on the check.

Bell: In place of the Seal?

H.M.Jr: No.

Bell: There isn't much room. We will try to put it on, but let's don't remove the Seal.

H.M.Jr: We will make the Seal smaller.

Bell: The Seal is all right. It is an important thing.

H.M.Jr: You could put the Seal in the middle and write over it, you know.

Bell: You might even do that with the statue of the Minute Man.

H.M.Jr: I would like the statue out on the end, and the Seal in the middle, and printed a little lighter.

Bell: You want them to see the Seal?

H.M.Jr: Yes. You know, Harold, some day you fellows will listen to me, and will give me a Treasury man in every county in the United States to do this work so we don't rely on volunteers, and when you give me a man in each county to do these things, a paid man, we will get somewhere. Until we do, we never will. You Civil Service fellows will have to get together on it.

Graves: Well, that is --

Bell: We are economy minded people.

H.M.Jr: The one outstanding success in Europe on Government administration was the French

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Treasury, and the French Treasury collected taxes and had the thing down, completely decentralized.

Bell: It is no longer in existence.

H.M.Jr: But it is a good job. Anybody that came out of the French Treasury, a Civil Service man, was a good man, wasn't he?

Bell: Most of them. Some of them.

H.M.Jr: Well, they were, the men that came over here.

Bell: Lacour-Gayet was the best.

Graves: Of course that would completely alter the fiscal specifications of our project. There are three thousand three hundred counties, as I remember, in the United States.

H.M.Jr: I know. Well, every time you tell me - you are going to tell me about how you are not going to get down and get it over, I will remind you of this. I don't think it was my idea in the first place. It was yours (Graves), wasn't it?

Graves: I have had so many ideas that maybe I have forgotten. (Laughter).

H.M.Jr: All right. Chick?

Schwarz: Milton Mayer who is the roving reporter of the University of Chicago Round Table is here this weekend to see various Cabinet officers to give him some background material for a series of broadcasts on Sundays. He would like to come in after the President's press conference.

H.M.Jr: Not today. He can see Kuhn.

Schwarz: If he stays over Monday, do you think he could?

H.M.Jr: Oh, yes, if he stays Monday I will see him.

Schwarz: I will check with him.

H.M.Jr: Did any paper except the Washington Herald run that thing about Agriculture?

Schwarz: That is the only one we saw. That is all.

H.M.Jr: Admiral?

Waesche: Here are the papers, Mr. Secretary, that Mr. Foley brought up yesterday.

H.M.Jr: Was it all right?

Waesche: Yes, sir.

H.M.Jr: O.K.

Waesche: Our people were over in Mr. Donovan's office in connection with this cryptanalysis. They are putting everything in our hands, and we are buying machines for them and training their people, and helping them to select their people. Thompson says that he will give us the money back after we have spent our money for all these machines.

H.M.Jr: Make sure you get your money back.

Waesche: I would like to have a few minutes with you afterward.

H.M.Jr: Sure.

Waesche: I have some pictures here.

Foley: That had been checked with Coast Guard before it came in here and before Gaston initialed it.

H.M.Jr: Boy?

Blough: Nothing this morning.

H.M.Jr: Did you and Mr. Barnard get together on that Social Security message?

Blough: He has seen the message, and I have. We have not had an opportunity to talk yet.

H.M.Jr: Well, we are doing it at ten thirty.

Blough: That is right.

Bell: Ten was the Foley matter, wasn't it?

H.M.Jr: I have got you (Foley) down for ten.

Foley: Yes.

H.M.Jr: What are you doing at ten?

Foley: Coming in here to talk with you and Odegard and Bell and Kuhn and John Pehle and Bernie and Edward about Foreign Funds.

H.M.Jr: All right.

Sullivan: I would like to raise a question on that

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message. To what extent does our rephrasing it bind us to the program?

H.M.Jr: Listen, are you trying a case or hearing it?

Sullivan: I am asking a question.

H.M.Jr: Well, the question is ruled out of order.

Sullivan: Well, I think it is something that we should consider.

Bell: The President sends it up --

H.M.Jr: Well, you come over on this side and advise me how to answer your question.

Sullivan: I don't know.

H.M.Jr: What I told them was this, that if the message - the President's message was written so that it was satisfactory to the Treasury, I would abide by it.

That is what I told Paul McNutt, but if it wasn't, if it didn't go up to the Hill so we felt it took care of the Treasury's interests, we would have to go up and testify and explain the Treasury position. Does that answer you?

Sullivan: Well, I can see that we should perhaps pass on the fiscal aspects of the situation, but I don't know whether we want to be bound on the rest of it.

H.M.Jr: Well, come in and talk about it.

Sullivan: All right.

Barnard: Nothing.

Johnson: The German restrictions on exports from Switzerland have developed a new type of smuggling in this country. We are getting watch jewels.

H.M.Jr: What?

Johnson: We are getting watch jewels which are badly needed by the aviation industry in plain letter mail, concealed in order to avoid the German restrictions on movements from Switzerland. That has necessarily resulted in a new type of smuggling here, with which we are cooperating for once.

H.M.Jr: Which way is the traffic?

Johnson: This way, moving from Switzerland to this country.

H.M.Jr: Watch jewels?

Johnson: Yes, sir, needed for the precision instruments in airplanes.

H.M.Jr: You say you are helping the smugglers?

Johnson: Yes, sir. (Laughter) But we are getting the duty.

H.M.Jr: I see. You don't expect me to comment on that, do you?

Johnson: No, sir.

H.M.Jr: What else?

Johnson: That is all, sir.

H.M.Jr: Ferdinand?

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Kuhn: I am getting from Mr. Gair in a little while a summary of your Farm Credit record. He says he has all the material, enough for a little summary.

H.M.Jr: Well, after this meeting I want to see the Admiral for a minute, if he has something, and then I would like to see Kuhn and Foley and Odegard for a minute and Mrs. Klotz before we go into the next meeting.

Kuhn: I also tried to get I. F. Stone interested in the payroll allotments.

H.M.Jr: Ida --?

Kuhn: I. F. Stone of the Nation. He wasn't terribly interested, but he said he would try to see Mr. Iseby next week.

H.M.Jr: What else?

Kuhn: That is all I have.

H.M.Jr: Are you going to give me a play to take up with me?

Kuhn: Yes, sir.

H.M.Jr: Will you put it in Mrs. Klotz' hands?

Kuhn: Right, I will.

H.M.Jr: John?

Sullivan: Associated Industries of Massachusetts have asked me to come up and speak at their convention on the twenty-third of October, and I sort of passed it by. John MacCormack has been putting the heat on. He says it is the best crowd in New England to talk to. They want me to talk on taxes.

H.M.Jr: It is up to you.

Sullivan: Well, I think --

H.M.Jr: Is it a Saturday?

Sullivan: No, it isn't, it is on a Thursday. There are some things that we ought to clear if I am going to make the talk.

H.M.Jr: Well, it is up to you.

Sullivan: You are going to be here next week?

H.M.Jr: Yes.

Sullivan: I am ready to report on the Dickstein matter, whenever you are ready for it.

H.M.Jr: Is somebody on that?

Sullivan: I will be ready to talk it over with you when you are ready.

H.M.Jr: Ed?

Foley: I am running on that matter we talked about yesterday. I assume that is what you want to see us about afterward.

H.M.Jr: Yes.

Foley: Dean Acheson called up yesterday and said they were quite exercised about a statement that appeared in some of the press yesterday to the effect that Great Britain and the United States and the Netherlands had gotten together and agreed to send no further oil to Japan. He wanted to know whether it had come out of here. Apparently Mr. Hull was very much exercised. The President has carried on these conferences

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with the Japanese himself and it had bounded over there. So I spoke to Chick and the story is a Perlmeter story. It originated out of London and they checked here with Chick's office and Chick's people told Perlmeter no comment either way. So Acheson was told that when he was over here yesterday afternoon. I don't know whether we will hear any more about it or not, but I thought you should know the facts.

- H.M.Jr: Did anybody in the Treasury know about it? Could they have talked?
- Schwarz: This question was whether we --
- Foley: Sure. In Foreign Funds we know that no applications for licenses for oil exports to Japan have been granted.
- H.M.Jr: Well, none have been asked.
- Foley: Well, we have been pretty tough and what we have been doing - Dean has been anxious for us to do it - is not to - not to make any public statements about it but just shuffle the papers around.
- H.M.Jr: Well, as I told you last night, now that Kintner and Alsop are not around writing that column, I don't have to go around and say, "Who had lunch with them last?"
- Foley: Well, in case Mr. Hull should mention at Cabinet --
- H.M.Jr: I don't have to look around any more. (Laughter)
- Foley: That is the story. We aren't directly guilty but we may be a little bit involved.
- Schwarz: They simply asked us if any licenses had been issued and we told them that we were treating

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this thing like the income tax set up and we are not commenting on individual licenses.

- H.M.Jr: Well, I am not worried about it. Yesterday a friend of mine said he was going to try and see whether Bob Nathan wouldn't give me this eight page memorandum to read that he had written on a comparison of the English and our production. He said he doubted it, though. It was terribly confidential. He didn't think I could see it. Today Pearson and Allen have got the whole memorandum in their column.
- Foley: That is all.
- Odegard: We spent a good deal of time yesterday with Mr. Clark of New York on this education matter.
- H.M.Jr: Oh, yes.
- Odegard: There is something moving there.
- H.M.Jr: All right, everybody. I am leaving about four or five o'clock this afternoon and by train, maybe. (Laughter) I will be back here Monday morning.

October 10, 1941
9:45 a.m.

HMJr: Hello.

Operator: Go ahead.

Lord
Halifax: Hello, Mr. Secretary.

HMJr: Yes.

H: This is Halifax.

HMJr: Oh, good morning. Morgenthau speaking.

H: I wanted to call you up just to tell you one thing, that I was back and I hope to see you one of these days.

HMJr: Well, I'd like to see you.

H: Well, you name anything at any time you like, and I'd like very much to have a talk.

HMJr: Well, here's the point, Mr. Ambassador. I don't know how much of a hurry you're in, but I mean I could either do it this morning or not until Monday.

H: Well, I - what sort of time?

HMJr: Well, I mean - eleven-thirty?

H: I've got to see the Polish Ambassador at twelve.

HMJr: Do you want to do it a little earlier?

H: Well, would it have been possible for me to have looked down to see you at - either at - almost at once, quarter past ten, or at eleven-thirty? I can shift the Polish Ambassador back, I've no doubt. Or eleven-fifteen?

HMJr: I can arrange it for eleven-fifteen.

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H: Eleven-fifteen.

HMJr: I'll change mine a little bit.

H: Well, if you can do that.....

HMJr: Yes.

H:and if I might have come down and had a word with you.

HMJr: Fine.

H: There's one particular matter I want to mention to you, and we might just have a - just a quarter of an hour's talk if you can spare the time.

HMJr: Well, I have plenty - I'll arrange to have plenty of time.

H: Well, eleven fifteen then I'll be with you.

HMJr: Thank you.

H: Will that be all right?

HMJr: Entirely.

H: Good. Thank you so much. Good-bye.

October 10, 1941
10:35 a.m.

RE FOREIGN FUNDS CONTROL

Present: Mr. Foley
Mr. Pehle
Mr. Kuhn
Mr. Buffington
Mr. Odegard
Mr. Edward
Mr. Bernstein
Mr. Bell
Mr. Merillat

H.M.Jr: All right.

Foley: Mr. Secretary, as a result of the meetings that were held in New York State between representatives from Foreign Funds and the Federal Reserve Bank in New York and the local bankers all over the State, we would like to suggest a continuation of that program involving certain things which I should like to read:

"1. An initial address by you over a nationwide radio hookup."

H.M.Jr: That is out.

Foley: "2. Additional radio addresses from time to time by officers of State, Treasury, and Justice on various aspects of freezing in which the public would be interested. Round table radio discussions between Government officials and representatives of various groups such as banks, insurance, shipping, importing, and other industries."

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H.M. Jr: Let me interrupt. You (Kuhn) didn't give me the memo of the talk with Frank Knox.

Kuhn: That is right.

H.M. Jr: Give it to me, and I will get a chance to do it sometime this morning.

Kuhn: And thank you.

Foley: Development of radio programs of interest to these different groups to be conducted by representatives of the Treasury, State, and Justice, the three departments which are are interested.

"3. Newspaper and magazine articles" --
(Mr. Merillat entered the conference).

Kuhn: Excuse me, Mr. Secretary, this is Mr. Merillat.

H.M. Jr: Sit down.

Foley: "Newspaper and magazine articles having general circulation, as well as appropriate trade papers having well-known writers, after discussion with Treasury officers on various phases of the controls.

"A conference to be held as soon as possible in Washington, to be attended by representatives of each Federal Reserve Bank, at which the public relations program of Foreign Funds control will be worked out in detail."

And that will be modelled after what they had up in New York, calling for meetings in the different Federal Reserve Districts between the local bankers and the representatives of the Feds with our people present.

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"A series of public meetings to be held in each of the cities where Federal Reserve Banks and their branches are located, to be addressed by representatives of Foreign Funds Control. These meetings will be followed by smaller round table discussions with particular groups affected by the controls.

"A letter bearing your signature to be sent to the President of each bank in the country, urging the full cooperation of that bank in the program of controls. Thereafter, a semi-monthly letter from Foreign Funds Control to the officer designated by each bank to handle freezing matters, discussing matters of mutual interest and presenting questions and answers. A suggested draft of a letter is attached. If this is satisfactory, steps can be taken at once to have it multilithed and sent out."

The last one is:

"The assignment to Foreign Funds Control of a full-time competent public relations man with adequate staff to coordinate and develop the program."

H.M.Jr:

Bell? Any suggestions or objections?

Bell:

It sounds like a full program. I raise the question about writing the banks, whether you want to continually write the banks about Treasury matters. Your financing is going to require a good deal of that, I should think. I don't know whether you are going to feed them so much material over your signature that it is so routine they won't read it.

Foley:

Well, we thought that there would only be one letter to each bank from the Secretary,

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and because that is so unusual and so out of the ordinary, we thought that that would get the attention of the top man in the bank, and then in reply, and he will reply to a letter from the Secretary of the Treasury, he can designate somebody in his bank with whom Foreign Funds then can carry it on and keep that fellow informed and in that way we could perhaps stimulate interest and promote education in that bank. This is the form of letter that we wanted to suggest.

Bell: I think it would be all right if we didn't have all this letter --

Foley: May I read the form of letter?

"Dear Sir:

Here in Washington we are anxious to learn more about the difficulties you are encountering with respect to freezing control. It is no easy task to administer freezing control. I know that it has raised a number of serious problems with you. I should like to hear from you about these problems and at the same time receive your views on how we can do a better job.

"What can we do to make your job easier? Do you have enough information? If not, what else can we send you? What kind of problems are causing you difficulty? Are the Federal Reserve Banks and the Treasury Department giving you the kind of assistance you need? Do you see loopholes we are missing? If so, how can we plug them? Are we unnecessarily strict in some areas? If so, where?

"You are on the firing line. You know what help you need better than we do. Please

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give us your suggestions. I hope that in this way we can better understand your problems and improve our efforts.

"Many of the general problems and questions raised we hope to discuss and distribute in pamphlet form. Please let me hear from you very soon.

Sincerely yours,

Secretary of the Treasury"

H.M.Jr: It is all right, Dan.

Bell: It is a good letter.

H.M.Jr: I am not asking them to do it. I am coming to them. Do you see anything the matter with that, B.M?

Edward: Not a thing. I think it is a fine letter. I think a banker would be happy to have that letter.

Bell: Well, I think probably they would too. I just raised the question because you are going on several other matters. On the Tax Notes and Savings Bonds.

H.M.Jr: Then we are asking them to do us a favor.

Bell: This is a little different type of letter than the other would be.

H.M.Jr: Do you think it is a good letter?

Bell: Yes, I think it is a good letter.

Foley: This shows the Secretary of the Treasury is vitally interested in this problem, and he wants them to understand he is, and he wants

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them to tell him how we can do a better job, what we are missing and what they need to get over to the public, what we are trying to accomplish.

- Bell: What was the last thing that went out to the banks and some of them wrote in?
- Pehle: We asked them to designate the name of the senior officer. That was done through the Federal Reserve Bank.
- Bell: In reply to that, you got a number of letters saying, "Well, I am the senior officer, and I am the only officer."
- H.M.Jr: I didn't sign that letter.
- Foley: Oh, no, that was signed by Sproul.
- H.M.Jr: I haven't sent a letter to the banks signed by me, I don't think, in two years.
- Bell: Yes, the one on the Tax Notes.
- H.M.Jr: Did I sign that?
- Bell: Yes, and you got a nice response. You went into the financing and told them your problem and you really got a nice response.
- Kuhn: I think this letter is the best, most effective thing possible, and it is number one on the whole program. It ought to go out first, before anything else is done.
- Bell: Yes.
- H.M.Jr: Well, this is a chore we are asking the banks to do, and simply saying, "Is there any way we can help you on this thing?"

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- Bell: Banks that have any foreign problems, foreign transactions - the Foreign Funds thing is the most burdensome thing they do for the Treasury.
- H.M.Jr: This would be a good letter. This man (Edward) said he didn't think he had any foreigners in his bank, and he found he had how many?
- Edward: About a hundred and thirty-one altogether.
- H.M.Jr: He said he didn't think he had them.
- Edward: Ninety-seven per cent of our population is native born, and I said, "This won't be anything but a blank report," but when they went through they found they had a hundred and thirty-one. I think - talking to Bernstein this morning, I think quite a number of those are probably - they probably won't come under the requirements, however, on account of that - I believe it was you (Pehle), told me about the dates, that probably the majority of those will be thrown out. To be on the safe side, we reported everybody.
- Foley: There are places, Mr. Secretary, where you have got a large foreign population engaged in shoe mills and other industries. We found when we went in there that only twelve accounts had been blocked in that whole area since these controls were imposed, and the reason that that is so is because those fellows up there don't understand this, and they haven't applied it.
- H.M.Jr: Well, one thing I don't understand that B.M. mentioned, did you say you would have to go to the Post Office to get a list of aliens? Where do you go?

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- Edward: I think that is where we got it, although they say they are not supposed to give it out. I don't know where my folks went to get it, but I think that is where they got it. They got it somewhere.
- H.M.Jr: Where do they go?
- Pehle: Mr. Secretary, they have alien registration lists.
- H.M.Jr: Who has?
- Pehle: The post offices.
- Edward: They are required to go there and register.
- Pehle: They are under control of the Department of Justice, and when we first started this census the question was raised generally whether those lists would be available to the banks, and it was discussed at the Inter-Departmental Committee, and the Committee felt they should not be available to the banks, because they are very misleading. Most of the aliens in this country have been here since prior to the Freezing Control, and they are here on permanent visas and they are not required to report with respect to those people at all, and the Committee felt that giving out those lists and marking out those people that are aliens for special treatment would just cause those people to be more harassed than they are now.
- Foley: Well, there are also a number of people on there who aren't touched by the controls anyway because the controls haven't been applied to their countries.
- Pehle: That is right.

Edward: Don't they also have to go to the Court House and do something? We may have gotten that record from our local Court House.

Pehle: They have to file with the Department of Justice through the post offices information with regard to --

H.M.Jr: Well, you know how to handle it. The thing is to get it over to the banks so they know how to handle it.

Pehle: The problem, not the list.

H.M.Jr: No, but I mean how is the bank - how does it check its lists and get lists? Who is an alien and who isn't? Is that all worked out?

Pehle: We have ways of telling them how to go over their accounts. They usually know who their depositors are.

H.M.Jr: How does the fellow know?

Edward: No, they don't.

H.M.Jr: If you haven't worked that out, you have got a loophole there.

Bell: I am wondering if we shouldn't go to the Post Office and ask that they be made available to the banks.

H.M.Jr: If you haven't done that, you have left it up in the air for the banks to decide how to do it.

Edward: Mr. Secretary, I have a friend in Columbia who is a German. He has been there since before the World War, and they made him register.

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- H.M.Jr: You see, John, let me just take this a minute. This is a good example, as good as any.
- Foley: You wouldn't freeze his account, though, B.M.
- H.M.Jr: I want you to hear this, Ed. I got in this thing just on account of the fact that the bank ought to know how. I am going on the theory that they don't, and it is up to us to tell them. Now, if you will approach it from that standpoint, not that the bank ought to know how or that they ought to have a foreign control man, but that they don't know, and the whole purpose underlying this is, on the assumption that they don't and don't believe it, well, they ought to know how and maybe there is a list and maybe there is not. Maybe the Department of Justice will and maybe the Post Office will. That is the whole purpose. If you approach it from my angle, then you get the spirit which accomplishes what I want to accomplish.
- Pehle: I agree entirely with what you said. I don't believe I made myself clear about the lists. We canvassed the lists and we decided they should not be given out, because they were misleading.
- H.M.Jr: I don't want the details. I am only interested in the spirit. The spirit we are approaching this thing in is good extension teaching. We should take it for granted these people don't know, there is no reason why they should know, and we know all the answers. I hope we do. Is that good teaching?
- Odegard: Yes, I think it is very good.
- H.M.Jr: You can't assume that these people know.

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Odegard: You start out assuming that they don't know. If you don't you won't do a good job of education.

Edward: Mr. Secretary, maybe Mr. Odegard can correct me on this if I am wrong, but they tell me for instance in the City of Cleveland, that eighty per cent of the population of Cleveland are either foreign born or are born of one or more foreign parents.

Foley: Well, that is a large industrial area, and I am sure in areas like Cleveland and Pittsburgh you have got a percentage almost that large.

Odegard: The highest percentage of foreign born in the census is New England, Connecticut and Rhode Island and Massachusetts.

H.M.Jr: Well, gentlemen, on paper it is all right. I am willing to sign the letter to the bank and I am not willing to go on the radio.

Foley: All right.

H.M.Jr: I would keep in touch with the people here in the room and get started.

Foley: Right.

H.M.Jr: Is that all right, Dan?

Foley: We will get the letter prepared immediately.

H.M.Jr: Is that all right?

Bell: Yes.

Kuhn: I would make one reservation about the usefulness of radio programs. in this Foreign

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Funds business. I think our audience is a very restricted one, and I don't think radio is going to be too helpful, but it can be worked out.

Bell: It is a very technical subject.

Kuhn: I think the letter is swell and is going to produce the materials out of which we can work.

Foley: Well, we are going to get a lot of blasts from some of these fellows, but we will take the good with the bad.

H.M.Jr: O.K.

October 10, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES

A meeting relative to the administration of Executive Order 8389 was held in Mr. Foley's office at 4 p. m. on October 9, 1941, attended from time to time by the following:

Messrs. Foley (Chairman), Pehle, B. Bernstein, Lawler, Dietrich, E. M. Bernstein and Timmons for the Treasury; Messrs. Acheson, Luthringer, Fisher and Miller for State; Messrs. Shea, Swidler, Jurenev and Kreeger for Justice; and Mr. Knapp for the Board of Governors of the Federal Reserve System.

Mr. Acheson referred to the matter of the payment of Japanese diplomatic expenses in the United States. Pursuant to the Aide-Memoire submitted by this Government to the Japanese Government with respect to the payment of such expenses, the Japanese Embassy in Washington has prepared a statement of the anticipated expenditures of the Embassy and the various consulates. The total amount involved is approximately \$200,000 per month. Mr. Acheson stated that the Department of State was anxious that the necessary licenses be issued immediately, for the Japanese Government may think that our failure to do so is indirect pressure upon them to withdraw their diplomatic representation. It is anticipated that such payments will be made by the Yokohama Specie Bank, New York. Mr. Bernstein gave a brief picture of the condition of the Yokohama Specie Bank on the basis of information furnished by Mr. Ashwood, the National Bank Examiner who is assigned to duty in such bank. The total amount of creditors' claims in which the New York Superintendent of Banks is interested is somewhat in excess of \$9,000,000. Assets are estimated at approximately \$8,300,000. Mr. Ashwood stated that in a week or so the bank will have approximately \$10,000,000 in cash. On the basis of his investigations, Mr. Ashwood concluded that the Bank was in a safe condition for at least sixty days. Future applications for payments from the Yokohama Specie Bank may include \$1,400,000 per month in payment of interest on Japanese bonds and withdrawals by the West Coast branches of the Yokohama Specie Bank, which may require additional cash. Mr. White, the New York State Superintendent of Banks, is being advised of all licenses granted

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by Foreign Funds Control allowing payments from the Yokohama Specie Bank. Mr. Peble said that Mr. White is thinking along the lines of escrowing assets to protect the rights of New York creditors and that he may be able to work out something along this line with the Yokohama Specie Bank. Mr. Acheson stated that there has been a recent meeting in the State Department on the question of the Yokohama Specie Bank, at which time it was agreed that it is not State's intention to prevent Mr. White from looking into the Yokohama Specie Bank situation and preparing a detailed statement with respect thereto, and there is no objection to Mr. White's discussing the whole question with the Bank. The protection of the New York creditors was recognized to be Mr. White's problem, but that, because of certain other aspects, it is one which he may desire to discuss with the appropriate Federal authorities. The State Department does not want the Japanese Government to ship gold to this country to pay interest on bonds and diplomatic expenses. Mr. Acheson indicated that the State Department is prepared to assent to the servicing of indebtedness and the payment of diplomatic expenses from the Yokohama Specie Bank for at least two months pending clarification of the situation. It was agreed that Mr. White should be cautioned about the probable Japanese proposal to ship gold to the United States and it was agreed that it would be preferable if he told the Japanese that this is a matter to be discussed with the Treasury Department. With respect to the terms of the Aide-Memoire, Mr. Acheson reported the State Department is not insisting that the Japanese Government provide for American foreign service officers in Manchuria and occupied China, although it is expected that Mr. Grew will include such persons in his statement and that they will receive the same treatment as foreign service officers in Japan. It was agreed that the telegram informing Ambassador Grew that this Government is prepared to proceed with the licensing of Japanese diplomatic expenses in the United States should be despatched.

Mr. Iguchi of the Japanese Embassy called recently on Mr. Acheson and stated that the Japanese Government is now considering purchasing oil from funds presently held in Latin America. Admiral Nomura has again raised with Secretary of State Hull the question of the purchase of oil for Japan, and has stated

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that the Japanese Government is now considering using funds presently held in South America. Mr. Acheson suggested to Secretary Hull that he reply to Nomura by saying that the situation is slightly confusing, as Mr. Nishiyama has several times insisted that Japan has no funds in Latin America and has suggested that the oil in question be purchased either with gold from Japan or currency from China and/or Japan. This latter proposal is a matter which the Interdepartmental Committee still has under consideration. Inasmuch as the Japanese proposal has now shifted to dollar funds in Latin America, it would appear that the gold and currency is no longer a problem and that the re-opened proposal will be examined.

Mr. Pehle reported the conference held this morning with representatives of General Dyestuff Corporation. Apparently General Dyestuff has taken the position that the denial of application No. NY 201434 was not final, as Mr. Halbach had told an officer of the Chemical Bank & Trust Company that Messrs. Foley, Acheson and Shea had indicated to him that this action would be reconsidered. The representatives of General Dyestuff Corporation at today's conference indicated that they had been asked certain questions, some of which they were not presently in a position to answer, and they stated they felt that their case should not be decided until they were in a position to supply such information in full. Mr. Pehle indicated to them that the Government has many interests in General Dyestuff Corporation and General Aniline & Film Corporation, and that it was not felt that the information to which they were referring was relevant to the application in question. Mr. Pehle indicated that he deemed it very desirable that the denial should be reaffirmed in order that the air may be cleared for a sale to some "clean" corporation. It was suggested that representatives of General Aniline & Film be called in and told that they have ninety days in which to arrange for the sale of the stock presently held by I. G. Chemie to some purchaser who is acceptable to this Government, or the Treasury will be forced to place men in the company and restrict its operating license. Mr. Shea mentioned that Assistant Attorney General Arnold wished to intervene in the shareholders bill in equity filed in the Chancery Court of the State of Delaware to maintain the status quo with respect to the board of directors of General Aniline & Film. After lengthy discussion as to the

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advisability of filing an appearance, either formally or informally, it was decided that no such appearance should be filed, but that an attorney of the Treasury Department should be sent to the hearing in the capacity of an observer only.

Reference was made to an application, No. NY 258683, involving a payment of Swiss francs to a Liechtenstein citizen residing in Switzerland in order that a process for the reduction of methane gases to liquid form might be demonstrated in this country. The payment is to be made from free funds. A letter had been received from Admiral Stuart, head of the Naval Petroleum Reserves Board, recommending that this application be granted. It was agreed to approve the application.

October 10, 1941
11:10 a.m.

RE SOCIAL SECURITY

Present: Mr. Bell
Mr. Barnard
Mr. Blough
Mr. Sullivan

Blough: This is Mr. Altmeyer's suggested message, written and revised by him, in which he has incorporated several sentences suggested by me after discussing the matter with Mr. Bell. The points - finance is mentioned three times. Financial and tax matters are mentioned three times. I have put a line along the sentences which he has included at our suggestion.

H.M.Jr: Is everybody satisfied with this?
Mr. Barnard?

Barnard: I am satisfied with it assuming that it is to be done. I am not satisfied that it is good from the Treasury's standpoint to take up this kind of a thing right now. Assuming it won't be effective until '43, that is a long way ahead into the unknown.

H.M.Jr: This won't take effect until '43?

Bell: It couldn't, following out the program that you

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read the other day.

Blough: On page seven, beginning with the word "furthermore", there are three sentences put in by Mr. Altmeyer on inflation and deflation.

H.M.Jr: Dan, I just cannot pass on a thing in a split second like this. I just got word that the President is not leaving town.

Bell: Is not?

H.M.Jr: No.

Bell: Well, we understood that he wanted it to work on over the weekend. Isn't that right, Blough?

H.M.Jr: Well, why not simply say, so do I? It is too much.

Bell: Well, what is the matter with giving this to Altmeyer to give to the President and the Treasury staff has been helping on it, but the Secretary has not passed on it?

H.M.Jr: I will simply say - you can tell. I have had my financing, we have had the Mexicans here, and I can't - it is too important. Don't you agree?

Barnard: Yes.

H.M.Jr: I will take it up, and I will read it carefully, and, if I don't understand it--

Bell: Do you want to take it over the weekend?

H.M.Jr: I want to take it over the weekend. I can't help it. You tell him I am going to take it.

Bell: And can he give it to the President?

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- H.M.Jr: Yes. We can't keep him from giving it to the President.
- Bell: Well, I think we ought to say to him, "Give it to the President," and whatever comments you have you will give the President after you come back.
- H.M.Jr: Normally I would spend two weeks on a thing like this. Viner will be here next week and Walter Stewart will be here next week.
- Well, I am just going to stall. The worse that can happen is - well, if the President shoots it Monday, then my hands are untied.
- Sullivan: I don't think you are stalling in view of that statement you made.
- H.M.Jr: What was that?
- Sullivan: That nothing was going in for there or four weeks, and he was going to phone them and have them down before he sent it anyway. I don't know if we can very well tell that to Alt-meyer or not.
- H.M.Jr: No, we can't. I told the boys that.
- Sullivan: I understood that.
- H.M.Jr: Well, I think I will see the British Ambassador, and I will take this up to the farm with me.
- Thank you all.
- Sullivan: Do you want Roy on that this coming week? He is supposed to be in St. Paul.
- Elough: I am supposed to be in St. Paul at a rather important meeting up there.

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H.M.Jr: Marriner Eccles is going up. I will let you go as long as John is here.

Blough: Could I be gone the first three days of the week then?

H.M.Jr: It is all right. John, will you be here?

Sullivan: Weren't you planning on being gone all week?

Blough: I think I can be back on Thursday.

Suggested Draft of President's Message on
Social Security Expansion

TO THE CONGRESS OF THE UNITED STATES:

I herewith transmit a report of the Social Security Board, making recommendations for improving the effectiveness of our social security system. I trust that it will be possible for Congress to give early consideration to this subject.

Today this nation is engaged in a great defense effort designed to protect and preserve our democratic way of life from destruction at the hands of aggressor nations. There can be no question as to our success. Our country has the natural resources and our people have developed a system of free enterprise which all history demonstrates is productive of the greatest efficiency as well as the greatest satisfaction. The best bulwark of our democratic system of free enterprise is an adequate social security program which provides a basic security for all of our citizens and encourages each one to increase his own security through his individual efforts.

This nation has already gone a long way in a short time in promoting social security. It is only six years since the Social Security Act became law. Two years ago that law was greatly improved by converting the Federal old-age insurance system into a system which provides benefits for widows and orphans, as well as old-age retirement benefits.

But there are still important groups of our people who do not have this protection. We have now had sufficient administrative experience so that we should be able to extend this Federal old-age and survivors insurance system to virtually all of the employed and self-employed population of this country. Likewise we should now extend protection against unemployment to many groups now excluded and we should make this protection more adequate.

In addition, we should provide protection against wage loss due to permanent total disability which in a sense constitutes premature old age. We should also provide protection against wage loss caused by sickness. Moreover, provision should be made for a fixed cash payment for each day that an

insured worker or a member of his family is confined to a hospital. Providing compensation for a portion of the wage loss and providing cash hospital benefits will furnish considerable protection against the economic loss due to ill health in this country.

I strongly recommend that all of the foregoing types of social insurance be consolidated into a single comprehensive social insurance system. This would necessarily involve merging the present Federal-State unemployment insurance system into such a system. Since all of the employees of the State agencies administering unemployment insurance have been employed in accordance with civil service systems meeting Federal standards there would be no difficulty in bringing them under the Federal civil service.

The advantages of a single Federal old-age, survivors, disability, and unemployment insurance system are clear. Such a system would be safer and sounder, particularly in the case of unemployment insurance, because of the wider spreading of the risks and the more effective utilization of reserves. It would provide more adequate protection for all workers, particularly those employed in more than one State. It would equalize the cost of unemployment compensation and other risks in the various States. It would provide a more effective nationwide public employment service which is imperative because of the defense program. It would be much more adaptable to unforeseen changes in industrial conditions; and it would provide simplified, economical administration.

While all of the States have enacted unemployment compensation laws, these laws vary widely in the adequacy of the benefits they provide, in the adequacy of the reserves they are building up, in the contribution rates that are charged employers with the same unemployment experience, and in the administrative procedures which are followed. Since employers in each state compete with employers in other States, each State government acting alone is at a disadvantage in its attempts to provide more adequate benefits and more adequate reserves because of the danger of exposing its employers to unfair competition by employers in other States who may be permitted to pay lower contribution rates.

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It is clear that if the present system is unable to meet adequately such unemployment as exists today, it is wholly incapable of coping with the problem of unemployment as it may confront us during the post-defense period. Therefore, we should proceed at once to reconstruct our unemployment insurance system so that it constitutes a real first line of defense against unemployment; not a thin, irregular line under divided direction which will crumble in spots at the first major attack upon it.

The expanded social insurance program I am recommending will afford protection to the workers of this country against the major economic hazards to which they are exposed. It will spread the cost of these hazards evenly among many instead of unevenly among some.

This protection will involve higher costs which must be financed. Since this is an insurance program it is important that the increase in cost be fully covered by increased contributions. We cannot afford to increase expenditures for these purposes without providing adequate revenues to meet the added cost. Accordingly existing rates of contribution will need to be increased substantially. In paying for this comprehensive program of economic security employer and employee should stand side by side as partners, preferably contributing on a fifty-fifty basis.

A contributory social insurance system can and will provide protection to employed persons against future hazards but it cannot provide protection against hazards that have already occurred. A public assistance program is necessary to provide protection to needy persons already out of employment because of old-age, disability or some other reason. Our present system of Federal grants to States to cover 50% of the cost of assistance to the needy aged, the needy blind and dependent children has done much to provide protection to these groups. Only a small percentage of the aged, for example, are still dependent on relatives and friends. The two chief complaints regarding assistance to the needy aged are that the test of need is too strict and that the amount of cash assistance is too small. Both of these complaints arise to a considerable extent because the low-income States

have difficulty in meeting their 50% of the cost.

The most effective way to enable the low income States to pay more adequate assistance to their needy aged is to provide special Federal aid to such States, in addition to the 50% Federal grant all States receive. This special aid could be related in an objective manner to the economic capacity of these low-income States to meet their share of the cost. Such special Federal aid should of course be made available not only for the needy aged but for the needy blind and dependent children as well.

I also recommend that Congress give consideration to the question of providing Federal grants-in-aid to better enable the States to relieve the distress that exists among persons who are not eligible for assistance under the existing Federal-State categories of the aged, the blind and dependent children. Most of these people are in distress because of some physical handicap which renders them unable to engage in gainful work. Many States and localities have inadequate resources to meet the needs of such persons and whatever resources they do have are now used disproportionately to help needy persons who are eligible under the three categories for which the Federal Government now shares the cost. The extent to which the additional grants-in-aid would lessen or otherwise affect other Federal expenditures and activities for the relief of distress is a factor which should be taken into account by Congress in considering these questions.

I recommend that Congress also take steps to protect the accrued social insurance benefit rights of persons entering the government service to engage in defense activities, particularly those who enter the military service. Persons serving their country should receive as much protection by way of social insurance as persons in private employment. Certainly such persons should not lose any benefit rights they may have accumulated.

The social security program I am recommending will better prepare us as a nation to meet not only the problems of today but the problems of tomorrow when the defense program has come

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to an end and we face the necessity of returning to a more normal period of industrial activity. It will bring a far greater degree of security into every home in the country. Furthermore, it will help greatly to stabilize general economic conditions. During a period of economic expansion it will help curb inflationary tendencies since larger sums are collected in contributions than are paid out in benefits. During a period of economic recession it will help to sustain mass purchasing power since much larger sums will be paid out in benefits than are collected in contributions.

This social security program I am convinced will provide a maximum amount of security for the individual at a minimum cost to the government. If we are to reap the greatest advantage we should act now.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE October 10, 1941

TO Ferdinand Kuhn, Jr.
FROM Herbert Merillat

PRESS COMMENT ON
PRICES, PROFITS, AND
SOCIAL SECURITY

The press throughout the country has lined up almost solidly in support of over-all price-control on the Baruch model. It feels that the Steagall bill is a political compromise which will be ineffectual in holding down prices. The press does not share Mr. Henderson's optimistic belief that demands for wage increases can be handled by voluntary agreements.

With increased awareness of the inflation threat has come a growing insistence that Congress act immediately to check the price advance. The press asks for Congressional courage and vigorous Administration leadership to put a stop to the drawn-out debate on price-control. This attitude, found in small-town as well as metropolitan papers, reports that Congressmen back from their districts detect an increasing public alarm over the rising cost of living and a demand to check that rise.

The Brookings Institution report has been widely cited to support the demand that wages and farm prices be controlled as strictly as other prices. Here, says the press, is an authoritative,

nonpartisan report which shows up the Administration as contributing to the growth of inflation, through preferential treatment of farmers and tacit encouragement of wage increases.

Organized labor quickly reacted to the Brookings Institution report, assailing the Institution as an instrument of reactionaries whose recommendations should be disregarded as a basis for price-control policy. The C.I.O. News said: "Against such propaganda as is put out by the Brookings Institution, the C.I.O. has to mobilize and publicize its counter-arguments, at the same time exposing the pretense to academic impartiality of an institution which regularly reflects the employers' point of view." The C.I.O.'s "counter-arguments" came in the statement to the Banking Committee, claiming that wage increases have not been responsible for price increases.

"Labor," the weekly of the Railroad Brotherhoods, said: "Whenever American reactionaries find themselves in a hole, they send out an S.O.S. and the Brookings Institution...comes hurrying up with a 'report.' Invariably, it is just what the reactionaries have been praying for.... From now on this Brookings report will be constantly popping up. As a matter of fact, it is not worth the paper on which it is printed."

The C.I.O. line, found in statements of its leaders and editorials in the C.I.O. News, is that price increases have been caused, not by wage increases, but by profiteering, material shortages, hoarding, speculation, and uncoordinated public and private purchases.

Profit Limits

Editorial attacks continue on the suggested six percent profit-limit. After Secretary Morgenthau's announcement that drafting of the measure would take some time and that the tax would not apply to 1941 incomes, the headlines said the proposal was "shelved." Editorial writers welcomed this news and also welcomed the criticism of the plan by political leaders and businessmen.

The profit-limit proposals of Representatives Gore and Vinson -- to limit profits on defense contracts to seven percent or eight percent of the manufacturing cost -- have not yet been much discussed in editorials. The little comment which has appeared has attacked the plan as unworkable and inequitable -- unworkable because of the accounting problems involved, and inequitable, says the Washington Post, because it would apply only to "defense" contracts, leaving untouched other businesses which have benefited from the defense effort. Commentators have

pointed out that it is already the duty of the War and Navy Departments to hold down prices on defense contracts to a reasonable figure. The remedy for excessive profits on such contracts is seen to be in a more careful placement of orders, rather than in special taxation.

Social Security Expansion

The typical editorial on the proposed expansion of social security applauds the principle of increased coverage, doubts whether the expansion can be worked out immediately, and condemns the proposal to increase the tax rates as an undesirable mixing of social security with emergency financing.

Liberal papers, such as the New York Post and Philadelphia Record, urge immediate action to bring more employes within the social security system. The conservative press, while professing to approve the expansion in principle, asks whether this is the time to consider social reforms, and sees serious administrative difficulties which cannot be worked out in a short time.

Liberals and conservatives join in opposing the use of the social security system to raise revenue needed in the defense program. Their arguments may be summarized as follows: Social security and emergency financing should be kept wholly separate.

Social security tax rates should be increased only if actuarial data indicates this should be done. If it is necessary to tax payrolls to raise revenue and check inflation, this should be done directly and separately, perhaps under some modification of the Keynes plan.

Editorial writers doubt whether the President was entirely frank in giving his reasons for recommending increased coverage and higher tax rates. The urgent need for more revenue, they suspect, is the real reason for proposing the changes.

October 10, 1941
1:43 p.m.

HMJr: Yes.

Secy. of
Sen. Bone: This is Senator Bone's secretary.

HMJr: Yes.

S: The Senator is in the hospital and can't get to a telephone.

HMJr: I'm sorry.

S: And so he asked me if I would call you for him.

HMJr: Yes.

S: And ask if you could give us any information with regard to the re-appointment of Saul Haas, Collector at Seattle.

HMJr: Well, I recommended it and it's out of my hands.

S: It's something then that we should take up with the White House, I gather.

HMJr: That's right.

S: At the White House.

HMJr: It's out of my hands. I recommended it.

S: Well, that was our understanding; but I thought I'd check with you first to see whether it had gone down.

HMJr: Yes. I'm sorry - is the Senator very ill?

S: No, but he had some trouble with a leg. It was broken two years ago.

HMJr: Oh.

S: A steel pin was put in at the time, and that

- 2 -

pin did some damage to the bone. They had to extract it.

HMJr:

I see.

S:

And so he has to stay out there and have his leg under correction for some weeks.

HMJr:

Yes.

S:

He's not ill, but he just is immobilized. He can't move.

HMJr:

Yes.

S:

Well, much obliged then. I'll check the White House on it. Who would I check with down there? General Watson?

HMJr:

Yes.

S:

Thank you.

October 10, 1941
3:45 p.m.

Lieut.
Hesford: Hello, good afternoon, Mr. Secretary. This
Hesford speaking.

HMJr: Go ahead.

H: Incidentally, I've checked this also with
the Washington forecaster who corroborated
New York.

HMJr: Yes.

H: There's to be scattered to broken clouds at
four thousand feet, sir.

HMJr: Yes.

H: The visibilities will be six miles or better.
That puts it in the contact condition class.
There'll be no instrument flying.

HMJr: Yes.

H: The surface winds will be west-northwest, twenty
to thirty miles an hour; and the winds aloft,
from the west and northwest - thirty to sixty
miles an hour. There will be no expectancy of
rain or scattered showers, although the air in
the lower levels will be somewhat turbulent.....

HMJr: Yes.

H:and when you reach New York this evening,
the temperature on the ground will be in the
low sixties.

HMJr: Well - but it's not instrument flying?

H: No. No possibility of an instrument flight,
sir.

HMJr: Is it - and is it getting better? The ceiling?

H: It has improved right along during the day,
sir.

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HMJr: Would you say it's perfectly safe?

H: It's perfectly safe, yes, sir. I'm willing to go on record.

HMJr: (Laughs) All right.

H: (Laughs)

HMJr: Thank you.

H: You're welcome.

HMJr: Thank you.

October 10, 1941
4:10 p.m.

Senator
Bankhead: I want to speak to the Secretary.

Operator: Go ahead.

HMJr: Go ahead.

B: Mr. Secretary?

HMJr: Talking.

B: A mutual friend has just told me about a statement in the afternoon paper - one of the afternoon papers.....

HMJr: Yes.

B:in which it appears that I said that you were totally depraved.

HMJr: That's right.

B: Well, I very greatly regret the publication of such a statement, because it's totally wrong and not justified. I made no such reference, had no such thought. The only way I used that expression was in defending Mr. Henderson.

HMJr: In doing what?

B: In defending Mr. Henderson, against this statement by Ed Smith.

HMJr: Well, I was terribly shocked; because I've always thought that while you may not like me, at least I had your respect.

B: I don't dislike you, even.

HMJr: But.....

B: I have your - I do respect you. Here's where it all - here's what I said. Senator Smith

- 2 -

made some remark about Mr. Henderson, and I rather liked Mr. Henderson. And I said, "Well, now, Mr. Henderson is not totally depraved," which was intended to defend him, you know, as he wasn't all bad; and I don't know how in the world they applied it to you. I didn't say anybody was depraved. I said that Henderson was not.

HMJr: Of course, what they said was that - where they quoted you that I remember was - "not only is Henderson depraved, but Morgenthau much more so."

B: Well, that's totally wrong. Everybody at that meeting will, I think, testify to that.

HMJr: Well, I appreciate.....

B: And I regret it, because those things are disagreeable. I never indulge in personalities, and I didn't have that sort of feeling about you.

HMJr: Well, I appreciate your calling; because it did - I was quite shocked.

B: Well, you have cause to be. And now if there's any other correction of it that you'd like to have made, I'd be very glad to follow any suggestion you make about it; because the report is totally unjustified.

HMJr: Well, I think if you'd say something for the press, I think I'd appreciate it.

B: All right. I'll do that.

HMJr: If you could give out some.....

B: I haven't even seen the paper yet, but I'll get one and I'll.....

HMJr: Well, it was in this morning's Washington Herald.

B: Well, I don't read the Herald.

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HMJr: Well, that's where I saw it.

B: In fact, I didn't read the Post much this morning because I didn't have time.

HMJr: Well, it was in the Herald.

B: In the Herald?

HMJr: Yeah. I think it would be very nice if you would say something.

B: I'll be glad to. It's an injustice to me whether it is to you or not - it's an injustice to me.

HMJr: Well, coming from you, I was really deeply shocked; but I'm glad you didn't say it.

B: No, never said it and never thought it.

HMJr: And I appreciate your calling me.

B: All right, sir.

HMJr: Thank you.

October 10, 1941
4:15 p.m.

Harry
Hopkins: Henry.

HMJr: Yes.

H: Well, I want to thank you for the way that Russian thing came out.

HMJr: Yes.

H: That's all.

HMJr: Well, you needn't thank me. I just.....

H: Well, it came out - it's a lifesaver for us today.

HMJr: Oh, really, Harry?

H: Oh, yes, because we're getting - we're going to get a hundred more planes or break a gut and about fifty more tanks, and about - well, several thousand trucks some way somehow. They want them on ships right now.

HMJr: Well, they want those - they said ten thousand trucks is what they want.

H: Well, we're going to get them ten; and then we're just going to tell the Army we want the next ten thousand trucks.

HMJr: Wonderful.

H: And that's all. They've just got to have them.

HMJr: Well.....

H: And that thirty million will just save us. The Lend-Lease thing in the House, they only got twenty-four votes in favor of not lending to Russia.

HMJr: Wonderful.

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HMJr: Wonderful.

- 2 -

H: So we got a good record on it.

HMJr: Wonderful.

H: All right, Henry.

HMJr: All right. It was very kind of you to call me.

H: All right, old boy.

HMJr: Thank you.

October 10, 1941

Mr. Bernstein

Mr. Dietrich

On the August 16 purchase of gold from the Soviet Government upon which we advanced \$10,000,000 the Federal Reserve Bank of New York's credit advice to the State Bank of the U.S.S.R., Moscow, read as follows: "We have credited your account today \$10,000,000 by order of the Secretary of the Treasury of the United States."

On August 16 the Federal Reserve Bank sent the following cable to the State Bank of the U.S.S.R.: "We have credited your account today \$10,000,000 by order of the Secretary of the Treasury of the United States."

EB:lap-10/10/41



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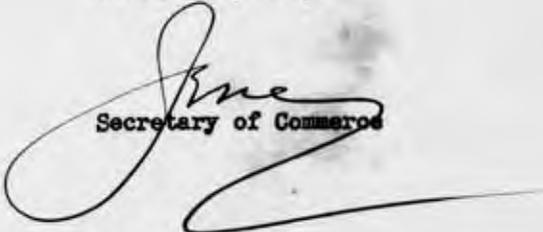
THE SECRETARY OF COMMERCE
WASHINGTON

October 10, 1941

My dear Mr. Secretary:

Thank you for sending me a copy of the record of the conference in Secretary Hull's office October 7th, together with the account of your later meetings with the British and Russian representatives.

Sincerely yours,


Secretary of Commerce

The Honorable

The Secretary of the Treasury

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

61

DATE October 10, 1941

TO Secretary Morgenthau

FROM Mr. Kamarck

SUBJECT: Conversation with Sir Henry Self, British Air Mission

1. Sir Henry stated that the four-motor bomber program was proceeding on schedule. From all appearances, the goal of 500 bombers a month will be met by June, 1943. However, the British are attempting, now, to secure acceleration of this program. The matter is now in the hands of the President. The allocation of the bombers will depend upon the Russian negotiations. Sir Henry has not heard, as yet, about the results of the Moscow conference.
2. In the course of the conversation, it came out that the weekly statement we receive on shipment of planes to the British understates the actual figures. This is because deliveries to Canada for use with units in Canada are not included. Airplanes that pass directly through Canada on their way to England are included, of course. But when planes are sent to a squadron training in Canada (and the British are training as many squadrons as possible in Canada), we never receive any information on this. Later on, when the squadron with its American planes is sent to England, likewise no report is made. Sir Henry will have the statement amended to show in the future all shipments to the British, whatever the destination.
3. Sir Henry also showed me a statement which he sends to Lubin and Hopkins, which is a more comprehensive statement than the one we receive. He volunteered to send a copy of this statement to us weekly, if you find it of use. The first one will arrive next week.
4. Sir Henry also gave me a statement which is attached, showing the locations of oceanic flight delivery aircraft. This data shows that there is no bottleneck in the Air Ferry service. Out of a total of 879 airplanes turned over to the British at American factories for delivery by air since December 1940, on October 7, 502 were already in England or enroute (498 in England, 4 enroute), 25 had reached or were enroute to British Pacific Bases, 67 were in Canada, 74 still in the United States, and 11 had crashed).

LOCATIONS OF BOMBERS FROM DELIVERY AIRCRAFT

62

1. B-17's

20 in U.K.

2. B-24's and LIBERATORS

(a) 8 diverted B-24's off Contract A 5068
6 in service

(b) Liberator I off Contract F-677
19 in U.K.
1 at Kansas City
20

(c) Liberator II off Contract F-677

3 in U.K.
4 at Montreal
9 en route Detroit
0 en route Detroit
1 at Wright Field
2 at Albuquerque, N.M.
18 at Akron

2 en route Akron
2 at Long Beach
48

3. BOMBERS V LONG RANGE

166 in U.K.
35 at Debort (training)
2 at Montreal en route Debort
0 en route Montreal en route Debort
1 en route Detroit en route Debort
8 at Montreal
3 at Kansas City
8 for U.S.A.A.C. Familiarization Program.

3 Crashed: 1 July 25; 1 July 26; 1 Aug. 3.

225

4. BOMBERS III LONG RANGE

206 in U.K.
2 at Gander
1 en route Gander
7 at Montreal
20 for U.S.A.A.C. Familiarization Program.

1 at Detroit
0 en route Detroit
2 at Long Beach

8 Crashed: 1 July 24; 1 July 29; 1 Aug. 5; 2 Aug. 11; 1 Sept. 20;
2 Sept. 27.

247

5. CASUALTIES

78 in U.K.
3 in Singapore
13 in Australia
3 en route Australia
2 at Long Beach

OFFICE OF D. G.

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OCT 7 1941

Subj. _____

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT

Location	B-17	B-24	Lib.I	Lib.II	Hudson V	Hudson III	Catalina	Total
UNITED KINGDOM	20	6	19	3	166	206	78	498
London						2		2
En route London						1		1
Australia							13	13
En route Australia							3	3
Singapore							9	9
Portsmouth							9	9
Bermuda							1	1
Debert					35			35
Montreal en route Debert					2			2
En route Detroit en route Debert					1			1
Montreal				4	9	7		20
Detroit				9		1		10
Akron				18				18
En route Akron				2				2
Wright Field				1				1
At Albuquerque, N. M.				2				2
Wass City			1		3			4
U.S.A.A.C. Familiarization					6	20		26
Long Beach				9		2		11
Crashed					3	8		11
	20	6	20	48	225	247	113	679

C. W. Miller

Per B. J.

C. W. Miller

Director of Planning and Airframe Production

Co. Sir Henry Self
A/S Betts
C. R. Fairley
Major Moir

October 7, 1941

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Summary of Locations of Oceanic Flight Delivery Aircraft,
October 7, 1941. (Locations of airplanes which the
British have received from the factory and which
come under the program of delivery by air.
(This program began December 1940)

Type	Location					Total
	: Already in U.K. or enroute:	: U.S. bases or enroute:	: Pacific or bases or enroute:	: In Canada or enroute:	: In U. S.:	
Boeing B-17	20	--	--	--	--	20
Consolidated B-24 (Diverted from U.S. Army)	6	--	--	--	--	6
Consolidated Libera- tor I	19	--	--	--	1	20
Consolidated Libera- tor II	<u>3</u>	<u>--</u>	<u>4</u>	<u>41</u>	<u>48</u>	
Total 4-motor bombers	48	--	--	4	42	94
Lockheed Hudson III	209	--	--	7	23	239*
Lockheed Hudson V	166	--	--	47	9	222**
Consolidated Catalina	<u>79</u>	<u>25</u>	<u>9</u>	<u>--</u>	<u>113</u>	
TOTAL	502	25	67	74	668	

* Not including 8 crashed.

** Not including 3 crashed.

TREASURY DEPARTMENT

65

INTER OFFICE COMMUNICATION

DATE October 10, 1941

TO Secretary Morgenthau
FROM Mr. Kamarck

Subject: Airplane Deliveries to the British (not including deliveries to forces in Canada).

Summary

1. A total of 61 planes shipped is reported in the latest statement received, 51 to the United Kingdom, 4 to the Middle East, and 6 to the Far East.

2. The first shipment of the two planes of the latest Curtiss-Wright fighter, the Kittyhawk, is reported in this statement. The Kittyhawk is our P-46, having the same Allison engine as the Bell Airacobra.

3. It will be noted that Boeing delivered three Boston III's to the British. These planes, which are used by the British as bombers or as "Havoc" night fighters are, of course, Douglas models. Since Douglas could not meet the British demand, a part of the order was assigned to Boeing.

Division of Monetary
Research

- 2 -

Airplane Shipments to the British
(From February 1 to October 4 by air
January 11 to September 13 by sea)

Table A. - Shipments by Area

	Latest Week	Total Reported To Date
<u>To the United Kingdom</u>		
Light and medium bombers	33	948
Heavy bombers	2	46
Naval patrol bombers	0	73
Pursuit	<u>16</u>	<u>83</u>
Total to United Kingdom	51	1,150
<u>To the Middle East</u>		
Light and medium bombers	4	206
Pursuit	<u>0</u>	<u>516</u>
Total to Middle East	4	722
<u>To the Far East</u>		
Light and medium bombers	6	24
Naval patrol bombers	0	9
Pursuit	0	145
Trainers	<u>0</u>	<u>55</u>
Total to Far East	6	233
<u>Totals</u>		
Light and medium bombers	43	1,178
Heavy bombers	2	46
Naval patrol bombers	0	82
Pursuit	16	744
Trainers	<u>0</u>	<u>55</u>
Grand Total	61	2,105

Division of Monetary
Research

- 2 -

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Heavy bombers	2	46	
Naval patrol bombers	0	82	
Pursuit	16	744	
Trainers	<u>0</u>	<u>55</u>	
Grand Total	61		2,105

Table B. - Shipments by Types

	Latest Week	Total Reported To Date
Bell Airacobra (P-39)	14	72
Boeing B-17	0	21
Boston III	3	3
Brewster Buffalo	0	145
Consolidated Catalina	0	82
Liberator	0	22
Liberator II	2	3
Curtiss Kittyhawk	2	2
Tomahawk	0	516
Douglas Boston I	0	1
Boston II	0	72
Boston III	12	252
Glenn Martin Maryland	0	150
Baltimore	1	2
Grumman Martlet II	0	9
Lockheed Hudson I	0	1
Hudson III	27	284
Hudson IV	0	18
Hudson V	0	344
North American Harvard II	0	55
United Chesapeake	0	51
Grand Total-All Types	61	2,105

Table C. - Plane Deliveries to the British by Weeks

Week Ended	Light and Medium Bombers	Heavy Bombers	Naval Patrol Bombers	Pursuit	Trainers	Total
Feb. 8*	22	-	3	-	-	25
Feb. 15*	39	-	-	100	-	139
Feb. 22*	35	-	-	27	-	62
Mar. 1*	7	-	5	25	-	37
Mar. 8*	16	-	3	10	-	29
Mar. 15*	26	1	4	-	-	31
Mar. 22*	17	-	2	22	-	41
Mar. 29*	25	-	3	18	-	46
Apr. 5*	21	-	7	73	-	101
Apr. 12*	21	2	2	27	-	52
Apr. 19*	20	3	4	5	-	32
Apr. 26*	23	2	3	-	28	56
May 3*	61	1	2	15	27	106
May 10*	36	1	8	10	-	55
May 17*	61	13	7	19	-	100
May 25*	30	10	-	25	-	65
June 1*	28	5	5	21	-	59
June 8*	37	2	7	-	-	46
June 15*	26	1	4	20	-	51
June 22*	28	-	4	52	-	84
June 29*	45	-	1	50	-	96
July 6*	19	-	3	20	-	42
July 13*	34	-	3	48	-	85
July 20*	41	-	1	32	-	74
July 27*	45	-	-	24	-	69
Aug. 3*	45	-	-	11	-	56
Aug. 10*	53	1	-	15	-	69
Aug. 17*	49	-	-	12	-	61
Aug. 24*	36	1	-	11	-	48
Aug. 30*	44	-	-	5	-	49
Sept. 6*	29	-	1	4	-	34
Sept. 13*	34	-	-	17	-	51
Sept. 20*	45	-	-	7	-	52
Sept. 27*	37	1	-	3	-	41
Oct. 4*	43	2	-	16	-	61
	<u>1,178</u>	<u>46</u>	<u>82</u>	<u>744</u>	<u>55</u>	

* The date given is for shipments by air. Shipments by water start three weeks earlier. That is, the statement reporting the shipment of planes by air for the week ending October 4 would report the shipment of planes by water for the week ending September 13.

POSTAL SAVINGS STAMPS

CONFIDENTIAL

Estimated Total Value and Number of Units Sold,
by Denominations, During May, June, July, August, and September, 1941

(All figures in thousands)

Denomination	Number of Units by Denominations						Total
	May	June	July	August	September		
\$.10	2,536	1,594	1,625	2,666	3,951	12,370	
.25	5,364	5,728	7,341	10,131	11,840	40,404	
.50	1,213	875	1,038	1,221	1,264	5,611	
1.00	698	468	533	765	659	3,123	
5.00	<u>115</u>	<u>61</u>	<u>48</u>	<u>56</u>	<u>66</u>	<u>346</u>	
Total	<u>9,926</u>	<u>8,725</u>	<u>10,584</u>	<u>14,838</u>	<u>17,780</u>	<u>61,855</u>	
Total Value	\$3,475	\$2,802	\$3,288	\$4,454	\$4,978	\$18,998	

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

October 10, 1941.

Source: Division of Postal Savings, Post Office Department.

Note: Figures have been rounded to nearest thousand and will not necessarily add to totals. For the same reason, the sum of units times denominations does not necessarily agree exactly with total value.

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October 10, 1941

To: HAROLD N. GRAVES
Subject: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

SALES OF BONDS

Actual cash receipts from the sale of E, F and G Bonds from October 1 through October 8 were \$82,410,000, which is an increase of 8.5 per cent over the same period in September. Sales from September 1 through September 9 were \$73,903,000. Sales from August 1 through August 8 were \$95,903,000.

The trend of sales of E Bonds this year follows closely that of Series D Bond sales for the same period of 1940. Sale of E Bonds has remained at a consistent level above that of D Bonds. (See graph attached)

DIRECT MAIL

Returns from the Industrial mailing for 29 days show 679 orders of \$2,285,748. The Customer Mailing in 19 days has brought in 2269 orders of \$1,088,331. Approximately 55 per cent of these orders are on the regular purchase plan.

FIELD OFFICE

There are ten men in the field, two of them devoting full

time to payroll allotment, and the other eight giving a substantial part of their time to this work, in addition to the handling of assignments in connection with the organization of local committees. Arrangements have been made with the Civil Service Commission for temporary appointment of labor representatives to work on payroll allotment in large Michigan factories.

Six new field representatives are in training.

The status of the State organizations as of this date is shown by the attached map.

TREASURY HOUSE

Boston Treasury House closed October 5.

Total sales of Bonds and Stamps were \$46,293.95. Number of stamps sold, 53,094; albums 5,635.

ANY BONDS TODAY

The Charlton Publishing Corporation is printing the words in their "Big Song Magazine" and "Song Master" which have a circulation of 600,000 copies a month. Music Corporation of America is sending orchestrations to all their 300 orchestras.

"AMERICA PREFERRED"

The Secret Service is showing 50 prints of the film along with their reel "Know Your Money". Originally only 10 prints were requested.

TREASURY BOOTHS

Garfinkle's booth opened October 3, and to date has sold \$123.35 in Stamps and three \$18.75 Bonds. Woodward & Lothrop's booth opened October 6th, and has sold a total of \$1,127.38 in Stamps and Bonds.

BUSINESS PUBLICATIONS

Work has been completed on the first four of a series of supplements to be submitted for use in 525 business publications-an estimated total circulation of 7,000,000, through the cooperation of advertisers and publishers. These publications reach owners and managers of firms, corporation officers, superintendents, etc., representing the executive force of American business. The supplements are designed to be carried as center spreads in these magazines, and they are keyed to the particular business or industrial groups to which they are directed.

Material also is being produced for a selected list of 350 leading house organs and company magazines.

RADIO

The number of radio announcements broadcast to date according to reports received is 425,000.

The Treasury's three programs, one on each of the nationwide networks, reach a total estimated combined audience of 9 million a week. A professional radio survey by Hooper rates "Millions For Defense" in first place among all programs.

Sixty-two sponsors (92 per cent of the total) include announcements on an average of eight broadcasts a day -- 264 announcements per month on 100 programs. Nineteen sponsored programs have been turned over complete, with Bond announcements replacing the commercial copy, and the entertainment arranged along patriotic lines. Eight weekly commercial programs featuring contests give Bonds or Stamps as prizes.

Reports show Treasury announcements featuring the Army have been broadcast 125,000 times; Navy, 55,503 times; Marine Corps, 35,551 times.

PRESS

To stimulate the printing in newspapers of reminders to buy Bonds a reproduction proof of the Minute Man poster (copy attached) together with informative literature was mailed this week as follows: Editors of daily papers, editorial cartoonists, syndicate comic artists and authors of miscellaneous syndicate features. This was a follow-up in the case of the cartoonists and comic artists, who already are cooperating generously. Similar material also was sent to the athletic directors of 600 colleges with the suggestion that the Program be promoted in score cards.

A release on what Negro organizations are doing was sent to all Negro publications, in line with the effort to provide these papers continuously with information of special interest to their readers. These papers also received small mats of the Minute Man poster for use as editorial "ears", literature and a letter.

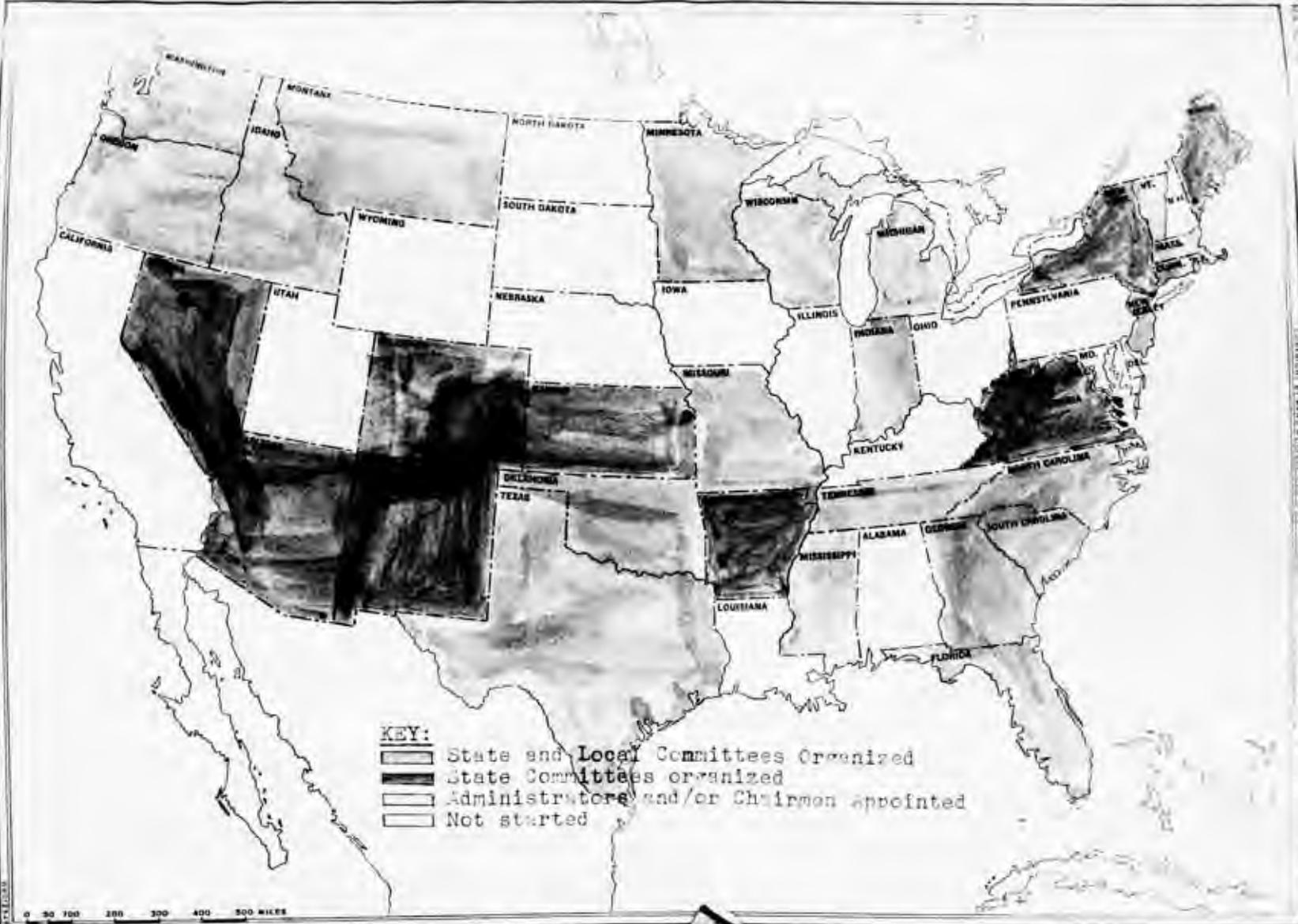
At the request of the Department of Justice, 42 foreign language newspapers have been removed from our mailing list. The Department pointed out that these newspapers were pro-Nazi, pro-Fascist or anti-democratic, and suggested that furnishing Treasury Department material to them might seem to indicate Treasury approval of the publications.

As of October 10th, 1941

Page 1

LOOSE LEAF OUTLINE MAP

UNITED STATES



KEY:
 [Diagonal lines] State and Local Committees Organized
 [Horizontal lines] State Committees organized
 [Vertical lines] Administrators and/or Chairmen appointed
 [Blank] Not started

0 50 100 200 300 400 500 MILES

OB 101

FOR DEFENSE



**BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS**

REPRODUCTION PROOF—

For making cuts, stereotypes, electros—to be used

- as front page editorial bars*
- in mastheads, advertisements*
- as decorations in stories*
- as run of paper illustration*

For pasting in on drawings of cartoons, comics, panels.

FOR DEFENSE



**BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS**

FOR DEFENSE



**BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS**

from Press Section—Defense Savings Staff
Treasury Department . . . Washington, D. C.

FOR DEFENSE



**BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS**

FOR DEFENSE



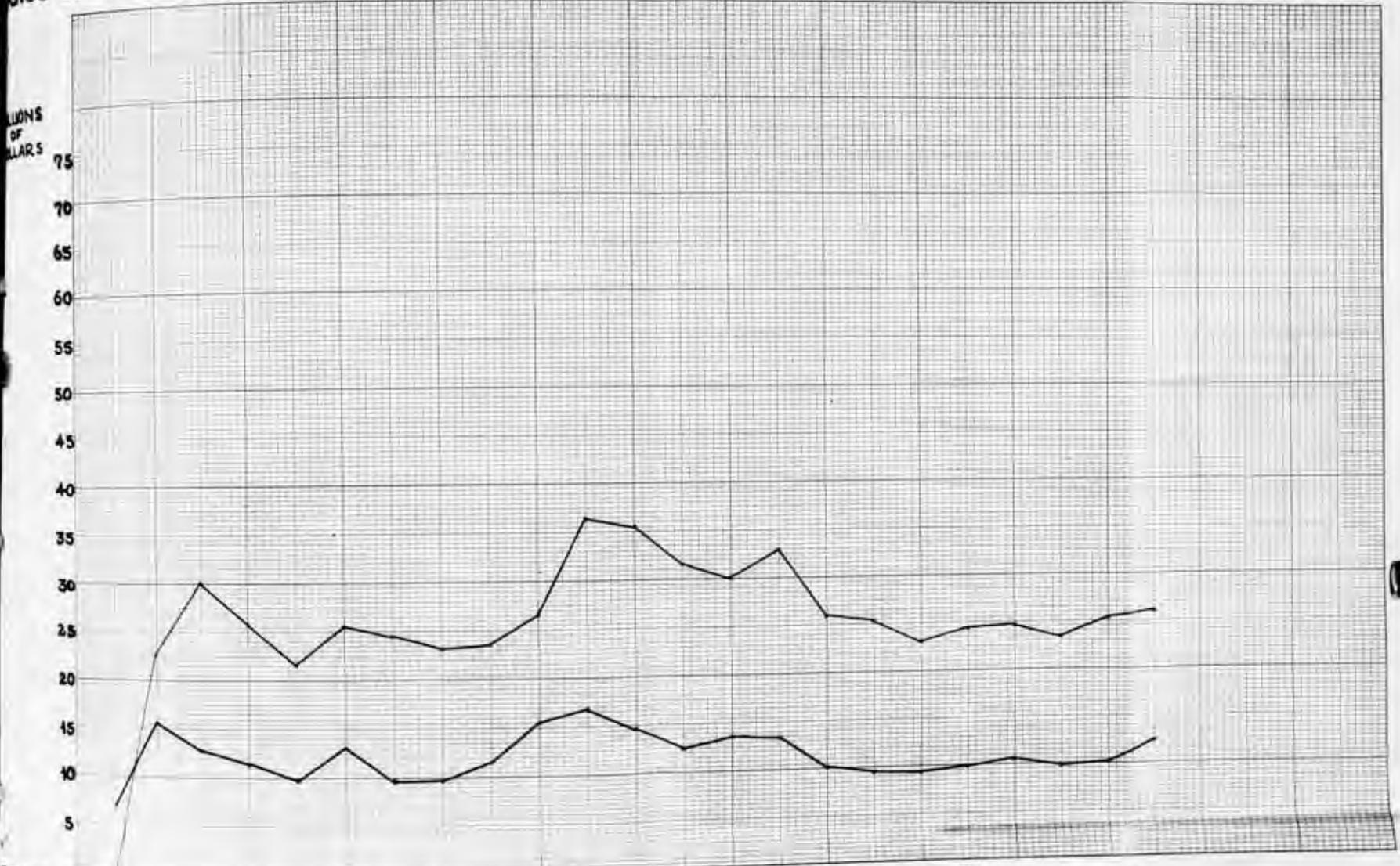
**BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS**

FOR DEFENSE



**BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS**

Sales of E Bonds 1941 Compared with Sales of D Bonds for Same Period 1940



SERIES E 1941 MAY 2-3
 SERIES D 1940 MAY 3-4

JUNE 5-10 12-17 19-24 26-31
 JUNE 2-7 9-14 16-21 23-28
 JUNE 30 JULY 1-5 7-12 14-19 21-26
 JULY 28 AUG 1-5 8-13 15-20 22-28
 AUG 2 4-9 11-16 18-23 25-30
 SEPT 1-6 8-13 15-20 22-27
 MAY-27 JUNE 3-8 10-15 17-22 24-29
 JULY 1-6 8-13 15-20 22-27
 JULY 29 JULY 5-10 12-17 19-24 26-31
 AUG-3 5-10 12-17 19-24 26-31
 SEPT 2-7 9-14 16-21 21-28

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TREASURY DEPARTMENT

78

INTER OFFICE COMMUNICATION

DATE October 10, 1941

TO Secretary Morgenthau
FROM Mr. Kuhn

This is just a reminder that Werner Josten will be on the America Preferred program over station WOR and the Mutual network from 9:15 to 9:45 P.M. tomorrow (Saturday).

Mr. Josten will play the solo part in his own composition "The Miracle" from the concerto Sacro. He will also say a few words about Defense Bonds and Stamps.

The program will also include Beethoven's Prometheus Overture and Suzanne Sten, Viennese soprano, singing songs by Korngold and Richard Strauss.

J. K.

OCT 10 1941

My dear Mr. Dunn:

I have your letter of October 1, 1941, regarding importations at Miami of clothing and other articles to be cleaned or repaired for the Duke and Duchess of Windsor.

This matter has been previously considered by the Bureau of Customs of this Department. Under our customs laws, the cleaner or repairman must be regarded as the importer and it is therefore not possible to grant any exemptions from usual compliance with the customs laws and regulations, which impose no duty on such shipments but require that they be entered under bond to secure their exportation within six months, which period may be extended for one additional period of six months.

If the Duke desires to arrange that all shipments be sent to a single importer who would arrange for their entry and exportation, such importer could give a term bond to cover all shipments within a period of one year and thus reduce materially the cost of premiums on the bonds. If such an arrangement is desired and the Commissioner of Customs is so advised, he will be glad to issue appropriate instructions.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. James Clement Dunn,
Adviser on Political Relations,
Department of State,
Washington, D. C.

WJ-est 10-7-41

By Messenger *[Signature]*

File to Mr. Thompson.

S. 40 pm

CC-11-14-B

ADVISER ON POLITICAL RELATIONS
DEPARTMENT OF STATE
WASHINGTON

October 1, 1941

My dear Mr. Secretary:

The other evening, at the British Embassy, the Duke of Windsor told me there was a matter he wanted very much to lay before you and rather than talk to you about it at the Embassy, he asked me if I would convey the message to you.

It appears that the Duke and the Duchess find it necessary, because of complete absence of facilities in Nassau, to send their clothes to Miami for cleaning and to send such articles as shoes also to Miami for such repairs as might be needed. He spoke of the necessity of sending a pair of glasses, which had been broken, to Miami for repair. Apparently at the present time, as there is no provision otherwise, it is necessary for these articles to be entered at the Customs in bond, thus requiring a rather large outlay in proportion to the actual value of the repairs or the cleaning to be done, and the Duke said that the refunding of these small individual bonds was so much delayed that it finally accumulated into rather a large outlay. He said that upon his visits to the United States the most extensive courtesies had been granted him and the Duchess when they arrived in or departed from an American port and he understood

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

that these were the courtesies usually granted to governors of British West Indies and similar British officials.

The Duke asked whether it would be possible to have some arrangement made by which his shipments for repairs and cleaning, as above, could be directed to some particular official who could perhaps verify the nature of the shipments and permit the articles to be delivered to their destination after notation had been made of their entry, but without payment of bond or any other duty. He said frankly that he was very desirous of having an arrangement of this kind made, if it could possibly be done, on the basis of the extension of the usual courtesies to him in his official position.

I feel, and I think you probably will agree, that anything which might properly be done along these lines would serve to accentuate the courtesies and cooperation we show to governors of these British colonies, particularly those in which we are building bases for the use of our army and naval forces.

I shall be very glad to transmit any reply you might wish to make to this request, or it may be that you will prefer to have the matter dealt with by your own officials directly with the British Embassy here or the Duke at Nassau.

Very sincerely yours,


James Clement Dunn
Adviser on Political Relations

OCT 10 1941

Dear Mr. Chairman:

I refer to your letter of September 20, 1941, enclosing a draft of a proposed bill to amend section 606 of the Communications Act of 1934 and requesting the comments and recommendations of this Department on this proposed legislation. The bill would widely extend the powers of the President during wartime or emergency with respect to the closing, supervision and taking over of radio and wire communication facilities.

After careful consideration of the provisions of the bill, it is the opinion of this Department that the bill embodies constructive changes in existing law, and I am glad to advise you, therefore, that, with one suggested deletion, it has our approval.

The Treasury recommends the elimination of the last phrase of subsection (a), beginning at the bottom of page 4 and reading as follows:

"but, in time of war or imminence of war, the President may authorize the exercise of the power or authority conferred by paragraph (4) of this subsection only by the Secretaries of War and the Navy, acting jointly or severally."

The effect of this provision in its present form is to require the President in time of war or imminence of war to exercise his power to requisition and take over radio or wire communication stations or facilities only through the Secretary of War or the Secretary of the Navy, or both. While it may be true that the President would ordinarily wish to exercise this power at such times through the Army or Navy, it would seem to be quite possible that there might be valid reasons for his desiring to exercise the power in particular instances through other agencies. In any event, the Treasury can see no necessity for imposing this mandatory restriction on the President's delegating discretion. We believe it preferable that the President should be permitted, in his sound judgment, to decide which of his subordinates should exercise the power on his behalf, in the light of the particular circumstances in each case.

- 3 -

You have also requested the recommendations of this Department with respect to a provision which the Board is considering including in the bill which would have the effect of ordering any or all persons engaged in the wire or radio communications industry, including manufacturing, to exclude from their premises containing communications equipment or facilities, any or all foreigners or any or all representatives of foreign governments, persons, associations or corporations. I think that such a provision would be a desirable one. I believe, however, that it should be sufficiently flexible so that exceptions could be made administratively from its prohibitions where this would be in the best interests of the United States.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable James Lawrence Fly,
Chairman, Defense Communications Board,
Washington, D. C.

SJS:mfw
9/30/41

File to Mr. Thompson

By Messenger 10:45 Blackwell

Miss Chauncey

TREASURY DEPARTMENT

85

INTER OFFICE COMMUNICATION

DATE October 10, 1941

TO Ferdinand Kuhn, Jr.

FROM Alan Barth

EDITORIAL OPINION
ON FOREIGN AFFAIRS:
ENTRENCHED ATTITUDES

Repeal

Press response to the President's message to Congress had been foreshadowed in the past fortnight's editorials urging Neutrality revision or repeal. An overwhelming majority of the country's newspapers applauded the action. Some strongly interventionist editorials expressed regret that Mr. Roosevelt had not sought complete repeal; even these, however, acknowledged that the temperance of his recommendation may have been the part of political wisdom. It is generally assumed that steps will soon be initiated to remove other inhibiting features of the Act.

Anxiety

The latest German offensive on the Eastern front has rekindled the editorial sense of danger. In their appraisals of the situation, commentators are inclined to be guardedly bearish about Russian chances. They warn their readers that the fall of Moscow need not mean the end of Soviet resistance. They dwell comfortingly on the approach of winter and on the cost of the

attack in Nazi casualties. They recall hopefully that entrapped Red armies have been extricated before and may be extricated again.

But through much of the current comment there appears a feeling of desperation, if not of defeatism. Editorial writers are aware that armies cannot retreat forever; they recognize that the tide must be turned or it will overwhelm. And they know that the stakes for which this battle is being fought are incalculably high.

Under these conditions, the editorial writers do not much care whether the Russians are Mohammedans, Sun Worshippers or Headhunters. The Boston Herald expresses the prevailing sentiment of the press in an editorial in which it describes the present fighting on the Eastern front as "one of the decisive battles of the world." It says bluntly: "In this moment, when world power hangs in the balance, the British and American people must give unmistakable evidence to Russia that they regard her battle as theirs."

There is a pervading fear that this evidence will not be forthcoming -- or that it will be "too little and too late." The press, at least, seems prepared to support almost any Administration measures, however drastic, which will afford meaningful assistance to the Soviet Union at once.

State of Mind

Editorial opinion on foreign affairs appears to have moved over from the dynamic to the static stage. It is no longer, to more than a minor degree, in the process of formation; and it is doubtful that it is any longer subject to change, save under the impact of a sudden and radical alteration in the nature of the international situation.

Hitherto there have been significant shifts in editorial thinking. Enactment of the Lend-Lease Law brought about the conversion of a number of newspapers which had opposed it on constitutional grounds during the period when it was under debate. The President's declaration of a state of unlimited national emergency produced another important reorientation in the positions of certain newspapers which at this point felt impelled to encourage national unity. A final major culling of the opposition press occurred immediately after the Lindbergh speech at Des Moines. Some papers shifted ground because of a genuine repugnance for the dangerous channels into which Lindbergh was directing the isolationist campaign; others, perhaps, grasped Lindbergh's anti-Semitism as a convenient pretext for abandoning a position which had become generally untenable. During the progress of the past half-year's debate on national policy, the

press as a whole has been moved by the logic of events abroad and, perhaps also, by the pressure of public opinion at home toward a steadily increasing interventionism. Indeed, it may be said today without qualification that there is no section of the country in which the majority of editorial opinion does not demand a policy of positive and active resistance to Hitlerism.

It now seems likely, however, that the isolationist minority has been whittled down to its irreducible minimum. Newspapers such as The Chicago Tribune and The New York Daily News have become so bitterly entrenched in their attitudes that they can pursue no course other than to dig themselves in still more deeply.

Gallup polls, together with more detailed analyses of public opinion made by Hadley Cantril of Princeton University, Director of the Office of Public Opinion Research, indicate clearly that there exists an isolationist core -- about 20 percent of the public -- whose isolationism is so deeply rooted in emotion as to be beyond conversion. It appears equally unlikely that this minority is subject to further reduction -- at least on the basis of any intellectual appeal.

The debate on foreign policy as it is now conducted in the nation's editorial pages is of a nature calculated only to exacerbate feelings already painfully inflamed. It is no longer

of a nature to persuade. Press and public alike have made up their minds. They feel that they are confronted with a forced option -- one in which inaction will be as decisive for their future as action. They no longer want to argue. They want to move -- affirmatively toward the determination of their own destinies.



DEPARTMENT OF AGRICULTURE
WASHINGTON

October 10, 1941

The Honorable
The Secretary of the Treasury

Dear Mr. Secretary

At Secretary Wickard's suggestion I am sending you a copy of a bulletin which has just been released by this office entitled "Farmers, Farm Prices, and Inflation." This is an attempt to show farmers their long-time interest in price stability and to get them back of the present efforts to pass effective price control measures. Material in this pamphlet was presented to a conference of farm organization leaders with the Secretary this summer and aroused great interest on their part at the time. It may have had something to do with crystallizing the position of the Farm Bureau and other agencies in support of the pending price control bill. Copies of this pamphlet are being distributed broadly to county agents, county committee chairmen, and other local leaders throughout the country. Approximately 7000 have been sent out already to such key people.

As you know, the Department is attempting to bring about an increased production of those farm products where more is needed, to curb further increases in farm prices by providing larger supplies. We are somewhat encouraged by the fact that prices of many major farm products have now been stable for nearly a month. We hope this stability can be maintained as the seasonal increases in supplies of hogs and other livestock products begin to come on the market and while the new crop of cottonseed oil, cotton, and other products begins to move in processing channels.

With best personal regards, I am

Sincerely yours,

Mordecai Ezekiel

Mordecai Ezekiel
Economic Adviser
Office of the Secretary

Enclosure

FARMERS, FARM PRICES, AND INFLATIONContents

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5. Farm and factory production have both increased....	16-17
6. Dangers ahead for farmers.....	18-19
7. What price deflation following the World War I inflation cost farmers.....	20-21
8. Land costs.....	22-23
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10. What can farmers do to help prevent inflation and deflation headaches.....	27

Department of Agriculture
 Office of the Secretary
 September 1941

Foreword by the Secretary

Almost every farmer operating today has suffered from the price and income chills (called deflation by the economists) that lasted from 1920 to 1940. Every farmer of middle age or older remembers the price and income fever (called inflation by the economists) that lasted for five brief years during the World War I period--from 1916 to 1920.

Farmers don't care for any more of that price malaria, thank you. The chills last too long and hurt too much.

The fever, or inflation, stage of another attack is threatening to attack us. President Roosevelt outlined the symptoms and pictured the effects of this disease in his special message to Congress of July 30. He recalled the lesson of the World War I inflation and the postwar deflation, and reminded the nation that the way to avoid deflation is to stay away from inflation.

Of course, no one group in the population can stop inflation. Not farmers, nor investors, manufacturers, workers, professional men and women. It will take the effort of all the American people working together to stop deflation by stopping inflation.

Last month, speaking at Athens, Georgia, before a gathering of farm people, I said this about the stake farmers have in preventing deflation:

Farmers don't want inflation. It's a bubble and like all bubbles--it bursts. Yet farmers wouldn't be human if they didn't get excited when farm prices begin to move up. Prices for most of their products have been low for a long time and the upward movement is like a good rain at the end of a prolonged drought. There are some who think agriculture should charge all the traffic will bear; get while the getting is good, with the hope that somehow the aftermath can be avoided.

(3)

But I know that farmers as a group oppose inflated prices. They want fair prices now. They want fair prices after the war. So long as the parity principle is operating effectively, farmers are protected since parity prices are flexible and rise as other prices rise. The danger is that other prices will go up so fast that farmers will not get parity, or that prices in general will get too high. Therefore farmers will support any sound program that promises to curb speculation and runaway prices.

Farmers are attempting to prevent inflated farm prices by producing abundantly. If there is abundance, there will be little need for price ceilings and rationing. Today farmers are using the farm programs to produce more, just as they used the programs in past years to adjust burdensome surpluses.

But if production isn't abundant enough to do the job, and stopping inflation calls for putting a ceiling on prices or for price-fixing in some cases, why farmers are for that too. The time to stop uncontrolled inflation is before it gets too far along.

For several months a group of Department of Agriculture economists has been analyzing the effects on farm people of the deflation following the inflation of World War I, keeping track of where farming and industry stand at present with regard to the forces that make for inflation, and giving me their judgments on the action that farm people as a group and farmers individually need to take in order to avoid this time the disaster that followed World War inflation.

The results of these studies were presented to a group of farm leaders who met in my office recently. These men asked for copies of the charts and the discussion. They were supplied. Some of the farm leaders then suggested that these materials be made available to a larger group of people, and I asked our economists to bring the charts up to date and summarize their comments. They are presented here for the information of all interested in farm welfare and the welfare of the nation.

Claude R. Wickard
Secretary of Agriculture

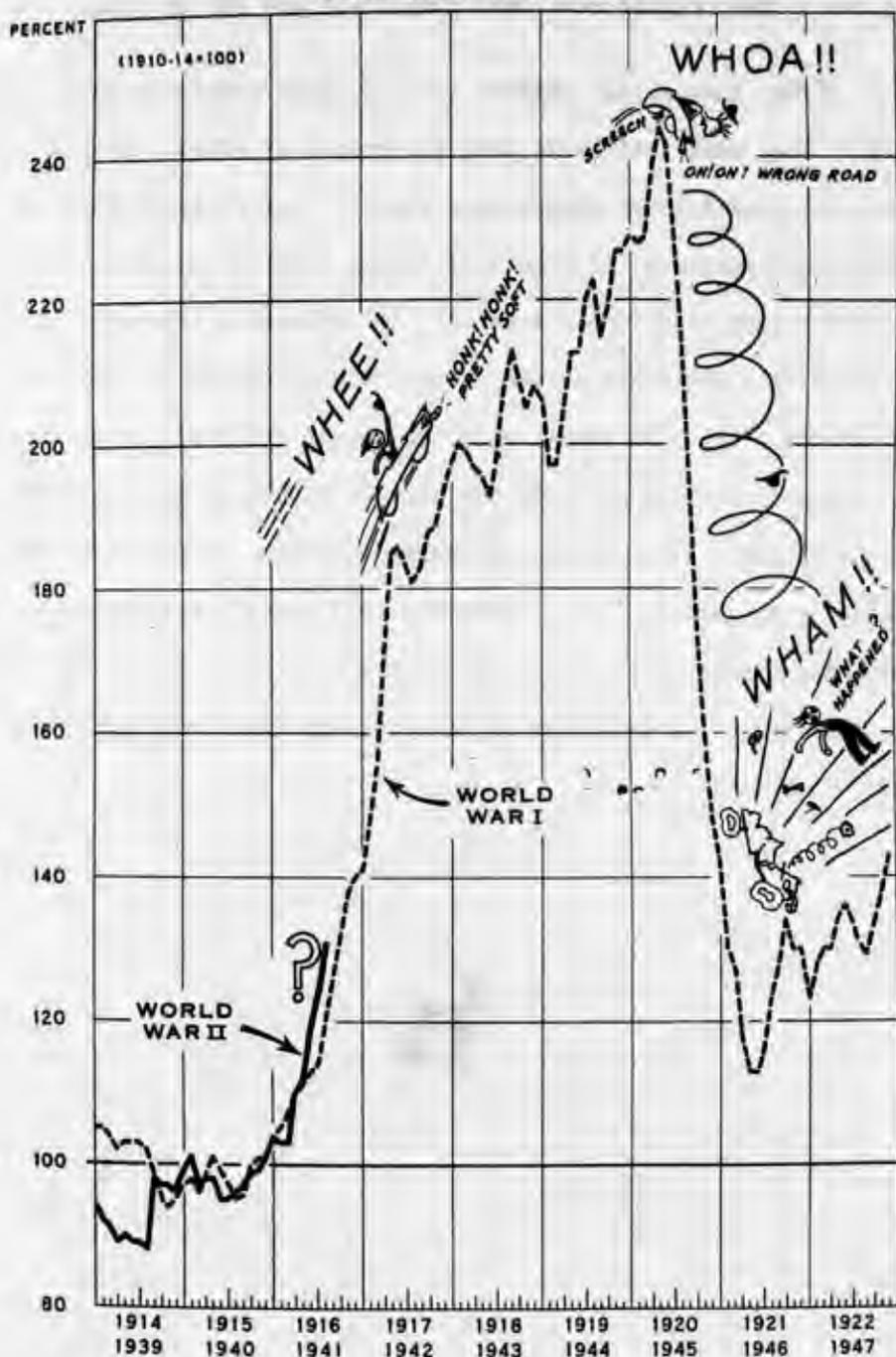
DEMANDS ARE RISING

For twenty years farmers have been wrestling with farm surpluses. Their main worry about prices of farm products has been over how to get them up to a level where they could pay their bills and take decent care of their families and their farms.

Today farmers face a changing situation. Defense employment is giving new jobs or better jobs to millions of people who haven't been able to feed or clothe their families properly. With more money to spend, they are ready to buy more food and clothing. At the same time, British needs and lease-lend funds are causing an ever-widening flow of food to England. For many farm products the problem is becoming one, not of prices, but of expanding our farm output rapidly enough to meet these rising demands. Only in cotton and wheat are total markets still narrow and supplies still heavy. In almost all other lines, the problem is no longer one of maintaining prices, but of expanding farm output as rapidly as the slow turn of the seasons and of breeding and feeding periods makes possible.

With the shift in emphasis from surpluses to scarcity, farmers face a new price problem. Higher prices mean more farm income. Continuously rising prices, though, may mean a new cycle of inflation and deflation, with new hardships as a result. (Note Figure 1.) Farmers need the price facts before them if they are to think straight on these new price problems.

PRICES RECEIVED BY FARMERS
WORLD WARS I AND II



U. S. DEPARTMENT OF AGRICULTURE

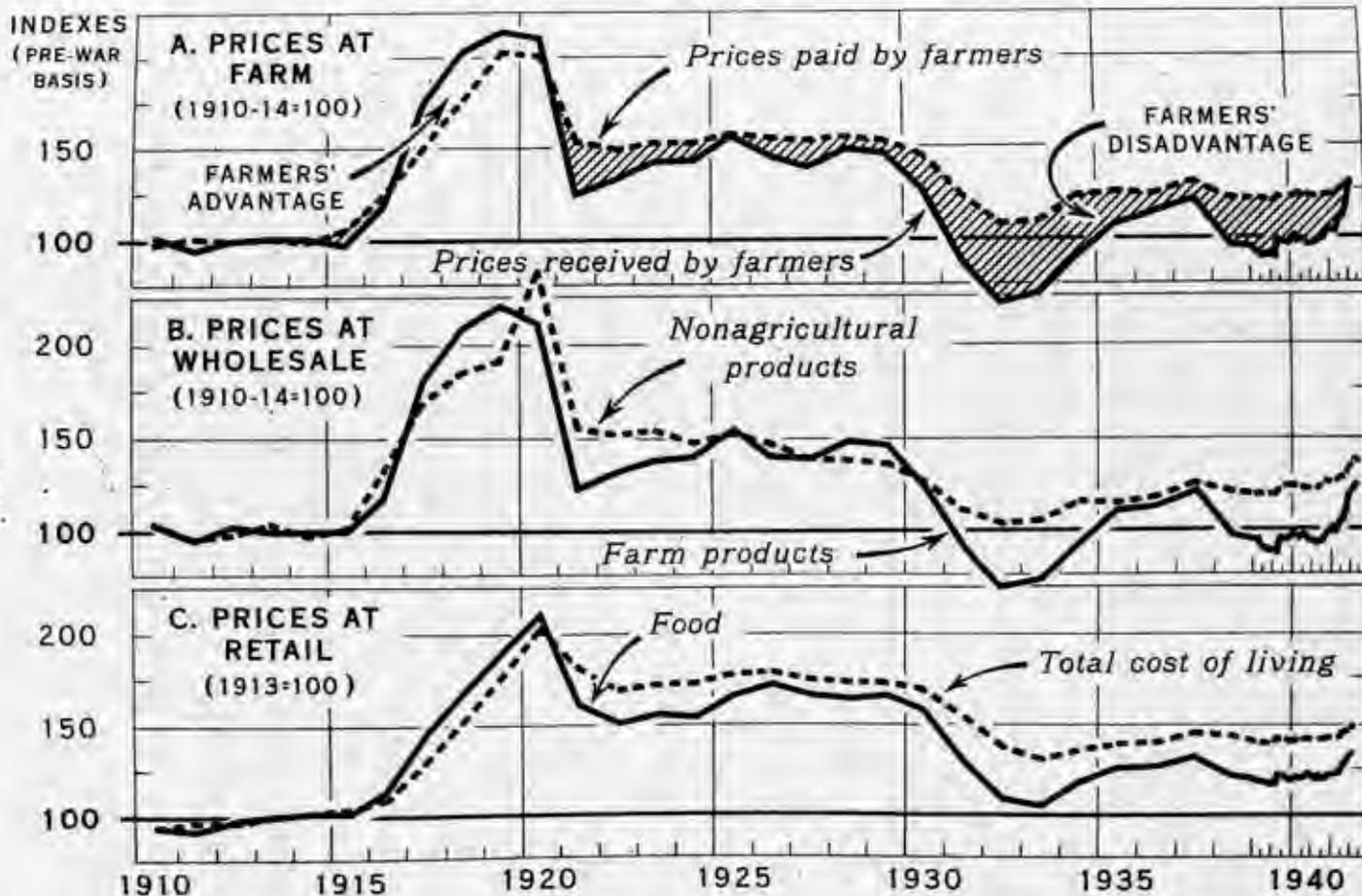
REG. 38388 BUREAU OF AGRICULTURAL ECONOMICS

FIGURE I

FARM PRICES HAVE BEEN RELATIVELY LOW FOR 20 YEARS

After farm prices smashed in 1920, they never recovered fully again. They went down lower than the prices of other products, and then they stayed lower almost ever since. This is shown in Figure 2. This figure compares (1) prices of things farmers buy with the prices of things they sell (upper section); (2) wholesale prices of farm products with wholesale prices of all other products (middle section); (3) prices of food at retail with the retail costs of all the things city workers buy, as shown in the cost-of-living index (lower section). Each comparison is based on the average relation before World War I. On all three markets, farm, wholesale, and retail, farm products have stayed relatively cheap most of the time since 1920. The rapid up-surge in prices during 1941, however, has now wiped out most of this disparity.

FIGURE 2.- FARM PRICES COMPARED TO OTHER PRICES
 (ANNUAL, 1910-38. MONTHLY, JANUARY 1939-JULY 1941,
 WEEKLY SINCE APRIL 1941, WHERE AVAILABLE)



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FIGURE 2

FARM INCOMES HAVE BEEN BETTER THAN FARM
PRICES, BUT STILL HAVE BEEN LOW

Income depends not only on prices per unit but on how much you sell. Both in city and in country, efficiency has been steadily rising, so that there has been more to sell from each hour's or each day's work. As a result of each farmer, on the average, producing and selling more now than in earlier years, farm incomes have been somewhat higher than have farm prices. Figure 3 takes these amounts sold into account as well as prices received. It also takes into account the number of people living on farms and in cities, by dividing the total income received by the number of people who have to live on that income. This gives the index of farm income per capita, shown as the solid line on the chart.

Pay per worker has been rising for city workers too, reflecting in part the increasing production per hour with technological improvements in industry. Because of decreasing hours per week, city incomes have not gone up quite as much as have industrial wages (wage changes are shown later, on page 21). When the total income of all city workers is divided by the number of non-farm people dependent on that income, that gives the index of non-farm income per capita. This is shown as the dotted line on the chart.

Both indexes are shown in comparison with their levels in the five years before the first World War, 1910-14. In comparison with that prewar situation, per-capita farm incomes have been relatively lower than per-capita city incomes ever since 1920. The gap has been narrowing since 1932, however. When the data for 1941 become available (not yet shown on the chart), most of this gap will have been wiped out.

(The Bureau of Agricultural Economics is now preparing a thorough revision of its data on farm and non-farm incomes. These revisions will soon be published. It is not expected, however, that the revisions will change materially the general picture of the situation as described above.)

FIGURE 3.—FARM INCOME, PER CAPITA, COMPARED WITH NONFARM INCOME, PER CAPITA

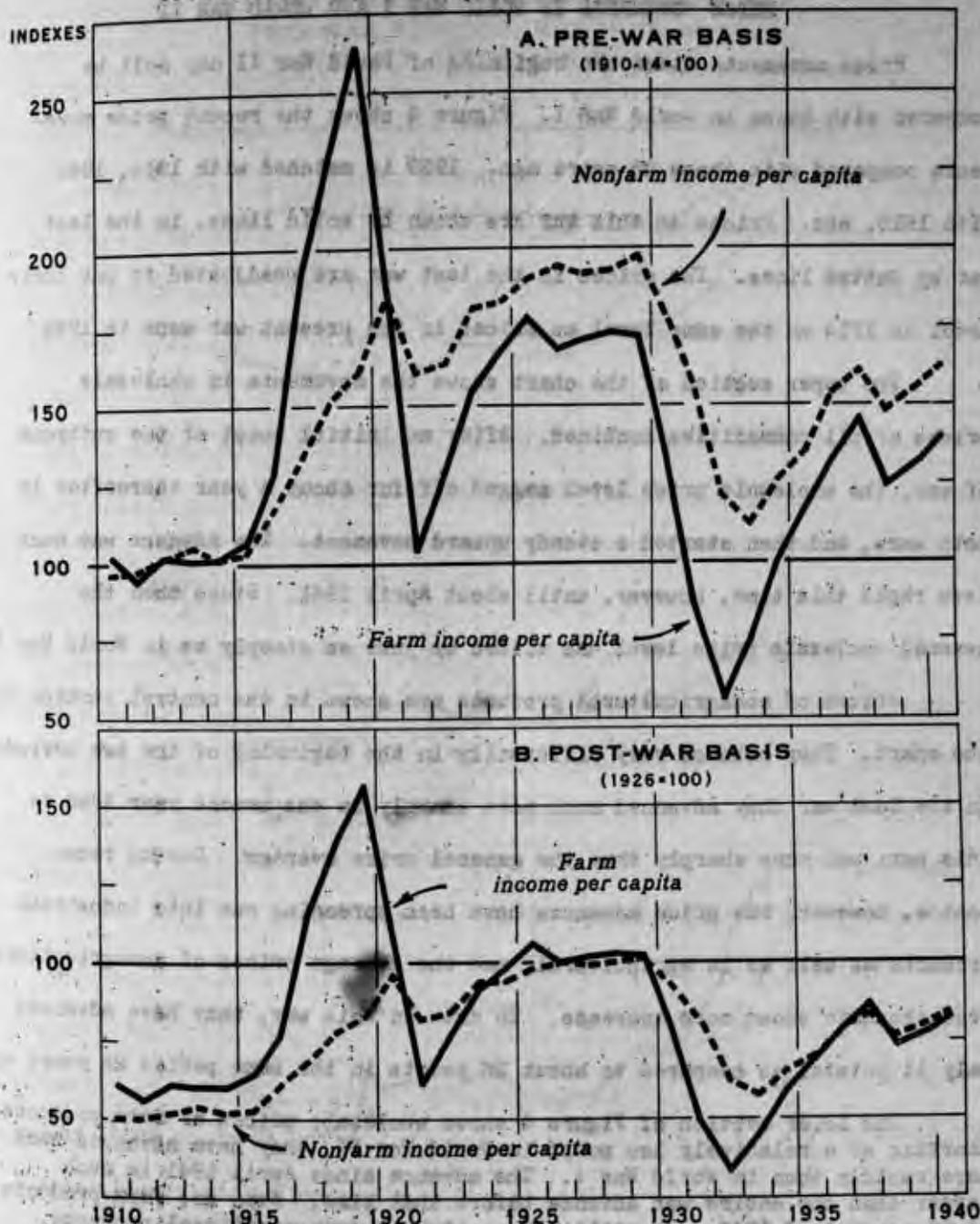


FIGURE 3

PRICE MOVEMENTS IN WORLD WAR I AND WORLD WAR II

Price movements since the beginning of World War II may well be compared with those in World War I. Figure 4 shows the recent price movements compared with those 25 years ago. 1939 is matched with 1914, 1940 with 1915, etc. Prices in this war are shown by solid lines, in the last war by dotted lines. The prices in the last war are readjusted to put their level in 1914 on the same level as prices in the present war were in 1939.

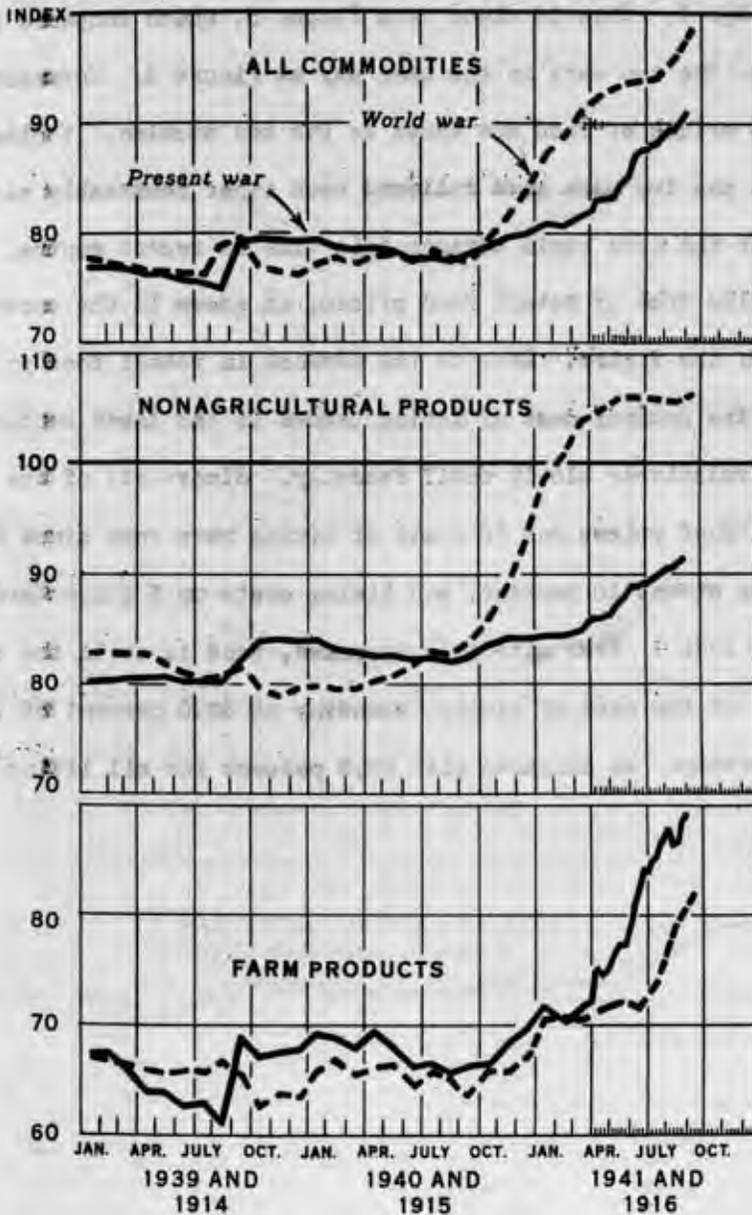
The upper section of the chart shows the movements in wholesale prices of all commodities combined. After an initial boost at the outbreak of war, the wholesale price level sagged off for about a year thereafter in both wars, and then started a steady upward movement. The advance was much less rapid this time, however, until about April 1941. Since then the general wholesale price level has tilted up just as steeply as in World War I.

Prices of nonagricultural products are shown in the central portion of the chart. They behaved very differently in the beginning of the two periods. In the last war they advanced much more sharply in the second year than in this war, and more sharply than the general price average. During recent months, however, the price advances have been spreading out into industrial products as well as in agricultural, and the average prices of nonagricultural products have shown more increase. To date in this war, they have advanced only 11 points, as compared to about 26 points in the same period 25 years ago.

The lower section of Figure 4 shows wholesale prices of farm products. Starting at a relatively low point in World War II, they have advanced much more rapidly than in World War I. The advance since April 1941 is much larger than the entire war advance before that time. Even so, farm products, at 89 percent of 1926, are still not as high as nonagricultural products, which were at 91 percent of 1926 in the latest week (Sept. 6, 1941). In recent months prices of both farm and non-farm products have been rising at the most rapid rate since the first upsurge after the war began.

FIGURE 4.-WHOLESALE PRICES OF ALL COMMODITIES, NONAGRICULTURAL PRODUCTS, AND FARM PRODUCTS DURING TWO WAR PERIODS, MONTHLY, AND WEEKLY SINCE APRIL 1941

(PRESENT WAR, 1926=100) (WORLD WAR, 1914-1939 AV.)



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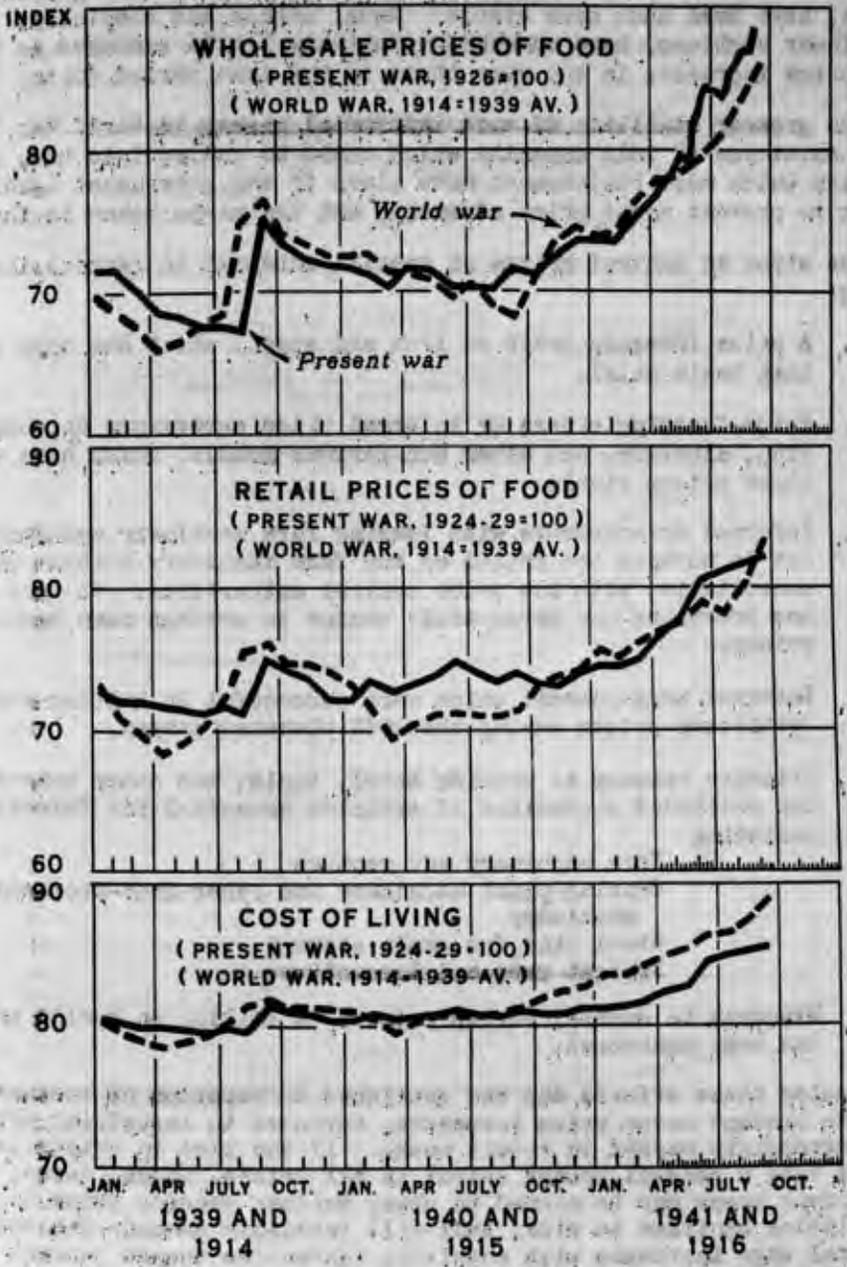
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FIGURE 4

FOOD PRICES

Food prices in this war to date have behaved much like those of World War I. This is clear from Figure 5, which compares price changes in the two wars in the same way as Figure 4. Movements in wholesale prices of food are shown in the top section. Wholesale food prices in the two wars have followed each other remarkably closely, except for the more rapid advance this time in recent months. The same is generally true of retail food prices, as shown in the central section of the figure. Despite the advance in retail food prices, however, the general cost of living (shown in the lower section) advanced relatively slowly until recently. Almost all of the advances in retail food prices and in costs of living have come since March 1941. Food is up almost 10 percent, and living costs up 5 since March (up to September 1941.) Even with this increase, food is still the cheapest component of the cost of living, standing at 82.2 percent of the 1924-29 average, as compared with 85.5 percent for all living costs combined.

**FIGURE 5:
PRICES OF FOOD AT WHOLESALE AND
RETAIL, AND COSTS OF LIVING,
DURING TWO WAR PERIODS**



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FIGURE 5

INDUSTRIAL PRICES

Prices of manufactured products have been much more stable thus far in this war than in World War I. Figure 6 presents the facts on this, for four key groups of products. Hides and leather and textile products, shown in the two upper sections, have advanced rapidly, but not quite as sharply as 25 years ago. These products are sold on fairly competitive markets. Products of large industry, whose prices are controlled more by corporate decisions, have been much more stable. Thus, metals and chemicals, shown on the two lower sections, have advanced relatively little compared to the tremendous price increases in the same items in the same period during World War I.

The greater stability of most industrial prices in World War II reflects both the existence of idle capacity which could be called into use, and the cooperation which most businessmen have given to the government agencies endeavoring to prevent undue price advances, and the steps taken in this direction.

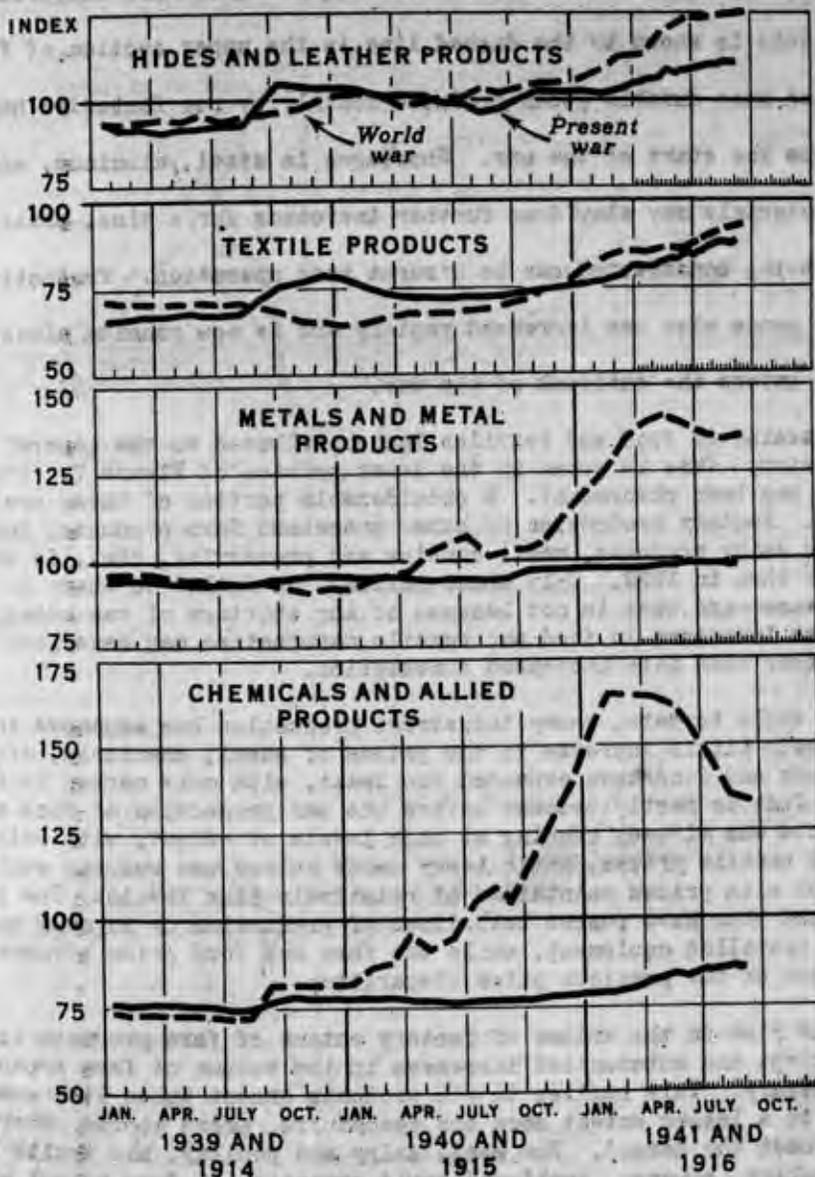
The steps to control prices of special interest to farmers include the following:

1. A price-freezing order on iron and steel, which has held stable this basic metal.
2. Price-freezing orders or informal price agreements on copper, zinc, aluminum, and other non-ferrous metals, which have held these prices stable.
3. Informal arrangements with leading farm machinery manufacturers not to advance the prices of any farm machinery without prior consultation with the price control authorities. To date this has prevented any perceptible change in average farm machinery prices.
4. Informal arrangements which were successful in holding down fertilizer prices during the 1941 planting season.
5. Priority ratings to provide steel, tools, and other materials for continued production of articles essential for farmers, including
 - Farm machinery and repairs
 - Canning-plant machinery and other food-processing machinery
 - Steel bins for grain storage
 - Freight cars and locomotives.
6. Measures to control burlap prices. A ceiling on burlap prices has been announced.

Despite these efforts and the continued cooperation of businessmen in the endeavor to prevent undue price increases, advances in industrial prices have become increasingly marked in recent weeks. If the rise in prices is not to spread out into a general upward spiral in all prices, wages, costs, and again prices, strong steps may be needed to check further general price increase. If costs of living continue to rise, that will intensify demands for larger and more general wage increases with resulting tendencies toward general price inflation. Increases in wages have not, however, as yet become a serious factor in higher prices. Up to this time, more than 2/3 of the increase in industrial pay-rolls has come from more men at work and longer hours per man, and only a little less than 1/3 from higher average earnings per hour. Much of these higher wages has come out of defense-widened profits, rather than being passed on as price increases.

**FIGURE 6.- WHOLESALE PRICES OF
SELECTED GROUPS OF INDUSTRIAL
PRODUCTS DURING TWO WAR PERIODS,
MONTHLY, AND WEEKLY
SINCE APRIL 1941**

(PRESENT WAR, 1926-100) (WORLD WAR, 1914-1939 AV.)



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FIGURE 6

FARM AND FACTORY PRODUCTION HAVE BOTH INCREASED

Factory production has responded very sharply to the defense demands as shown in Figure 7. This response has been most impressive in the durable products--iron, steel, tools, machinery, and gums--which are key products for defense. (This is shown by the dashed line in the upper section of Figure 7.) The amount of such durable goods produced monthly by our factories has about doubled since the start of the war. Shortages in steel, aluminum, and other basic raw materials may slow down further increases for a time, until new plants now being constructed can be brought into operation. Production of non-durable goods also has increased rapidly and is now running almost a third higher than before the outbreak of the war.

Processing of food and textiles has contributed to the general industrial expansion. This is shown in the lower section of Figure 7. The expansion in textiles has been phenomenal. A considerable portion of these are for direct defense use. Factory production of other processed farm products, including manufactured dairy products, meat, canning and preserving, etc., is about one-fifth larger than in 1939. Only wheat milling has failed to share in the marked increase--and that is not because of any shortage of raw material. Part of these increases in food and textile manufacture may have gone into stocks on hand, rather than into increased consumption.

As a whole to date, heavy industrial production has expanded the most, with relatively little increase in the prices of steel, chemicals, etc., while consumer goods and food have expanded the least, with more marked increase in prices. That is partly because before the war production of food and consumer products was already running at high levels of output, with relatively low food and textile prices, while heavy goods output was running well below capacity, but with prices maintained at relatively high levels. The production advances since then have pushed both lines of production up to near the capacity of the installed equipment, while the farm and food price advances have wiped out much of the previous price disparities.

If the rise in the volume of factory output of farm products is to continue, prompt and substantial increases in the volume of farm production will be necessary. This applies to all products except those like wheat and cotton, and to a lesser extent corn and feedstuffs, where stored reserves are adequate to meet the demand. For meat, dairy and poultry, and fruits and canned vegetables, however, continued rapid expansion in farm output will be necessary to satisfy the growing demand. If the demand is not satisfied by larger volume of output, further sharp increases in farm and food prices may result, with the danger of a further spread of spiralling price increases into wages, industrial prices, and the general cost of living.

FIGURE 7.—PHYSICAL VOLUME OF PRODUCTION*, MONTHLY, 1936 TO DATE

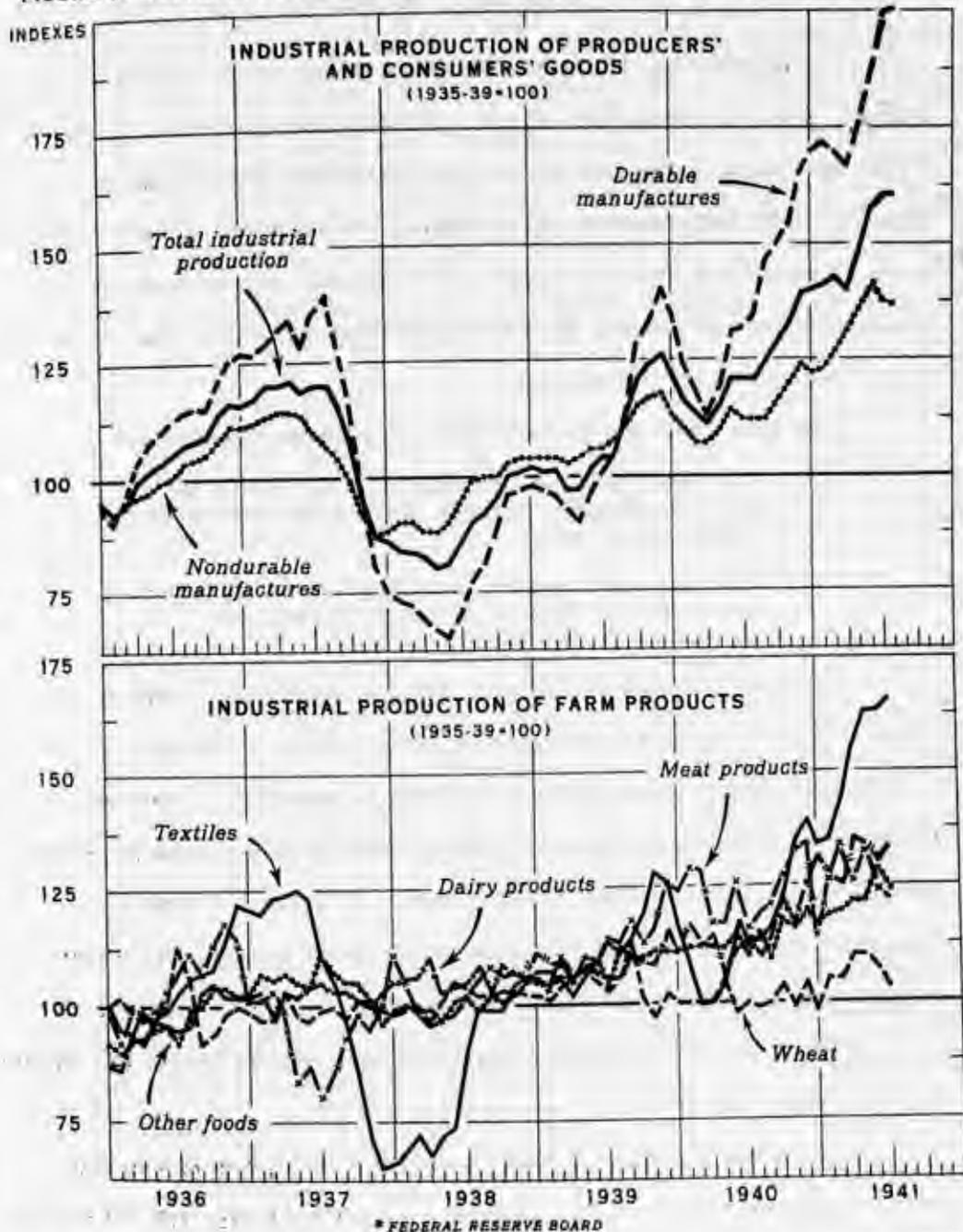


FIGURE 7

DANGERS AHEAD FOR FARMERS

The increase in prices to date has been sharpest in farm and food prices. These increases have wiped out most of the disparity in farm prices and income which farmers have suffered from almost continuously since the 1920 deflation and price slump. The recovery of farm buying power is especially true of products for domestic consumption, while prices of export crops such as cotton and wheat are still held down somewhat by the accumulated surpluses.

From this point on, farmers face two alternative choices:

- I. They can hold their production where it is and let the expanding demands drive their prices higher and higher.
- II. They can step up their output so as to satisfy the increased demands by larger marketings instead of by excessive prices.

The first course would involve serious dangers for farmers. It would help bring about a rapid rise in living costs. This would be hard on consumers, particularly those with fixed incomes. In the uncertain future after the war, farmers will need governmental programs to protect them in the period of postwar readjustment. If large sections of the population had been alienated because of excessive prices, they might be unwilling to support continued public action in aid of farmers. A mistaken price policy now might destroy the consumer support which farmers will need later on.

Real income depends not only on dollar income, but on how much those dollars will buy. Higher incomes from still higher farm prices may be largely or wholly canceled out by higher prices for things farmers buy, making the gain purely fictitious. Higher income from more production

(19)

sold at fair prices, on the contrary, would enable farmers to use more dollars to buy more things. In the short run as well as in the long run, farmers would be better off by following the increased production route rather than seeking excessive prices.

Finally, the long-time effects of inflationary price movements cannot be ignored. The deflation following the inflation of World War I blighted the lives of farmers by the hundreds of thousands.

WHAT PRICE DEFLATION FOLLOWING WORLD WAR I INFLATION COST
FARMERS

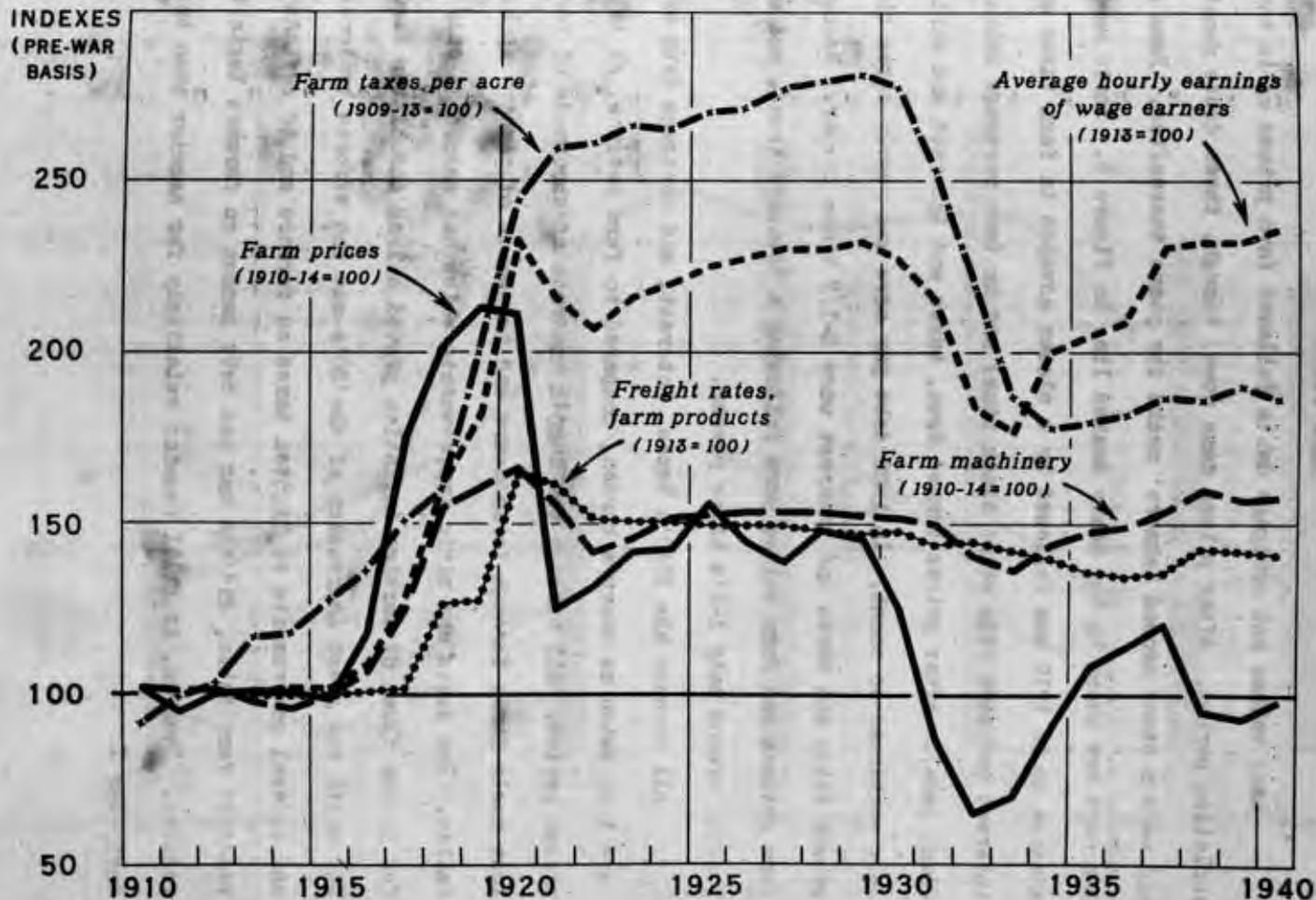
Many men who are farming today lived through the dark years after 1919. Younger men--including almost all who started farming recently--have little or no first-hand knowledge of what happened a quarter-century ago. Accordingly it is worth reviewing hastily how the price inflation and deflation of World War I did affect farmers.

The general movements of farm prices and costs since 1910 are shown in Figure 8. Farm prices (shown by the solid line) soared to levels more than twice prewar, plunged most of the way back down in 1920 and 1921, recovered for a time, and followed a generally declining trend until quite recently. (The advances thus far in 1941, discussed earlier, do not show on this chart of annual averages.)

Farm costs were slow to rise in World War I and for a time lagged behind farm prices. By 1920, though, they were all up substantially. Taxes rose to 2-1/2 times prewar, city wage rates to 2-1/4 times, freight rates and farm machinery costs to about 2/3 higher than prewar. After farm prices turned down, these costs were slow to follow. Taxes and wage rates continued to rise through the '20's and only started down after the depression of 1929 set in. Freight rates and farm machinery declined for a time, but then leveled off about 50 percent higher than prewar. Farm prices meanwhile fell to levels much lower on the average than these cost factors, during the '20's. From 1930 to 1940, farm prices fell again, far below these cost factors.

The price record from 1910 to 1940 shows that farm prices go up fast in good times but fall equally swiftly in bad times. Prices of the things farmers pay for go up somewhat less rapidly, but once they get up stay up both longer and higher than do farm prices. The gain that farmers got was swift but short; the gain in the position of the other groups was less swift, but far more enduring.

FIGURE 8.—EFFECTS OF INFLATION AND DEFLATION ON COST FACTORS, ANNUALLY, 1910-40



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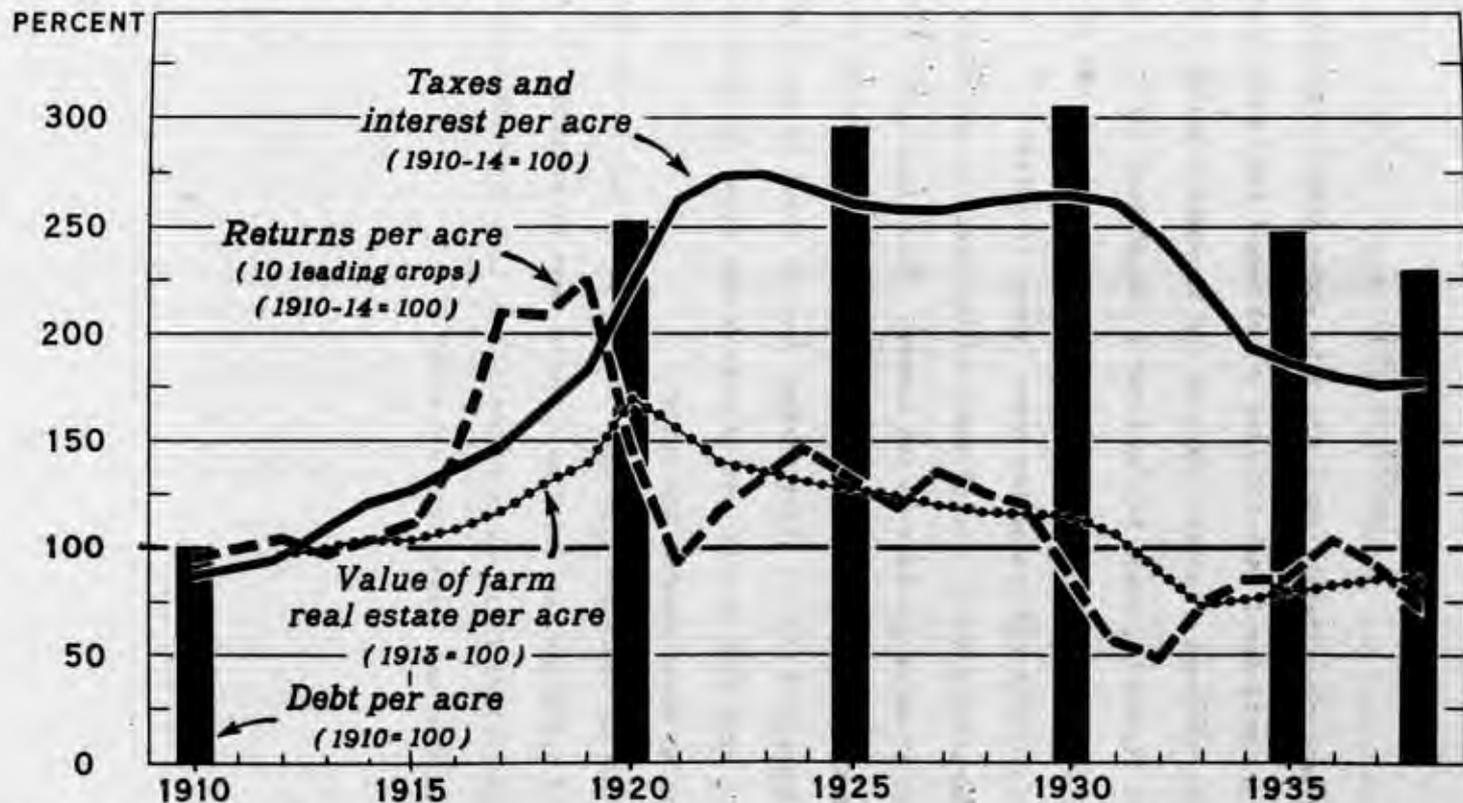
FIGURE 8

LAND COSTS

Land values and mortgage debts followed farm prices up in the inflation period. After prices came down, though, these debts remained and were a stone around farmers' necks for years thereafter. Farm returns per acre are shown by the heavy dashed line in Figure 9. Their rapid advance up to 1919 was followed by a slower advance in farm taxes and interest per acre (the solid black line) and in farm mortgage debts (the black bars). After prices turned down, taxes and interest and mortgage debt continued to mount. In 1925 debt per acre was nearly three times the prewar debt, and taxes and interest were 2-1/2 times prewar. Meanwhile farm returns and farm values were following a downward trend, and were running around only 1-1/4 times prewar.

All through the 1920's taxes, interest, and mortgage debt were more than twice as heavy a burden, compared to farm returns, as in the prewar period. All through the 1920's hundreds of thousands of farmers lost their farms through foreclosure and thousands of country banks failed. The debts and civic improvements which had seemed so easy to pay for in the flush of wartime inflation proved a long and bitter burden. Not until the great depression of the '30's and the efforts by local, state, and federal governments to lighten taxes on farmers and to refinance or readjust farm debts, did the tax and debt burden on farmers begin to be reduced. Even so, it still remains relatively far heavier than before World War I.

TAXES, VALUE OF LAND, RETURNS, AND MORTGAGE DEBT PER ACRE OF FARM REAL ESTATE, 1910-38



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FIGURE 9

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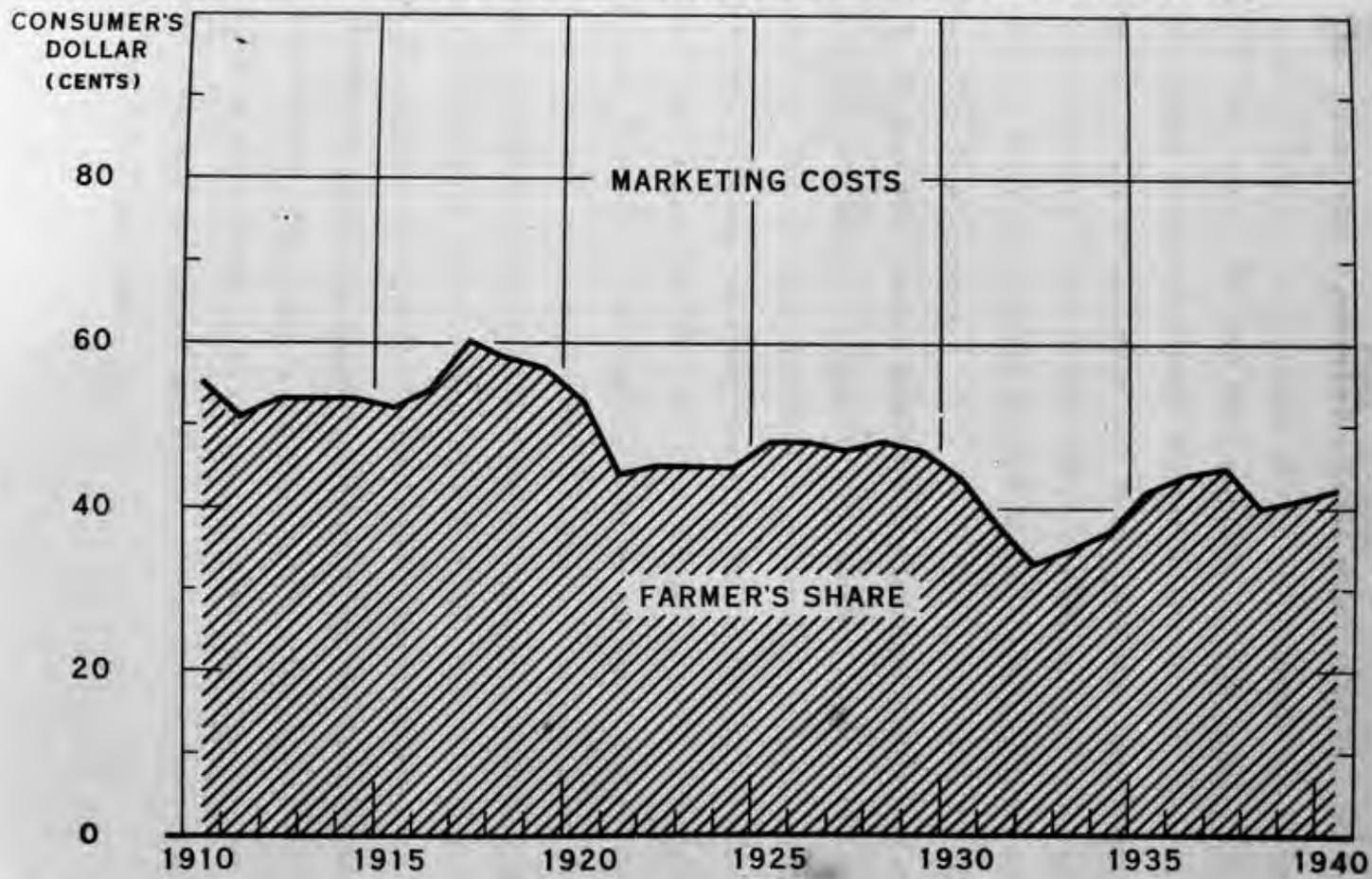
MARKETING COSTS

The fact that freight costs and city wages stayed relatively higher after World War I than did farm prices meant that since that time farmers have received a reduced share of the consumer's dollar. This is shown in Figure 10, where the consumer's expenditure for food is split into the share going to the farmer (the shaded area) and the share going for marketing and processing costs (shown in white).

Before World War I, out of every dollar spent by consumers for food, about 55 cents got back to the farmer. This increased briefly during the war; then after the war fell to a level of 45 to 50 cents. The 1929 depression cut it still further down to about 35 cents at the low point. From 1935 to 1940 out of each dollar spent for food at retail, about 40 to 45 cents reached the farmer.

Marketing costs are like farm debts. It is easy to get them up in times of inflation, and hard to get them down afterwards. If they stay up when prices fall, there is still less left for farmers to meet their production and living expenses with.

FIGURE 10.—EFFECTS OF INFLATION AND DEFLATION ON THE FARMERS' SHARE OF THE CONSUMER'S FOOD DOLLAR, ANNUALLY, 1910-40



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FIGURE 10

WHAT CAN FARMERS DO TO HELP PREVENT INFLATION
AND DEFLATION HEADACHES

It is clear that a general rise in all prices is of doubtful immediate value to farmers. If it should spread into a general rise in marketing costs, land values, and farm debts and taxes, it might again be followed by a deflationary period which would depress farmers for long years ahead. Now that farm prices are generally back up to a reasonably good balance with other prices, farmers will be better off if they can increase their production fast enough to satisfy the market demands, and to prevent continued and spreading rises in all prices.

At the same time farmers should use the increased income they are getting now in such ways as to increase their ability to cope with future uncertainties. Part of their increased income should go into buying fully adequate food, clothing, and other essentials for their families. In localities where lumber and labor are still available, part should go into fixing up the farm home. Part could go into the education of their families. If they are in debt, they should speed up paying off the back debts or mortgage. If they are free of debt, a portion could go into Defense Savings Bonds, life insurance, or other forms of saving, to provide a reserve against the possible troubled times after this new war is over.

If farmers should let higher incomes encourage them to a new period of land speculation, they would be inviting another generation of bad times ahead. If, on the contrary, they use the increased income in the ways just suggested, they will put themselves in good, strong shape to meet whatever problems the future may hold.

MEMORANDUM FOR THE SECRETARY,

October 10, 1941.

Mail Report

Mail during the past week has been exceedingly heavy and has mainly commented on the speech on inflation and the Defense Bond campaign. The speech was widely mailed and has brought a great many acknowledgments. Almost all of these are favorable; some which are favorable, speak critically of some other aspect of the Administration's policies, while praising the Secretary's stand. A number sent editorials and columns of a critical nature. As this mailing was to colleges and educational institutions, there are many requests for a considerable number of copies. We have sent 1,000 or more during the past week and are receiving requests in every mail.

The two most frequent complaints are against Government wastefulness in spending, and the Government labor policy. These run about even, with only one letter in the entire week approving the Secretary's statement in regard to wages as a commodity.

The Anti-Britain letters keep up, outnumbering the Anti-Russian ones by about 2 to 1.

Abusive letters are in the same general proportion, with many attacking the Secretary; a slightly smaller number attacking the President, and a great many abusive of the Administration in general.

There have been a number of protests of the wastefulness of the Bond letters, in both frequency and expense of paper, etc. One writer, sending back the recent letter of thanks for his purchase says, "I am swamped and weary of all these letters. I regret I ever started buying U. S. Bonds. I am as patriotic as the next man but am sick of constant receipt of folders, letters, etc. Stop bombarding me, wasting postage, printing and the time of Treasury and Post Office employees." This point of view is reflected in many letters where the writers have already decided what they can do, and not only cannot increase their purchases but resent being reminded of the campaign.

Geo. Forbush

FAVORABLE LETTERS

John Clarke Kennedy, N. Y. C. My little daughter recently asked me whether a Coast Guard was a soldier. Now, having until very recently owned and published the Yachting magazine for fifteen years, and knowing as I do the affection with which the Coast Guard is regarded by all having anything to do with the water, the question served to get me thinking of how completely the Army and Navy have blotted out your splendid organization in the public mind. This is a shame, and can't help morale a little bit. * * * Why don't you have someone make the country Coast-Guard-Conscious? It would not be very difficult to do. One man could do wonders if attached to headquarters, or with the Assistant Secretary in charge. With all that is being done for the other services, it is little enough to do for these fine boys.

Martin Popper, Executive Secretary, National Lawyers Guild, Washington, D.C. Your proposal that corporation profits be limited to 6% for the duration of the emergency will enlist the overwhelming support of the American people and its adoption will tremendously enhance our national unity in this critical period of world history when our very national existence is imperiled. * * * The National Lawyers Guild pledges you its most vigorous support in securing the adoption of effective legislation to limit corporate profits for the duration of the emergency, so that we may put an end to the present intolerable situation in which American industry is reaping unparalleled profits out of the nation's grave peril, while the average American is called upon to make unparalleled sacrifices.

Roger A. Hardy, Dept. of Education, The Commonwealth of Massachusetts. Some of the statements you have made in public recently are of great interest to at least a small group of us in this community. For example, the restriction of defense profits to 6% is one that all persons interested in the perpetuation of democracy should applaud and support, for it seems very doubtful if social and political democracy can continue without relative economic democracy. * * * Please remember that there are people who are very much on your side and who are keenly interested in the continuance of your efforts.

William R. Bascom, Dept. of Anthropology, Northwestern University, Evanston, Ill. Since I first heard that you came out in favor of restricting corporation profits to 6% of invested capital, I have been anxious to express my approval. And now that reports seem to indicate that you have modified, or been forced to modify your original statement, I feel I must write to you to urge that you stand firm in the effort to bring about an effective curtailment of excess profits. * * * In taking advantage of this democratic method of expressing my personal viewpoint on this matter, of course, I am speaking as a private citizen of the United States, and not as an official representative of the University.

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George C. Taylor, Lawyer, Albuquerque, N. M. I approve of the idea of the bond so heartily that I have urged their purchase as a substitute for all forms of life insurance, other than straight life. * * * Ridding the public of the inflation idea or some hedging scheme would facilitate sales.

Dr. Werner Peiser, Loyola University, New Orleans, La. As a former member of the Prussian Government during the Weimar Republic, and as its Vice Press Chief, I have the full consciousness of my duties toward the democratic Government of the U. S. Therefore, I have the honor to tell you in reply to your kind letter of October 1st, that I already have bought National Savings Bonds, and that I shall buy them in the future in the margins of my budget. Please accept the expression of my deepest consideration.

Leo Drew O'Neil, Head, Economics Dept., Boston University. Thank you for the copy of your address before the Advertising Club. I shall be very glad to bring it to the attention of all our students here, and have, in fact, already spoken about your fight against the threatened inflation to all my classes. I shall now emphasize the points which you have made in this speech.

T. S. Pieratt, Branch Manager, The Eagle-Picher Sales Co., Cincinnati, Ohio. I wish to acknowledge the copy of your speech, "The Fight Against Inflation". I enjoyed reading it very much and have passed it on to my organization. I sincerely hope you will give wide distribution to this subject. It would seem to me it gives a better understanding of our problems today and tomorrow. * * * The advertising and publicity on stamps and bonds has been very fine. It is my opinion that too many good American citizens are neglecting at this time, for no special reason, to take advantage of this splendid investment plan. The attached pamphlet (news release of employee sales) is self-explanatory; I have been buying and expect to continue to buy each month throughout the emergency saving bond.

Carl D. Smith, President, Babson Institute, Babson Park, Mass. In an address which I made before a business group last Thursday evening, I took the liberty of referring to certain things which you had said in that address and of pointing out the validity of your position.

Prof. Howard T. Lewis, Harvard University, Soldiers Field, Boston, Mass. I should like to take this opportunity to express my complete agreement with the position you assumed in that discussion. Furthermore, I should like to express my admiration for the courage which you displayed in saying the things you did say. Many a man, knowing in his heart that the facts are as you have stated them, lacks the courage to express himself.

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Unfortunately this seems to be particularly true with a certain type of public official. It is heartening to know that you do have the courage of your convictions.

Duane Deolittle, Principia College, Elsah, Ill. It was with a great deal of interest that I have studied your effective speech given in Boston with regard to inflation. In booklet form this speech has been going the rounds of our faculty here, each person initialing it after its examination. * * * Lately we have seen reports that you do not favor any action that will hold wages around their present levels, and we wonder if you or one of your assistants would be willing to let us know the reasons for this decision.

Evelyn Newman, Division of Literature & Languages, Colorado State College, Greeley, Colo. I will make every effort as a teacher and community worker to bring the content of your speech to my students and audiences, impressing upon them the gravity of our national situation if inflation should come upon us. * * * Thanking you for your letter and for your very fine address (I have put both upon the bulletin board of our department).

Elwyn L. Cady, Kansas City, Mo. I thank you for your letter of September 30th, enclosing a copy of your address, "The Fight Against Inflation". This is an able presentation of a timely subject. As a staff member of a midwestern college, it was my privilege to conduct Economic Outlook Meetings for more than ten years. I know that you have a big job ahead, for the average citizen does not think in economic terms. * * * I suggest that you organize a small but experienced group of economists with platform personalities, and send them to meetings of business groups. Such a program will, in my opinion, enable you to create in the public mind, the understanding of inflation mentioned in your letter. If I can be of service to you in your program, please feel free to command me.

R. E. Drake, Portland, Oregon. As recipient of a copy of your splendid and timely speech and pledge on the subject of inflation, I wish to congratulate you upon your analysis of this very important subject. I also wish to pledge my interest and cooperation in every way possible for a man aged 73.

UNFAVORABLE LETTERS

Karl Aschaffenburg, Plainfield, N. J. A report requested by the Federal Reserve Bank and listing the property of a national of a foreign country was returned by the Foreign Property Control Department of the Federal Reserve Bank, N. Y. C., with the request to insert in each of the four copies of the report one single word which could have easily been filled in by a clerk, since this word was to be found in the answer to two similar questions on the same report. The letter accompanying the report contained 43 words, cost the government, resp. the taxpayer \$0.31 in postage, which will have to be paid once more by the sender when the report is again returned to New York. Besides, there is the delay of several days, not counting the inconvenience of having to register the same letter twice. * * * At the present time the citizen of the U. S. is asked to pay high taxes for the defense of this country, as well as to invest money in Defense Bonds. It would therefore seem only fair to the taxpayer that the Administration exerts every effort to work efficiently and with the least amount of unnecessary expense as well as inconvenience to those who are gladly willing to support it.

W. A. Dower, Executive Vice President, The Hartford Chamber of Commerce, Hartford, Conn. It is seldom that one sees a wave of apprehension sweep over the business community like that which followed the newspaper reports on your proposal to limit corporate profits during the emergency to 6% upon invested capital. Since the nation is but the sum of its local communities, there is no surer way to sample the sentiments of affected parties than through those community business organizations which, after all, make up the aggregate of American business.

Manning Stires, Vice President & General Counsel, Midland Oil Corporation, N. Y. C. Taxation of war profits is commendable, but a Revenue Act which is framed to catch every dollar of earnings of all businesses above a minimum allowable amounts to confiscation. Many businesses, by careful management and stockholder sacrifice and not as the result of war activity, will show an increase in earnings currently and in the next few years, and, under the Act as I understand it, these earnings will be deemed excess profits. * * * It would be wholesome to the body politic were a tax act to be framed which would allow a corporation to deduct dividends of a greater or less extent, depending upon the nature of the business, before determining profits. Were this principle recognized, venture capital would be put to work and cause a broadening of activity that would be bound to result in a general increase of prosperity. * * * You probably will conclude that such a radical departure from present day tax imposition would defeat the Treasury from collecting a considerable part of the so-called excess profits. To what extent this loss will be off-set by the increase of taxable income in the hands of stockholders you are in the best position to estimate.

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"A Citizen" - Holland, Mich. I am a rather heavy holder of various Government bonds, certificates, and obligations. The moment the present Administration provokes the act that causes a shot to be fired in this war, which would be the signal for a declared or undeclared war, I shall take that as a signal to cash all my Government obligations.

F. E. VanDemark, Insurance, Cut Bank, Mont. The only objection to buying these Government bonds is that the Government is squandering money right and left and it does not seem right to buy bonds where the Government is doing this. It is only putting the Government that much further in debt. This fall, as well as other falls, I have refused to take money offered by agents of the Government. Why they should offer me money when the Government is nearly bankrupt, I am unable to say. * * * My advice to the Government is to stop spending money foolishly.

Borris M. Komar, N. Y. C. I have noticed in your public statement that you do not know of any instance when the Soviet Government failed to meet its obligations. My client, an American corporation, holds 11 bearer notes of 1000 pounds sterling each, issued by the Soviet Government as an obligation of the Soviet State, signed by its People's Commissar for Finance, and payable on November 1st, 1940. My client acquired these notes in good faith and paid cash consideration for them prior to their maturity. All attempts of my client to receive payment of these notes failed. The Chase National Bank also took this question up with the Soviet Government and the Soviet State Bank, but received no satisfactory answer. I am writing this letter privately to you instead of answering your statement in the public press, because my client desires no harm to the Soviet Union. In fact, it has offered to donate from the proceeds of these notes, if paid, 5% to the Soviet Red Cross, which is over \$2,000.00.

Harvey C. Eley, N. Y. C. I feel very deeply on this matter of aiding in defense right up to the limit of my small means, and I think that most of my friends and acquaintances feel the same way. However, I must say that although I am a life-long Democrat and have supported the New Deal, I do think it is high time that imperative measures be taken to cut down and slash the expenses of the Administration in Washington, and to reduce in a big way "non-defense" expenditures. * * * I strongly advise that now with this 10% tax you undertake semiannually or quarterly to let the people know in the newspapers just how this tax is spent and the efforts that you are making with your staff to reduce the expenditures for "non-Defense" items.

Fred W. Shields, Alexandria, Va. I have your form letter of October 6th, soliciting me to purchase U. S. Defense Bonds. There was also enclosed a mass of circulars and pamphlets designed to allay my fears of inflation.

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Frankly, I was not impressed with either the letter or the circulars and pamphlets. * * * Unfortunately, I am convinced that you are one of a group of officials who have committed this Government to a policy of wild and reckless spending. Moreover, I do not believe that you have been honest in your statements to the people. * * * If you honestly believe that prices can effectively be controlled without controlling wages, then I feel that you are not competent to run a Government Department. If, on the other hand, you do not believe that this is true, and made the statement because of a fear that it might damage the political fortunes of your Party, then you are not fit to run a Government Department.

J. D. Lackerley, Lewiston, Idaho. Replying to your "personal" letter of September 17th, relative to the purchase of Defense Bonds. I am not a New Dealer for I believe in work and thrift, two ideas so repugnant to the President, and I presume equally repugnant to those who support his domestic policies. * * * In your speech you refer to a committee in Congress to study ways and means to curtail non-essential Government spending. Let me remind you that the debt during your tenure of office has increased about \$27,000,000,000. You were silent when Harry Hopkins was spending billions for purely political purposes, and making outright gifts of public funds to New Deal politicians. * * * Senator Byrd has for years urged economy and the net result so far has been a stream of wisecracks and invectives from the President whenever bankruptcy is mentioned. * * * To now ask that social security taxes be doubled or trebled in addition to a so-called "separation wage" merely more investment in debt, is not only cruel but reprehensible.

Albert W. Russel, Cleveland, Ohio. It seems to me plain, common sense that inflation cannot be checked unless there is some reasonable limit put on wages. * * * It will be difficult to secure the cooperation of the people as a whole in your sound program if labor racketeering is not restrained.

Muriel Schuster, Hillside, N. J. The George Washington Grammar School of Hillside, N. J., recently decided to purchase Defense Savings stamps through the school. Although it has been in force only two weeks, it has met with such spontaneous enthusiasm that we are overwhelmed at the response. However, we have met with some difficulty in securing the stamps and books. We were under the impression that all banks carried the stamps. The two that we visited in the neighborhood did not carry the stamps, only the bonds. * * * We have been unable to obtain Saving Bond posters from either the bank or the Post Office. Will you please send whatever you can to the George Washington School of Hillside, N.J.?

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE October 10, 1941.

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£76,000
Purchased from commercial concerns	£15,000

Open market sterling remained at $4.03\frac{1}{2}$, and there were no reported transactions.

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

Canadian dollar	11-7/16% discount
Argentine peso (free)	.2345
Brazilian milreis (free)	.0505
Colombian peso	.5775
Mexican peso	.2070
Uruguayan peso (free)	.4600
Venezuelan bolivar	.2700
Cuban peso	1/16% discount

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

No new gold engagements were reported.

Spot and forward silver were again fixed in London at $23\frac{1}{2}$ d and $23\frac{7}{16}$ d, respectively. The U.S. equivalents were 42.67¢ and 42.55¢.

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 $34\frac{3}{4}$ ¢.

We made no silver purchases today.

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BRITISH EMBASSY,
WASHINGTON, D. C.

October 10th, 1941

PERSONAL
AND SECRET

Dear Mr. Secretary,

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

Believe me,
Dear Mr. Secretary,
Very sincerely yours,

Halifax

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

TELEGRAM FROM LONDON - OCTOBER 9TH, 1941

British ship 4000 tons was bombed and sunk night of October 7th/October 8th while anchored at Suez. The canal is open.

2. Dutch submarine on October 3rd, torpedoed and sank French merchant ship 3800 tons 20 miles east of Terranova (Sardinia).

3. Night of October 6th/October 7th. 23 Wellingtons bombed Piraeus harbour; damage extensive, violent explosions in warehouses. Same night ten Heinkel's bombed Bardia.

4. Libya. October 7th. Marylands escorted by Tomahawks attacked two dumps near Gambut; enemy fighter probably destroyed second damaged.

5. October 6th and October 7th. Enemy aircraft (one probably destroyed) bombed Tobruk town and harbour. Positions in El Adem Sector machine gunned. Troops west of Bu.... Bu.... machine gunned and attacks made on landing grounds in Sidi Hanish. No damage or casualties.

6. Palestine. October 7th, October 8th. Nine hostile aircraft attacked Haifa, negligible damage.

7. Malta. October 7th, October 8th. Six aircraft approached the island but dropped bombs in the sea. October 8th. Six aircraft approached the coast but did not cross.

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8. Russia. German thrust Vyasma area continues to make progress. Germans claim of encirclement Russian forces not confirmed. Russians evacuated Orel. Germans advance beyond town cutting Moscow-Kharkov railway. Russian forces encircled west of Berdyansk subjected to intense pressure from east north east and west. German force thrusting north east of Berdyansk towards Mariupol.

RESTRICTED

G-2/2657-220; No. 515 M.I.D., W.D. 11:00 A.M., October 10, 1941

SITUATION REPORTI. Eastern Theater.

Ground: The situation on the East front is obscure.

There is no further official information of actions on the central front. The Russians claim they have broken out of the encirclement east of Bryansk and west of Vyazma.

Russian reserves have moved south from Tula and are counterattacking at Chern, northeast of Mtsensk.

Around Leningrad and in the Ukraine no military operations were reported.

Air: German reports indicated strong air activity all along the front, especially airfields in the Crimea and military objectives at Leningrad.

II. Western Theater.

Air: British bombers were dispatched in spite of bad weather against the German-occupied coast of France, Boulogne, Calais, and Dieppe. Aalesund, on the west coast of Norway, was bombed last night. Reports tell only of a lone German raider over England's southwest coast last night.

III. Middle Eastern Theater.

No news.

RESTRICTED

MEMORANDUM

October 11, 1941.

TO: The Secretary
FROM: Mr. Sullivan

Mr. Doughton called this morning at 9:45 to ask when we would be ready to submit the Administrative Amendment Bill. I was fairly vague about my response and then he stated that he was very anxious to have work on the Administrative Amendment Bill started as soon as possible in order to hold up the Social Security bill. He continued to press me for a date and I told him I thought we ought to be nearly ready by the early part of November.

JLS

October 16, 1941

Mr. D. V. Hall

Mr. Morison

STRICTLY CONFIDENTIAL

At 11:45 today the Secretary had a meeting with Mr. Gumphe, Russian Charge d'Affaires, and Mr. Luskow, President of the Amberg Trading Company, which Mr. Foley attended.

About 8:30 Mr. Bernstejn came in and told me that the Secretary had agreed to advance \$30,000,000 to Russia against the future delivery of gold. Mr. Bernstejn prepared an agreement similar to the one which was executed on August 15, and I prepared the necessary telegram to the Federal Reserve Bank of New York.

At 8 p.m. Mr. Foley took the agreement and the telegram to the Secretary, who signed both. Mr. Bernstejn was to go to the Russian Embassy to have the agreement signed by the Russian Charge d'Affaires but at 5:20 p.m. he received word that the Russian Charge d'Affaires could not see him until 7:30 p.m. It was then decided to put the credit through on October 11, as the agreement states "Thirty million dollars, constituting an advance payment, shall be paid by October 11, 1941 to the Government of the Union of Soviet Socialist Republics".

October 11.

Mr. Bernstejn informed me this morning that the agreement was signed by the Russian Charge d'Affaires last night. I then sent the telegram to New York last night through the Federal to make the payment of \$30,000,000 and told Mr. Gumphe by telephone that the credit advice and cable to the State Bank of the U.S.S.R. should read the same as those put through on the transmission of August 15. The number in which the credit advice should be prepared and the wording of the cable to the State Bank were both approved by the Russian Charge d'Affaires.

Mr. Bernstejn said that he would forward to the Russian Charge d'Affaires a photostatic copy of the agreement.

At 10:50 a.m. Mr. Gumphe advised me that the credit of \$30,000,000 had been made to the account of the Statebank of the U. S. S. R. I called Mr. Bernstejn but was unable to contact him until 11:00 a.m. I let him know that the credit had been made and suggested that he call the Russian Charge d'Affaires and advise him accordingly.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE October 11, 1941

TO Secretary Morgenthau
FROM Mr. Klaus

The attached clipping from the New York Times may be of interest to you.

U. S. Flier in R. A. F. Killed
THOMPSON, Conn., Oct. 9 (AP)—
Flight Commander Andrew Mamedoff, 29 years old, former barnstorming aviator from this town, was killed in action yesterday while serving with the Eagle Squadron of the Royal Air Force, a member of his family said tonight. Anatase A. Vonsiatski, head of the Russian National Revolutionary Fascist party, the young man's uncle, said the flier's parents were notified by the Air Ministry in London.

5/1



OFFICE OF THE DIRECTOR

*Noted by the Secretary
and by C.S. [unclear]
and [unclear] 10/13/1941.*

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

October 11, 1941

MEMORANDUM TO THE SECRETARY:

A revised plan for the disposal of scrap materials collected in the recent aluminum collection campaign has been agreed upon with the Office of Price Administration, the Office of Production Management, and Metals Reserve Company, and to date acceptances of the revised plan have been received from eight of the smelters.

Under the revised plan smelters which agree to sell to Metals Reserve Company quantities of secondary aluminum ingot equivalent in amount to ingot produced by them from campaign aluminum scrap will be given the benefit of reduced prices on the aluminum scrap and also on brass, copper, zinc, and iron and steel contained in the campaign scrap. They are to pay 7.75¢ per pound for aluminum scrap in lieu of the price of 11.5¢ per pound formerly fixed by the Office of Price Administration, a reduction of 3.75¢ per pound. Correspondingly, those accepting the plan will agree to sell secondary aluminum ingot to Metals Reserve Company at prices somewhat below the reduced secondary ingot ceiling prices which will become effective November 1, 1941.

It is believed that under this revised plan the smelters will realize amounts roughly equivalent to those which they originally expected to realize on the scrap aluminum, had it been possible for them to sell secondary ingot at the ceiling prices in effect before the Aluminum Company of America reduced its price on virgin aluminum, necessitating reduction of the secondary aluminum ceiling prices.

Instructions have been issued to the State Procurement Officers to bill the smelters which accept the revised plan at the reduced prices fixed thereby, and I expect that all of the aluminum scrap will have been collected within the next few days.

Clifford M. [unclear]
Director of Procurement.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Nine Business Days of August, September, and October, 1941
 (August 1-11, September 1-11, October 1-10)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	October	September	August	October over September	September over August	October over September	September over August
Series E - Post Offices	\$ 15,906	\$ 15,361	\$ 17,438	\$ 545	-\$ 2,077	3.5%	- 11.9%
Series E - Banks	<u>29,796</u>	<u>25,275</u>	<u>31,144</u>	<u>4,523</u>	- <u>5,869</u>	<u>17.9</u>	- <u>18.8</u>
Series E - Total	45,705	40,636	48,582	5,069	- 7,946	12.5	- 16.4
Series F - Banks	8,559	6,790	9,660	1,769	- 2,870	26.1	- 29.7
Series G - Banks	<u>50,054</u>	<u>44,529</u>	<u>59,273</u>	<u>5,525</u>	- <u>14,744</u>	<u>12.4</u>	- <u>24.9</u>
Total	<u>\$104,317</u>	<u>\$ 91,954</u>	<u>\$117,515</u>	<u>\$12,363</u>	- <u>\$25,561</u>	<u>13.4%</u>	- <u>21.8%</u>

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

October 11, 1941.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - October 1941
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
October 1941									
1	\$ 1,450	\$ 3,029	\$ 1,286	\$ 8,271	\$ 12,587	\$ 4,479	\$ 1,286	\$ 8,271	\$ 14,036
2	1,870	2,786	867	4,324	7,977	4,656	867	4,324	9,847
3	2,150	3,299	1,065	6,323	10,687	5,449	1,065	6,323	12,837
4	1,270	1,696	612	6,400	8,707	2,966	612	6,400	9,978
6	3,449	4,778	1,444	9,286	15,508	8,226	1,444	9,286	18,956
7	1,207	2,595	572	2,913	6,080	3,802	572	2,913	7,287
8	1,363	3,674	821	3,611	8,106	5,037	821	3,611	9,469
9	1,652	4,270	903	3,654	8,827	5,923	903	3,654	10,479
10	1,495	3,672	989	5,272	9,933	5,167	989	5,272	11,428
Total	\$ 15,906	\$ 29,798	\$ 8,559	\$ 50,054	\$ 88,411	\$ 45,705	\$ 8,559	\$ 50,054	\$104,317

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

October 11, 1941.

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

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

FOR DEFENSE



FIELD ORGANIZATION *News Letter* ¹²³

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



October 11, 1941. NUMBER 21.

AN IMPORTANT MESSAGE FROM SECRETARY MORGENTHAU

"The Defense Savings Program has now been in progress for five months. It has yielded us a billion and a half dollars from two and one-half million individual investors. The result so far is certainly not below our expectations, but just as certainly it falls far short of our needs. It falls short especially in that it has only begun to reach workers' pay rolls. Every one of the great national labor organizations has given its endorsement to systematic saving, and voluntary pay roll allotment plans are now in operation in more than five thousand companies employing between five and six million workers. Our strongest efforts must now be made in our great industrial centers, and must be directed at the good sense and patriotism of the workers themselves. . . .

"The kind of spending that the Treasury is most anxious to divert into Defense Savings Bonds is the spending produced by pay increases and bonuses, and by increased dividend payments. I should like to offer as a suggestion, for example, that every Christmas bonus in the United States be paid in Defense Savings Bonds or Stamps this year. The banks of America can start the fashion so that it will sweep the country. The total amount of such bonuses may be small, but there could be no finer example to the public, no more striking reminder of the spirit of these times, no better safeguard for the days of economic strain that are sure to follow the war.

"We at the Treasury believe that the voluntary Defense Savings Program has already awakened a greater sense of pride in America and a greater sense of participation in the national effort. We shall continue along that road of voluntary cooperation, and I am perfectly confident that we shall reach vast numbers who are willing and eager to put their savings to work for their country."

HENRY MORGENTHAU, JR.
Secretary of the Treasury.

(From his address to the Annual
Convention of the American Bankers
Association, October 2, 1941.)

Chicago, Illinois
October 8, 1941.

TO THE FIELD STAFF:

The fundamentals behind Defense Savings are widely acclaimed. Constantly we receive messages of approval from individuals of every belief and in every walk of life.

Many of these messages are entitled to more space than is available here, but briefly they say:

"We believe in the future. Today we look forward. We shall work and save today for a greater tomorrow."

"This is our America - we shall defend her. The price we pay is small when the benefits are weighed carefully."

"Secretary Morgenthau's appeal for everyone to become a shareholder in America is great. As his advice is followed the Nation will be more unified, more virile, stronger in every possible way."

"We see more than a million of our youth in military service. They are called on for the greatest of sacrifices. The least those at home can do is to invest in Defense Savings Securities."

"We believe in thrift. We believe in future reserves for every individual. We know that depressions may be avoided if we save in good times."

"The only way to check higher prices and inflation is to prevent a 'spending spree'. Investment in Defense Savings Bonds will promote a philosophy of thrift and halt a dangerous philosophy of extravagance."

Sincerely yours,

GALE F. JOHNSTON
Field Director, Defense Savings Staff

FIELD ORGANIZATION NEWS

Within recent weeks the following men, all well-known and distinguished citizens of their States, have accepted Secretary Morgenthau's invitation to serve as Chairmen of the Defense Savings Committees for their respective States. We are honored to add their names to the now nearly completed roster of State Chairmen.

We present:

James P. Boyle of Tucson, who is serving as Chairman of the fully organized and functioning Arizona Committee.

Edward H. Heller, of the firm of Schwabacher and Company, San Francisco, who will serve as Chairman of the Defense Savings Committee for Northern California.

Dr. John S. Nollen, President Emeritus of Grinnell College, who will serve as the Chairman of the Defense Savings Committee for Iowa.

Judge Edgar S. Jouett, Vice-President and General Counsel of the Louisville & Nashville Railroad, who has accepted Chairmanship of the Defense Savings Committee for Kentucky.

Francis McDermott, Vice-President of the First National Bank of Omaha and State Commander of the American Legion, who will head the Nebraska Committee.

* * * *

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STOCK EXHAUSTED! - Temporarily. At the moment the supply of one of our most popular publications "Any Bonds Today?" is completely exhausted. More copies are being printed however, and soon this item will again be subject to requisition by State Administrators.

M A S S A C H U S E T T S
State Committee Reports Progress On All Fronts

THE SEPTEMBER MEETING of the State Defense Savings Committee for Massachusetts was held September 26, with State Chairman Edwin C. Johnson presiding and Division Chairman presenting reports of significant progress in all phases of the educational and promotional program.

SOME HIGHLIGHTS from these reports:

*** Practically all commercial banks in the state have now qualified as issuing agents - David E. Hersee, Chairman of the Banking Division.

*** Contact has been established with all agricultural schools, all granges and county farm bureaus, and all other agricultural clubs; most of them have arranged to present the Defense Savings Program to their members. - Charlie B. Jordan, Chairman, Agricultural Division.

*** The current issue of the magazine of the State Teachers Federation carries a special article on Defense Savings. - Hugh Nixon, Co-chairman, Education Division.

*** The pay roll allotment plan has been described in detail to all members of Associated Industries of Massachusetts and follow-up work to secure widespread installation of the plan is now in progress. - John F. Tinsley, Chairman, and Edward Connelly, Sub-chairman, of the Industry Division.

*** Sub-chairmen have been appointed for each of the various branches of the insurance business and all of them report that they are receiving 100% cooperation. One large insurance company reports 1136 employees enrolled in a pay roll allotment plan. - Charles J. Diman, Chairman, Insurance Division.

*** Plans to enlist the full support of all credit unions in the state are being developed. - Edward L. Shanney, Chairman, Credit Union Division.

*** Proclamations of the Governor and the Mayor of Boston, beautiful window displays, and many other special efforts during "Retailers for Defense Week" have helped to launch sale of Defense Stamps in retail outlets. - Daniel Bloomfield, Chairman, Trade Division.

STATE ADMINISTRATOR Daniel J. Doherty reports: 38 of the 39 cities of the State now have active committees and many town committees have also been formed and are hard at work. . . . Large blocks of Defense Bonds have been purchased, with appropriate ceremonies and publicity, by many fraternal organizations including: the Roxburg Post of the American Legion, Woburn Elks Lodge, Somerville Post of the Veterans of Foreign Wars, and Mt. Benedict Council of the Knights of Columbus.

* * * *

Boston taxicabs carry "Buy Defense Bonds and Stamps" stickers.

MINNESOTA

Retailers' Boost Stamp Sales; Allotment Plan Making Headway

SALES OF DEFENSE STAMPS during "Retailers for Defense Week" jumped phenomenally. Some early reports: St. Paul - sales doubled over the previous week; Minneapolis - sales up \$4,600; Northfield, Faribault, Park Rapids - local supplies of stamps completely exhausted.

AN IMPORTANT BY-PRODUCT of the week of intense activity on the part of retailers to put over the stamp sale in a big way was the installation and whole-hearted acceptance of pay roll allotment plans in many retail establishments.

STATE AND LOCAL COMMITTEES throughout the state are now thanking retailers for their fine cooperation and urging them to "keep up the good work".

INSTALLATION OF PAY ROLL ALLOTMENT PLANS in 115 Minneapolis business establishments employing nearly 60,000 workers in less than one month is the outstanding achievement of the Minneapolis Committee under the leadership of its active Chairman Robert F. Pack.

MINNEAPOLIS BUSINESS HEADS lunched in groups at the Federal Reserve Bank and heard the story of Defense Savings from the bank's president, John Peyton and Otis Preston, an officer of the bank and Chairman of the Employers' Division of the Minneapolis Committee.

A TEAM OF INSURANCE MEN under the leadership of Edward H. Keating followed up after these initial contacts and in cooperation with officers and employees of individual concerns worked out the details of the allotment procedure and developed a program for explaining the plan personally to every employee.

ORGANIZED LABOR went on record for the Defense Savings Program in September when the convention of the Minnesota State Federation of Labor adopted a strongly worded resolution of support. R. F. Wentz, a Vice-President of the Federation is Chairman of the St. Paul Committee.

* * * *

FERGUS FALLS BOND A MONTH CLUBS

In Fergus Falls, Minnesota, Cyrus Field, Otter Tail County Chairman is forming "Bond a Month Clubs". Each member, upon joining one of these Clubs signs the following pledge:

"For My Share in the Defense Program of MY COUNTRY, and to benefit myself and my family with a safe and sure savings out of earnings plan, I join with my fellow citizens in a monthly plan of systematic thrift and saving, and to that end agree with MY COUNTRY and my fellow citizens who sign like pledges, to buy . . . each month, a Defense Bond or Defense Stamps, in a pre-determined set amount to be fixed by me according to my circumstances and earnings."

Introducing the members of the

DEFENSE SAVINGS COMMITTEE FOR MINNESOTA

HONORARY CHAIRMAN:

Governor Harold E. Stassen

CHAIRMAN:

O. J. Arnold, President, Northwestern
National Life Insurance Company

STATE ADMINISTRATOR:

Arthur D. Reynolds

DEPUTY STATE ADMINISTRATOR:

Lief Gilstad

MEMBERS:

Otto Bremer, President of the
American National Bank

Mrs. A. C. Carlson, former National
President, American Legion Auxiliary

Judge Vince A. Day, Minneapolis

Judge John P. Devaney, Minneapolis

Wm. Duncan, Jr., Secretary, Minnesota
Bankers Association

Oluf Gandrud, President, Swift County
Bank, Benson

Frank J. Gavin, President, Great
Northern Railway Company

Sanford D. Genis, Manager, Twin City
Joint Board Amalgamated Clothing
Workers of America

Francis A. Gross, Director
Northwest Bancorporation

Jay Hormel, President, Hormel
Packing Company, Austin

Arthur W. King, Jr., President,
Duluth Junior Chamber of Commerce

Henry S. Kingman, President, Farmers &
Mechanics Savings Bank of Minneapolis

George W. Lawson, Secretary,
Minneapolis Federation of Labor

Richard C. Lilly, President, First
National Bank of St. Paul

Mrs. S. E. Linsley, President,
Minnesota Congress of Parents and
Teachers

Dr. Charles W. Mayo, Rochester

Wm. L. McKnight, President,
Minnesota Mining & Manufacturing Co.

Miss Ruth H. Mitchell, President,
Minneapolis League of Women Voters

Michael F. Murray,
Fritz-Cross Company, St. Cloud

Albert Pfaender, Attorney, New Ulm

Frank P. Powers, President,
Kanabec State Bank, Mora

Paul A. Rasmussen, Former State
Budget Commissioner, Minneapolis

John E. Regan, Attorney, Mankato

LeRoy Salsich, President, Oliver
Iron Company, Duluth

Charles W. Stickney, Chairman,
Minnesota Agricultural Conservation
Committee

E. W. Swanson, Vice-President,
Federal Reserve Bank, Minneapolis

I. N. Tate, Vice-President,
Weyerhaeuser Sales Company

J. Cameron Thompson, President,
Northwest Bancorporation, Minneapolis

F. H. Wilson, Chairman, Order of
Railway Conductors, Duluth

"S" DAY IN CANTON: A GREAT PATRIOTIC SPECTACLE

TUESDAY, SEPTEMBER 16 will long be remembered in Canton, Ohio as "S" Day - the day when Canton retailers and almost every other business and professional group in the city joined together to stage a gigantic demonstration on behalf of Defense Savings Stamps.

IN OTHER CITIES, during "Retailers for Defense Week" similar demonstrations and parades were arranged; but, according to Major Benjamin H. Namm, Chairman of the Defense Savings Staff's Retailers Advisory Committee and an "eye-witness", Canton's celebration surpassed all the rest. One indication of the correctness of this assertion - an estimated 250,000 people or twice the population of Canton, watched the mammoth parade which brought the day's activities to a close.

* * *

DOLLARS FROM HEAVEN:

Opening event of "S" Day was the flight of the world-famed woman airplane pilot, Arlene Davis, of Lakewood, Ohio, over the downtown area of Canton. During this flight she released hundreds of balloons containing certificates worth one dollar each in Defense Stamps when presented at designated stores. As she flew low over the city Miss Davis broadcast to the crowds below and to a coast-to-coast radio audience of the Mutual Network her personal appeal for full support of the Defense Savings Program.

The Goodyear Blimp also circled the city throughout the day dropping balloons and trailing a "Buy Defense Stamps" streamer.

Eager children captured most of the balloons as schools in Canton and in nearby towns were dismissed early on "S" Day and children were on hand en masse. When interviewed by newspaper reporters many of those who had captured balloons said that they intended to use their dollar's worth of stamps as first installments towards Defense Bonds.

STAMPS WERE ON SALE practically everywhere:

Special stamp booths, which in some cases were staffed by volunteers from the Junior League, Y.W.C.A., and patriotic organizations were erected by many stores.

Arlene Davis autographed stamp albums for those purchasing their stamps in Loew's Theatre lobby.

A free pony ride was offered to children who bought stamps at the special booth erected in the public square and by early afternoon this popular place had entirely exhausted its supply of stamps of the ten cent denomination.

2ND DAY IN CANTON: GREAT PARADE SYMBOLIZES DETERMINATION TO KEEP LIGHTS
BURNING BRIGHT IN AMERICA



Left: Market Street in Canton, Ohio, lights up for big Defense Stamp parade, September 16.

Below: One of the many beautiful floats in the 2-hour-long parade.



"DOLLARS FROM HEAVEN"



Canton's public square racing for
from nearby buildings and Miss Davis'

Below: Arlene Davis, famous aviatrix, selling Defense Stamps before taking off for her flight over downtown Canton during which she dropped hundreds of balloons, each containing a certificate redeemable for one dollar's worth of stamps at some designated store.



"S" DAY IN CANTON
(Continued)

THE PARADE:

More than 4000 marchers, 15 bands, several Army, Marine Corps and Coast Guard units, and 150 floats took part in the parade which got underway at 7:30 P.M., and continued well into the evening.

Canton's main streets were ablaze with lights for the occasion as the Retail Merchant's Board had brought out its spectacular Christmas lighting display.

Marching groups, decorated trucks and beautiful floats represented practically every element in the community - lodges, patriotic societies, labor unions and other organizations - as well as business houses.

Aerial bombs exploding intermittently, colored streamers and bits of paper floating down from the taller buildings, beautifully decorated store windows, many having the Minute Man and other patriotic motifs, all combined to make the evening parade tremendously impressive.

"Viewed from a curbstone the parade was tops", wrote a reporter in the Canton Repository. "Beauty, a proud sense of patriotism, and the warmth of an elbow-rubbing democracy combined to provide dramatic punch that a less spontaneous, more formal pageant could not have achieved".

* * * *

THE MANY PERSONS whose cooperation made it possible for Canton to stage its outstanding demonstration cannot be listed here. However, special recognition is due to Charles M. Isaac, Executive Secretary of the Canton Retail Merchant's Board and Roy D. Moore, Publisher of the Canton Repository and Chairman of the State Defense Savings Committee for Ohio.

Both Mr. Isaac and Mr. Moore in their reports of the event have emphasized the genuinely enthusiastic 100% cooperation which was shown by everyone who was asked to help. Canton merchants contributed most generously to meet the special expenses of the occasion - for example the cost of bringing out the special display lighting and the living expenses of service men who were on duty in Canton throughout the week. In many other tangible ways the business men gave evidence of their determination to make "S" Day a truly notable occasion.

* * * *

Do these events sell stamps? Well, Postmaster Louis J. Elsassser announced that during the first two days of Retailers for Defense Week sales amounted to nearly as much as the combined sales during the first four months of their marketing in Canton.



DAUGHTERS OF AMERICA



ISALY FLOAT



STATE CHAMPION DRUM CORPS
SONS OF V. F. W.



MAJORETTES OF THE SONS OF V. F. W.
DRUM CORPS



SPECTATORS



MAJORETTES, LINCOLN HIGH SCHOOL BAND



PAYROLL ALLOTMENT PLAN INSTALLATION

Procedures For Local Committees to Follow
Outlined In Field Bulletin #7 From Which
The Following Excerpts Were Taken

"The Payroll Allotment Plan for systematic installment purchase of Defense Savings Bonds has been endorsed by many leaders of labor and industry. . . . Employees of several thousand business concerns throughout the country already are using the Payroll Allotment Plan as a means of reserving a portion of their current earnings toward the purchase of Defense Savings Bonds, and a major responsibility of the field organization is to promote its widespread adoption. . . .

"Members of State and local Defense Savings Committees, whose experience and ability qualify them to do so, should be assigned to specialize in the presentation of the Payroll Allotment Plan to employers and employees. . . . It is desirable that representatives of both employers and employees be included among the committee members selected to specialize in this work. It is also desirable that members of State and local committees who also are members of the National Association of Life Underwriters be included in this group, inasmuch as members of this Association in many instances have had experience in this type of work.

"The active cooperation of employee organizations should be enlisted not only to further the installation of Payroll Allotment plans but also to stimulate continuing interest in such plans. . . . Adoption of the Payroll Allotment Plan is a joint undertaking by employer and employee. It is the employee who is asked to purchase Defense Savings Bonds in this manner; it is the employer who is asked to defray out-of-pocket expenses of operating the Payroll Allotment Plan.

"Through consultation with labor and industry representatives on Defense Savings Committees, the field organization should at all times be adequately informed concerning labor relations and should be able to develop the best possible presentation of the Payroll Allotment Plan to both employers and employees of individual establishments. Wherever the extension of the Payroll Allotment Plan is contemplated to establishments in which there are unions of employees, the promotional approach should be guided by the advice of labor representatives having membership in Defense Savings Committees."

* * * *

NEW ALLOTMENT PLANS

Here are a few of the nationally known business organizations which have recently announced payroll allotment plans:

Carnation Company, Seattle, Washington
Coca Cola Company, Atlanta, Georgia
B. F. Goodrich Company, Akron, Ohio
International Business Machines Corp.,
Binghanton, New York
Westinghouse Electric & Manufacturing Co.,
Pittsburgh, Pennsylvania

EMPLOYEES OF MANY CITY AND STATE
GOVERNMENTS PARTICIPATING IN ALLOTMENT PLANS

Government employees in many parts of the country are setting an example for employees in private business in this matter of systematic saving for Defense Bonds. State, county and city government employees as well as employees in practically all Federal departments and agencies are participating in regular voluntary purchase Plans.

The state governments of NEW MEXICO, RHODE ISLAND and WASHINGTON have installed allotment plans similar to those in effect in many private business firms. Voluntary purchase plans similar to the ones used by Federal departments and agencies are in effect in many offices of the state governments of CONNECTICUT, FLORIDA, MASSACHUSETTS, MICHIGAN, MINNESOTA, MISSISSIPPI, MISSOURI and MONTANA.

Among the city governments which have established allotment plans are: DENVER, Colorado; BRIDGEPORT, HARTFORD, NEW HAVEN and WATERBURY, Connecticut; NEWARK and JERSEY CITY, New Jersey; CENTRAL FALLS and PROVIDENCE, Rhode-Island; MEMPHIS, Tennessee; and SEATTLE, SPOKANE, TACOMA and WENATCHEE, Washington.

Other city and county governments with either allotment plans or regular purchase pledge plans of one kind or another include: the cities of WICHITA, Kansas; MONROE, Michigan; JACKSON, Mississippi; WINSTON-SALEM, North Carolina; and EL PASO, Texas; and HINDS COUNTY Mississippi and TRAVERSE COUNTY Texas.

* * * *

ALLOTMENT PROGRESS NOTES

MORE THAN 80% of the 12,000 employees of the Prudential Insurance Company of Newark, N. J., are participating in an allotment plan.

"PRACTICALLY ALL" of the 450 employees of the Green Shoe Manufacturing Company of Boston, Mass., are saving regularly for Defense Bonds.

NEARLY 90% of the 400 employees of the Illinois Tool Works in Elgin, Illinois have joined a Defense Savings allotment plan.

SPRINGFIELD, MASSACHUSETTS labor leaders are working actively to encourage installation of payroll allotment plans.

SHOE WORKERS in the Nashua and Manchester, New Hampshire factories of the McElwain Company adopted a resolution favoring an allotment plan.

MORE THAN 50,000 DALLAS, TEXAS WORKERS have enrolled in systematic saving plans according to W. A. Thomas, Chairman of the District Defense Savings Committee there. Theatres, retail and wholesale merchants, insurance companies, local offices of the Federal Government, cotton brokers, and businesses of many other types have established these plans and participation in the program is increasing steadily, Chairman Thomas reports.

COLORFUL POLISH PEASANT COSTUMES CALL ATTENTION TO DEFENSE SAVINGS POSTERS



Young ladies employed in the offices of the Polish National Alliance, which has its headquarters in Chicago, are shown here as they appeared on September 10 after participating in a Defense Day parade in Chicago's Polish community on Milwaukee, Division, and Ashland Avenues.

SLOVENIAN WOMEN INVEST FOR DEFENSE



Mrs. John Priland of Sheboygan, Wis., national president of the Slovenian Women's Union of America, is shown receiving from C. E. Broughton, chairman of the Wisconsin Defense Savings Committee, a \$1,000 Defense Savings Bond. "Our Union is proud to do its part for national defense," said Mrs. Priland. The above picture was taken in the office of the State Chairman.

LITHUANIAN GROUP BACKS DEFENSE WITH DOLLARS



Investment of \$20,000 in Defense Bonds has been reported by the Lithuanian Citizens Political Club of Waterbury, Conn. From left to right, Charles Cvirka, president of the club; Peter E. Poskas, vice-president; and Leroy W. Foote, manager of the branch of the Waterbury Savings Bank where the bonds were purchased.

TO THE LADIES

How One National Women's Organization Cooperates

Last summer in Southern California, delegates to the biennial convention of the National Business and Professional Women's Clubs, Inc., voted unanimous endorsement and approval of the Defense Savings Program. Before the chill of Autumn had yet touched New York City, where the Business and Professional Women have national headquarters, a detailed Defense Savings Program, designed to dovetail into the club's general program for the year 1940-41, had been worked out, written up, and sent to all the Presidents of the 1700 local units of the NBPW.

The general program for the NBPW club year was designed around the theme "Strengthen Democracy for Defense." In October, for example, it was suggested that the women develop the subject, "Our Town's Defense Contribution." Next April, meetings are to be concerned with "The Cost of Defense." National headquarters urged local club presidents to fit the subject of Defense Savings into both of these sessions.

At the same time that the detailed Defense Savings Program was sent to 1700 local BPW Presidents, 50 copies of the leaflet "We Gals Have To Stick Together" were sent to each local President for distribution among her members.

The Plan

In a ten point plan of action, local Presidents of all Business and Professional Women's Clubs, were urged to:

1. Appoint a Defense Savings Chairman.
2. Set aside a meeting, or part of a meeting, for a Defense Savings Program.
3. Set aside five to fifteen minutes at the beginning of each meeting throughout the year for some Defense Savings activity.
4. Help to plan a community Defense Savings Program.
5. Plan one big Defense Savings social function for the year.
6. Use Defense Savings Bonds for club investments.
7. If the club has a radio program, schedule a series of Defense Savings Programs.
8. Use publicity to recruit club members and others in the community of the Defense Savings Program.
9. Organize a study group under the leadership of the Club's Defense Savings Chairman.
10. Encourage club members to use Defense Bonds and Stamps in every way that they can.

Each of these points was developed with detailed program suggestions and lists of materials that can be obtained through the Defense Savings Staff. These include speeches, quizzes, posters, music, leaflets and booklets.

TO THE LADIES
(Continued)

Local BPW Clubs Swing Into Action:

Palestine, Tex., — "Received the Defense Savings Program for Business and Professional Women and it came to us just at the right time. From it I got the idea to have our club sponsor the sale of Defense Stamps at our local fair to be held here October 6-11. We had intended to have a concession at the Fair to boost our finances, which are deplorably low right now, but it occurred to us that this service we might render would be of more lasting benefit to a greater number of people than the money we might earn from the sale of something else, so we are going to donate our services and time for the entire week to this purpose. The Fair Association will give us any space we might want, and the Postmaster and the Chairman of the Citizens Defense Committee have offered us all the help that they can give."

Reno, Nev., — "Our Business and Professional Women's Club in Reno devoted its first dinner meeting of the year to a Defense Saving Stamp Program. The \$2.50 usually spent for decorations was used in the purchase of Defense Stamps. These were given as prizes in a quiz called "What's My Name?" The leaflet "We Gals Have To Stick Together" was distributed by one of our members, who was dressed as the Goddess of Liberty. At the same time "Any Bonds Today?" was being sung."

FOOD FOR THOUGHT
"We Must Deny Ourselves...."

The National Business and Professional Women's Clubs, Inc., concludes its message to local club presidents on Defense Savings with these thoughtful and sober minded words:

"It must be remembered that there are people in every community who cannot afford to save without endangering the health of their families. But for those who can afford to save it is not enough to buy one stamp or one bond.

"The object of the Defense Savings Program is continuous, systematic saving out of current earnings. We must deny ourselves some luxuries and use what we save in this way to buy Defense Savings Bonds and Stamps."

* * * *

We hope, TO THE LADIES, will give women members of State and local Defense Savings Committees concrete, practical information which may be helpful in planning their own activities.



Vermont State Administrator Fred C. Martin talks to carriers of the *Burlington Free Press* before they leave to distribute Defense Savings literature. The newsboys reached every household in Burlington and Winooski, which have a combined population of about 35,000.

BIG BOSTON BANK OFFERS NEW SAVINGS PLAN



State Administrator Daniel J. Doherty and Vice President William F. McCarthy of the National Shawmut Bank of Boston discuss the details of the bank's new plan to encourage investment in Defense Bonds. Under this plan borrowers may, at their option, include in the monthly payments on their loans an additional sum which is set aside and accumulated toward the purchase of Defense Bonds.

NAUGATUCK EAGLES DISPLAY THEIR BONDS



This simple but attractive window display features the \$10,000 worth of Defense Savings Bonds which have been purchased by the Naugatuck, Conn., Aerie No. 640 of the Fraternal Order of Eagles.

VIRGINIA BANKERS GO OVER THE TOP

All Virginia banks, 130 national and 184 state chartered institutions, a total of 314, have now qualified as issuing agents for Series E Bonds. Virginia thus becomes the fourth field division in which the banks are cooperating "100%" with this phase of the Defense Savings Program. Inasmuch as Virginia has many more banks than the first three to attain 100% status (The District of Columbia, Nevada and Oregon) the achievement is especially noteworthy.

All National banks in the following states (in addition to the District of Columbia, Nevada, Oregon and Virginia) have now qualified according to the Treasury's September 30 report on the number of qualified issuing agents: Arizona, Florida, Maine, South Carolina, Utah and Washington. New York with 412 out of 425 National banks qualified also merits special mention.

All State banks have qualified in only the four 100% states. But again New York with 296 of its 300 state chartered institutions qualified has an outstanding record.

All mutual savings banks in nine states have now qualified: the District of Columbia, Maryland, Minnesota, New Jersey, New York (134 banks) Ohio, Oregon, Vermont and Washington. Maine with 30 out of 32 such banks qualified is close to the goal.

For the Country as a whole, 89% of all National, 72% of all State, and 90% of all mutual savings banks have now qualified.

These figures are impressive tributes not only to the patriotism and sound judgment of bankers generally but also to the untiring efforts of many leaders of the banking fraternity. Secretary Morgenthau, addressing the annual meeting of the American Banker's Association in Chicago, October 2, said:

"You have given magnificent help and given it unselfishly and cheerfully, in the selling of Defense Savings Bonds and Stamps. In this effort the Treasury will continue to depend greatly upon the bankers of America, not only as its agents in selling Defense Bonds but also as missionaries in spreading the gospel of savings in times like these."

* * * *

BANKS MAY NOW STOCK BONDS WITHOUT PUTTING UP COLLATERAL

The Treasury has recently announced that it is no longer necessary for banks insured with FDIC to put up collateral for the Series E Bonds which they keep in stock for their customers.

* * *

Every director, officer and employee of the Lincoln National Bank in Newark, N. J., has purchased at least one Defense Bond. The bank is advertising this fact with the comment: "Have you?"

DEFENSE SAVINGS ON THE AIR
Radio Programs For Coming Week

Monday, Oct. 13 FOR AMERICA WE SING 9:30-10:00 P. M. (EST)
 NBC Blue Network

Symphony Orchestra conducted by Dr. Frank Black with the NBC Choir.
 GUEST STARS: Felix Knight and Anna Kaskas.

* * * * *

Tuesday, Oct. 14 MILLIONS FOR DEFENSE 8:00-9:00 P. M. (EST)
 NBC Blue Network

This week's all star cast includes Fay Wray, Claude Rains, Phil Baker, Kenny Baker, Barry Wood, Wynne Murray, Leonard Joy's Choir and Orchestra and Graham McNamee and Larry Elliott.

* * * * *

Saturday, Oct. 18 AMERICA PREFERRED 9:15-9:45 P. M. (EST)
 Mutual Network

Symphony Orchestra conducted by Alfred Wallenstein. Commentator
 Deems Taylor.
 GUEST STAR: Jascha Heifetz.

* * * * *

AN ATTRACTIVE BROCHURE has been issued by the Bendix Aviation Corporation to announce its sponsorship of "Millions for Defense" for the next three months.

"For Bendix", the booklet states, "the broadcasts will accomplish everything we could want them to. . . . if they achieve their purpose for America. This is our aim, our hope, our prayer."

THESE STATIONS carry the Treasury Hour Program:

Ala. - WHMA, WSGN; Ariz. - KTAR, KGLU, KYUM, KVOA; Ark. - KTHS;
 Calif. - KPER, KWG, KGO, KERN, KECA, KTMS, KPSS; Colo. - KVOD, KGHF; Conn. -
 WNBC; District of Columbia - WMAL; Fla. - WTLC, WSUN, WLOP, WKAT, WMFT, WJHP;
 Ga. - WAGA, WGAC; Ill. - WENR - WLS; Ind. - WWOV, WISH, WBCW, WGBF; Iowa - KSO,
 WOC, KMA; Kans. - WREN; Ky. - WINN; La. - WIBO, WDSU; Md. - WCBM; Mass. - WBZA,
 WBZ; Mich. - WBCM, WDFW, WXYZ, WIBM, WELL, WJIM; Minn. - WTON; Nev. - KOH;
 New Mexico - KOB; New York - WJZ, WKIP, WTRY, WSYR, WMPF, WHDL, WEBR, WHAM,
 WJTN; North Carolina - WHKY, WGNC, WAFR, WAFD, WEED, WCBT; North Dakota - WDAY;
 Ohio - WHK, WAKR, WIZE, WING, WSAI; Okla. - KOMA, KTOK; Ore. - KEX; Pa. - KQV,
 WFIL; Rhode Island - WEAN; South Carolina - WORD, WCOS; Tenn. - WMPB, WAPO,
 WROL; Tex. - KGKO, KPDM, KXYZ; Utah - KUTA, KLO; Va. - WRNL, WING; Wash. - KJR,
 KGA; W. Va. - WINC, WVA; Wyo. - KFBC.

C A B L E

To: Federal Reserve Bank, N.Y.
From: Stabilization Board of
China, Hong Kong.
Date: October 11, 1941.

#7.

Charge U. S. Dollar - Chinese Yuan Stabilization Fund of
China, Special Account, and pay Chartered Bank of India, Australia
and China U. S. \$11,330 for account of Chartered Bank of India,
Australia and China, Shanghai Branch Office. National City Bank
of the City of New York U.S. \$21,142.20 for account of National
City Bank of the City of New York, Shanghai Branch Office.

(Signed)

Stabilization Board of China.

(Rec'd by phone from FRB, N. Y., 10:20 a.m., 10-11-41 Mr. Lang's of. hr)

C
O
P
Y

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DEPARTMENT OF STATE

WASHINGTON

In reply refer to
Lt 240.51 Frozen
Credits/3729

October 11, 1941.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses six copies of a paraphrase of a telegram from the American Consulate, Martinique, dated October 1, 1941, 11 a.m., concerning a breakdown for the October exchange license which was submitted by the High Commissioner.

Enclosures:

From Consulate, Martinique,
October 1, 1941, 11 a.m.,
6 copies of paraphrase.

Copy:hr:10-13-41.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate, Martinique, French West Indies

DATE: October 1, 1941, 11 a.m.

NO.: —

The following breakdown is submitted by the High Commissioner for the October exchange license:

GUADALOUPE

Foodstuffs	140,000
Industrial materials...	117,200
Manufactured series ...	<u>87,000</u>
TOTAL.....	<u>344,200</u>

MISCELLANEOUS

Financial Attache	44,700
-------------------------	--------

MARITIME

Foodstuffs.....	126,000
Manufactured Goods....	103,500
Industrial Materials..	<u>133,600</u>
TOTAL.....	<u>363,100</u>

SHEEHAN

EA:PAK

804.51 Frozen Credits/3729

Copy:lc:10/13/41

PLAIN

144

Johannesburg

Dated October 11, 1941

Rec'd. 12:12 p.m., 12th

Secretary of State,

Washington.

Eleventh.

Minister of Finance announced yesterday arrangement with British Government for reducing Unions gross external debt by repatriating securities issued in London aggregating approximately thirty million pounds. British Government will take over all holdings by residents of United Kingdom of Union stocks ordinarily redeemable commencing 1943 and 1945 respectively and transfer them to South African Reserve Bank in exchange for equivalent amount of gold. Bank will pay in installments up to end of this year. Meanwhile banks gold reserve will be maintained by replacement purchases from mines. Union Government's loan requirements current fiscal year aggregate 78 million pounds including 48 million for defence, public works and railways and 30 million for debt repatriation. Of total 26 million available from public debt commissioners leaving 52 million required from public of which 22 million will be derived from two loans to be offered October 13 one long term at 3% and one short term at 2 1/4% both issued at par. Debt repatriation loan to be offered later at 3% also issued at par maturing 25 to 30 years. Savings bonds 3 1/4% maturing 12 years also being offered to middle class of investors.

BROOKS.

EE

100-10-11-17-41

TREASURY DEPARTMENT

145

INTER OFFICE COMMUNICATION

DATE October 11, 1941

TO

Secretary Chauncey
 Secretary Morgenthau

FROM

Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£ 9,000
Purchased from commercial concerns	£19,000

Open market sterling was again quoted at 4.03-1/2, and there were no reported transactions.

In New York, little movement took place in foreign exchange quotations except for a slight improvement in the Argentine free peso. Closing quotations were:

Canadian dollar	11-7/16% discount
Argentine peso (free)	.2350
Brazilian milreis (free)	.0505
Colombian peso	.5775
Mexican peso	.2070
Uruguayan peso (free)	.4600
Venezuelan bolivar	.2700
Cuban peso	1/16% discount

There were no gold transactions consummated by us today.

No new gold engagements were reported.

It will be recalled that, on August 21, the Federal Reserve Bank of New York granted the Central Bank of El Salvador a three-month loan of \$200,000, setting aside as collateral \$226,000 in gold from the Salvadorean bank's earmarked account. Although the maturity date was November 21, we were advised that the Salvadorean bank repaid this loan yesterday, whereupon the Federal returned the \$226,000 in gold to the Salvadorean bank's earmarked account. At present, there are no Federal loans to Salvador outstanding.

RESTRICTED

W-2/2657-220; No. 516 M.I.D., W.D. 11:00 A.M., October 11, 1941

SITUATION REPORTI. Eastern Theater.

Ground: The situation on the central front is still obscure.

No change at Leningrad.

The German High Command claims that the destruction of the Russian armies trapped in the Bryansk and Vyazma areas is proceeding rapidly and that the destruction of the forces surrounded north of the Sea of Azov is practically completed.

German armored forces have reached Gzhatsk, 50 miles northeast of Vyazma.

Air: German sources claim Moscow and Leningrad were bombed last night. Moscow reports downing several German bombers in that area.

II. Western Theater.

Air: The R.A.F. raid over Germany last night was on a normal scale after several days of comparative inactivity resulting from bad weather.

A port on the British east coast, thought to be Hull, was the main objective of German planes last night.

London yesterday announced that the new American-built Airacobra has been employed especially for protection of long-range bombers during their attacks on Nazi-occupied positions on the Continent.

III. Middle Eastern Theater.

Air: Axis air forces operated against Tobruk and Marsa Matruh, while the British raided Benghazi and were thought to have operated over Sicily.

RESTRICTED

October 12, 1941

Identical letters were sent to the following:

Hon. Secy. of Labor
Hon. Secy. of State
Hon. Attorney General
Hon. Secy. of Agriculture
Hon. Postmaster General
Hon. Secy. of Commerce
Hon. Jesse H. Jones

Hon. Paul V. McNutt
Hon. John M. Carmody
Hon. Secy. of War
Hon. Secy. of Navy
Hon. Secy. of Interior
Hon. Vice-President
The President

NOV 12 AMSTO

Dear Mr. President:

You may be interested in the enclosed leaflet covering Tax Savings Notes, which has been prepared by the Treasury for distribution to banks and corporations throughout the country.

The purpose of the leaflet is to provide these institutions with concise information, for reference, when discussing tax notes with depositors or employees.

Although we do not now contemplate distributing the leaflet to the public, copies are available at the Treasury Department upon request.

Faithfully yours,

(Signed) E. Morgenthau, Jr.

The President,
The White House.

Enclosure.

By Messenger *Manna 9:55*
4/13/41

GB:amo 11/11/41



THE COMMANDANT OF THE UNITED STATES COAST GUARD

WASHINGTON

13 October, 1941

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

Subject: Crash of Coast Guard plane V-188.

Inclosures: (A) One set of 4 pictures showing location of crash.
 (B) One set of 7 pictures showing damage to plane.
 (C) One airway map showing location of crash.
 (D) One road map of Dutchess County, New York, showing location of crash.

1. In accordance with your request I am submitting this memorandum and its inclosures for your personal files. You were previously furnished a narrative report made by each of the following men, together with copies of radio messages that were made to and from the plane during the flight:

Lieutenant W. E. Sinton
 ACMM(AP) E. T. Preston
 ACMM Lonnie Bridges
 CRM S. J. Brodnan
 Lieutenant J. A. Breton
 Lieutenant A. J. Hesford
 Lieutenant C. L. Harding.

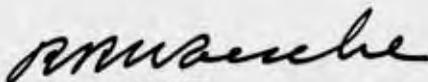
2. Plane V-188, with Lieutenant W. E. Sinton, Pilot, ACMM E. T. Preston, Co-pilot, ACMM Lonnie Bridges, Plane Captain, and CRM S. J. Brodnan, radioman, left Washington Airport at 4:00 P. M., October the 3d, for New Hackensack, New York, with Secretary Morgenthau as passenger. In coming down through the fog to make a landing at New Hackensack, the plane hit the tree tops on Lloyd's Hill, approximately thirteen miles north of the airport, but due to almost superhuman effort and ability on the part of the plane crew the plane was kept in flight and eventually landed safely at the Philadelphia Airport. The details of the flight are contained in a previous report to you. The plane was badly damaged, as shown in the inclosed photographs, and it is almost a miracle that a fatal crash was avoided.

Secretary of the Treasury

#2

3. On October the sixth a detail from the New York District made a search to determine accurately where the plane hit the tree tops. This was accurately located approximately thirteen miles north of the New Hackensack Airport, and photographs and maps showing the location are inclosed herewith. A wing tip, part of stabilizer and loop housing of the plane were recovered from the trees.

4. It will be two months or more before the plane can be repaired and placed back in service.



R. R. WAESCHE



View of Ibisbill feeding in the marsh.





Closeup of trees cut by V 188 , arrows indicate larger trees, to obtain better perspective as to size of trees , hold photo at arms length.



photograph of tree tops and branches cut off and snapped off by 118. Altitude in photograph is used for showing relative size of branches. Although altimeter was used to obtain correct altitude of spot above sea level, the altimeter-reading in this photograph is not corrected.

View near summit of Lloyd Hill where V-188 was damaged.

White lines in center of photograph are trees which were cut and snapped off by plane.



156



157



158



159



100



161

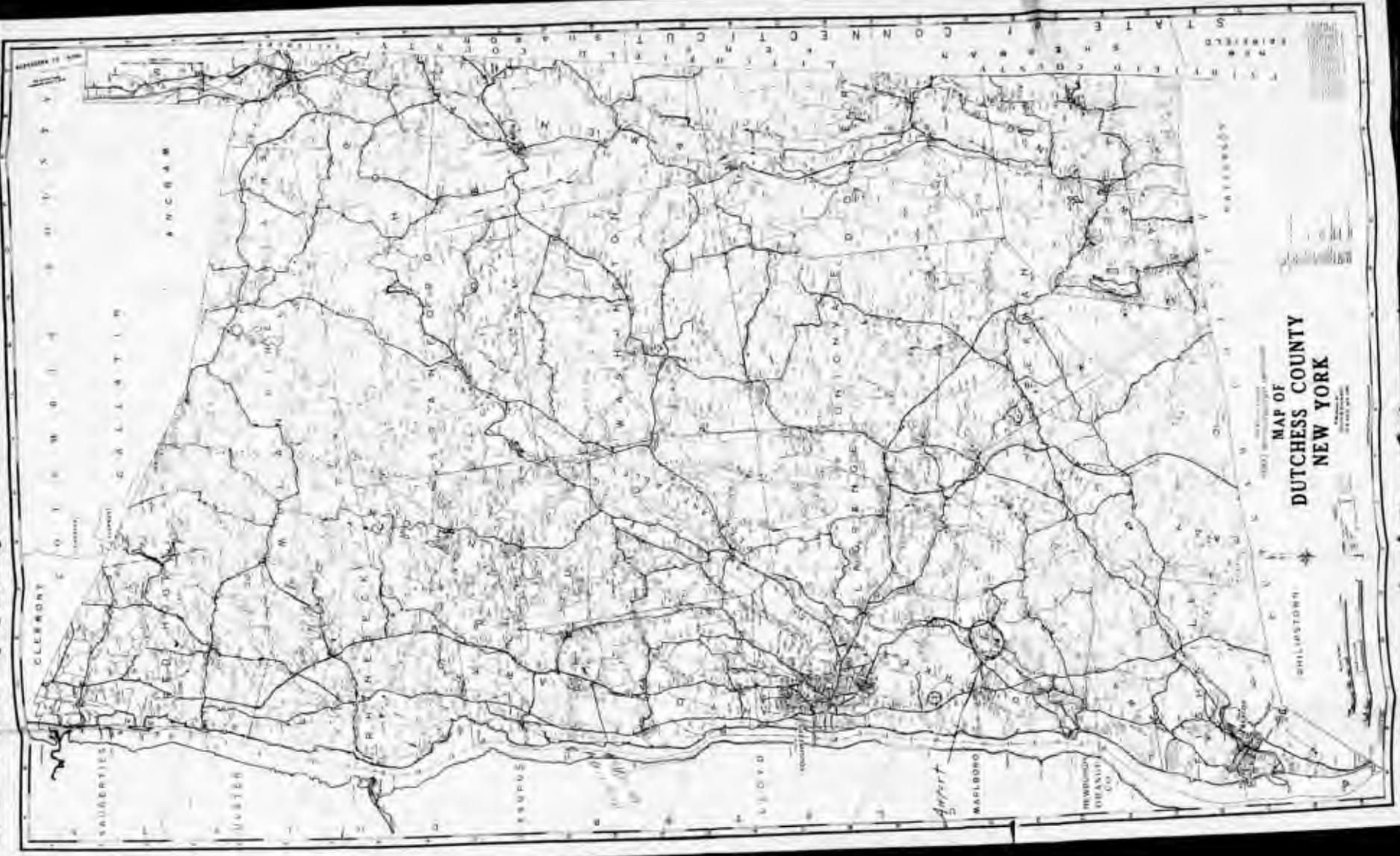




PHOTODUPLICATION
SACRAMENTO
CALIFORNIA

(1)

NEW YORK
OFFICIAL TERRITORY



MAP OF
DUTCHESS COUNTY
NEW YORK

1887



PHILMSTOWN

Amert

MARLBORO

HOWLAND
DUTCHESS
CO.

October 13, 1941
11:15 a.m.

GROUP MEETING

Present: Mr. Buffington
Mr. Morris
Mr. Barnard
Mr. Thompson
Mr. Viner
Mr. Sullivan
Mr. Waesche
Mr. Johnson
Mr. Kuhn
Mr. Graves
Mr. Foley
Mr. Haas
Mr. White
Mr. Schwarz
Mr. Bell
Mrs. Klotz

H.M.Jr: I have got a lot of little tidbits here I would like to get rid of. I got a complaint, Harold. A ten year old child doesn't get Irving Berlin's song, and then I asked and they said they had a hundred letters and a thousand postal cards and they can't fill them until November first.

Graves: That is right. They are out of print.

H.M.Jr: Not too good.

Graves: Well, we are always in difficulty in keeping our stocks up, on account of paper shortage difficulty that the Government printing office has.

H.M.Jr: But three weeks, Harold, to wait, for a little girl, kind of spoils it.

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Graves: We have had difficulty with posters and literature of all kinds in getting anything like prompt delivery.

H.M.Jr: Tell your mail order fellow not to get so far ahead then, will you, or else your production man. At least get them together. I would much rather have your mail order man stay ahead and get your production man busy. Harold?

Graves: Yes, sir.

H.M.Jr: Please. I see by the Pearson and Allen column that they say that the Justice Department hopes the Treasury will relent on money for four hundred fifty sailors.

Foley: They haven't said anything to me.

H.M.Jr: Well, they said something to Pearson and Allen.

Foley: I guess that comes first.

H.M.Jr: This is just distributing. I have just got a lot of odds and ends. Mr. Barnard, here are two things. The British magazine says the U.S. is grabbing markets. You had better get the original magazine. And do we, or don't we, buy those locomotives? I would like to know.

I am sending everything now to you that comes to me from Cliff Mack, so if there is something important, if you would either come in or send me a little chit or something. And then would you make a note to find out what are the important items that Cliff Mack, Procurement, has difficulty in getting ready delivery of, you see, and then after that I would like to sit down with you. I mean, what are things that he can't buy within the week that we have given him to buy, you see.

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Barnard: All right, sir.

H.M.Jr: Please. Harry, I see there has been - rather, this is Foley. Are we juggling in the--

Foley: I saw that in the paper yesterday.

H.M.Jr: In the State Department? And after three years they have finally put Joe Green--

Foley: As personal assistant to Hull.

H.M.Jr: in charge of the refugees. God help the refugees. I think it is outrageous.

Klotz: Oh, that is terrible.

H.M.Jr: Isn't that terrible? Did you know anything about it?

Foley: No, I had no advance notice of it at all. I saw it in the paper yesterday.

H.M.Jr: Isn't that terrible?

George, I notice that there is an A. F. of L. monthly bulletin that talks about inflation. Would you get hold of the monthly bulletin and let me see it? What happened to Preston Delano? He went out and made his speech about big banks. He must have got religion.

Bell: About them cooperating?

H.M.Jr: No, he laid it right on the line. Great concentration of financial power offers certain immediate advantages. The prime object of the American citizen is the wealth of the individual and preserve freedom, and so forth and so on. He talks about the big banks and the Bank of America. Did you write his speech?

Sullivan: Where did he give it?

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Schwarz: He wrote it himself.

Bell: New Hampshire.

H.M.Jr: Whitefield, New Hampshire.

Sullivan: It must be the mountain air.

H.M.Jr: It has been a long while in getting there.

Sullivan: You should have sent him up there sooner.
(Laughter)

H.M.Jr: Say, as long as you are so perky today, New Hampshire, I think, is one of the four states we don't have an administrator on. How about the mountain air?

Sullivan: The trouble is we have so many good men it is hard to pick them.

H.M.Jr: Utah and Louisiana and North Dakota and South Dakota.

Sullivan: I will take care of that.

H.M.Jr: Before the sun sets?

Sullivan: Before the sun sets tomorrow.

H.M.Jr: Ambassador Winant sends me a telegram that I would like to refer to Bell and White and Viner and Foley. I don't know what it is all about but it has to do with Lend-Lease and inter-department advisory committee, carrying out the Eden memorandum. Well, if the four of you would get together and draft me an answer, will you please?

Bell: Yes.

H.M.Jr: That is all the junk I have got.

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Thompson: I have a letter designating Mr. Julian as Community Chest Chairman for the Treasury. He is glad to serve again this year as he did last. Mr. Acheson wrote you a couple of weeks ago asking that you let him have all files on the Vultee Aircraft contract matter.

I have been in touch with Phil Young, and he has nothing over there, and we have nothing in our files other than what we have already given the State Department. The only thing missing are the stenographic recordings of meetings in your office, and I assume you don't care to have those sent over.

H.M.Jr: No.

Thompson: Well, that tells them to look in the Swedish file which we gave them.

H.M.Jr: In other words, it is in the State Department?

Thompson: That is right.

H.M.Jr: Dan, I am ready to talk to whomever is interested in Social Security. When do you want to talk?

Bell: Roy Blough is away.

H.M.Jr: But I have made up my mind.

Bell: Oh, I see. You read the--

H.M.Jr: Yes.

Bell: All right, any time you say today.

H.M.Jr: Today?

Bell: I don't care, today or tomorrow.

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H.M.Jr: Well, why not let's say at ten o'clock tomorrow?

Bell: All right. The same people?

H.M.Jr: Yes, and I would like - Jake, if you haven't read Altmeyer's memo, I wish you would do it and bring it in to that meeting.

Viner: Is that a new memo? Not the bulky one?

Bell: Well, that is a draft of the President's message.

H.M.Jr: If you could ask somebody about this "insured worker or a member of his family." I don't understand that. I can understand where each worker should be insured, but how are you going to insure the members of the family?

Bell: I think that is probably following out the President's idea.

H.M.Jr: Well, anyway--

Bell: That if anybody doesn't work, they ought to get so much money.

H.M.Jr: All right, Daniel.

Bell: Mayor LaGuardia called me again late Saturday night about those people who are working up there, so I got hold of Mr. Cann and told him to get McNamara down there and get the people off the job until we determine whether or not they are violating the Hatch Act, and Mr. Sullivan is going to have a conference on it.

Sullivan: We have already had that conference, Dan. Mr. Cann came over and talked with Mr. Foley and Mr. Thompson and myself, and it was the

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unanimous opinion that they should not be permitted to return to do that work.

- Bell: I understood they did not want to work, but they were told to work by somebody outside of our organization.
- H.M.Jr: Well, how is it left?
- Bell: They are not working.
- H.M.Jr: They are not?
- Bell: No.
- Sullivan: They were called off Saturday night, and about a half hour ago Cann phoned up and told them they were not to report.
- H.M.Jr: Do I have to get in on it?
- Sullivan: No, you are out.
- H.M.Jr: Which way did LaGuardia want it?
- Bell: He wanted it this way.
- H.M.Jr: For heaven's sake, tell him he has got it, because this is the tenth thing he has asked me and the first I have been able to do.
- Bell: I called him and told him what we were doing. Would you like to have us call him and say, "They are off permanently"? I think the work is over tonight.
- Foley: He was absolutely right in complaining. What they did, they made these people go on annual leave and go up there to check these petitions.
- H.M.Jr: Who gave that order.

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H.M.Jr: Who gave that order?

Bell: Apparently it came from the politicians in the ward.

Foley: With cooperation with somebody in the Treasury, too.

Bell: They said not.

H.M.Jr: John, I wish you would go to the bottom of that.

Sullivan: All right, sir.

H.M.Jr: After all, Internal Revenue is under you. I have got to look to you. I would like to know where that order came from.

Bell: They think it came from outside, but they went to, as I say, McNamara and asked for annual leave. He said as long as they wanted to go, he gave them annual leave.

H.M.Jr: What were they checking?

Bell: Checking these petitions to see whether or not they were proper and not fraud.

Sullivan: There was a petition signed to put LaGuardia on the ticket for two other parties. The Democratic organization there is protesting the validity of those petitions on the ground that most of the people who signed them were registered and voted in the Republican primary.

H.M.Jr: Well, I still say, John, get to the bottom of it.

Sullivan: All right, sir.

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H.M.Jr: Because it is your responsibility and who is giving orders - it is like that other case I sent you. Who gave the orders on that investigation? This is the second one.

Sullivan: I am ready to talk with you any time.

H.M.Jr: This is the second one. I never give an order like that.

Bell: The other thing is, we ought to get together pretty soon on the type of Treasury stamp that we are going to issue beginning with the first of the year, savings stamp. I have some models here, and I don't know whether Harold has seen them or not. Have you, Harold?

H.M.Jr: Well, I am not particularly interested in them.

Bell: You are not?

H.M.Jr: No. If you and Kuhn and Graves and Odegard decide, it is all right with me.

Bell: All right, we will go ahead on it.

H.M.Jr: Just as long as the color isn't pink. We have got plenty of people around.

Bell: One unfortunate thing about it is that we have got about a hundred and sixty million dollars worth of stock on the postal savings stamps.

H.M.Jr: That is face value?

Bell: Yes.

H.M.Jr: I mean, it is not worth that.

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Bell: No, that is the face value of it, but it costs quite a bit of money to prepare that stock.

H.M.Jr: Well, I still refer it to you gents.

Bell: All right, that is all I have.

Buffington: I have nothing to report.

H.M.Jr: You are getting along all right?

Buffington: Yes, sir.

H.M.Jr: Are you getting enough help?

Buffington: Yes, sir.

H.M.Jr: You are not getting pushed around by the savings bank fellows, are you?

Buffington: Not at all. I have several things under consideration, but I would rather wait a few days until they are more definite.

H.M.Jr: Harold?

Graves: Nothing.

H.M.Jr: Just like that?

Graves: Yes.

There is one thing I might mention. I probably ought to go down to New Orleans myself on that matter down there which we spoke of the other day. If it is agreeable to you, I will do that, probably this week.

H.M.Jr: I hate to let you go. Isn't there anybody else that could do that but you?

- 10 -

Bell: No, that is the face value of it, but it costs quite a bit of money to prepare that stock.

H.M.Jr: Well, I still refer it to you gents.

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H.M.Jr: I hate to let you go. Isn't there anybody else that could do that but you?

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Graves: Well, it would be a little difficult. We have become involved a little with the collector of Internal Revenue, who is in and out of this picture. That is, he announced that he was going to run for mayor.

H.M.Jr: Who?

Graves: The Collector of Internal Revenue was asked to serve as our administrator down there. He accepted. Then he backed out because he was going to run for mayor. He announced for mayor.

(The Secretary held a telephone conversation with Mayor LaGuardia.)

Sullivan: I have already passed that message along.

H.M.Jr: Well, tell Berkshire to have a couple of special fellows go in - gee, we used to have a wonderful squad in the old days. I don't know what he has got now. Tell him to go into a couple of cabarets and look at the things - bar bottles, is that what they used to call them, Harold? Do you know what a bar bottle is?

Sullivan: I?

H.M.Jr: Yes. (Laughter)

Bell: How about a club bottle.

Sullivan: They use jugs where I come from. (Laughter)

H.M.Jr: Anyway, let what's-his-name, Berkshire, send up a couple of good guys and make some spot checks. I would like to see the report.

Sullivan: Yes, sir.

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H.M.Jr: If you (Graves) think you have got to go, you decide.

White: I have nothing.

H.M.Jr: Have you got that answer, whether I should call up that fellow or not?

White: Yes.

H.M.Jr: Yes?

White: Yes.

H.M.Jr: Should I?

White: Yes.

H.M.Jr: You stay behind a minute.
Which show did you go to, Harry?

White: "My Sister Eileen."

H.M.Jr: You didn't follow my recommendation?

White: Well, I went with a friend who had already seen the other.

H.M.Jr: Oh, I see. Well, you had better go back and have another conference and see "Panama Hattie."

White: Yes. I will pick another friend. (Laughter)

H.M.Jr: Harry calls me all the way up in the country and says, "Say, Boss, what is a good show for me to see in New York?" I recommended one and he didn't go.

Customs, are you encouraging any more smuggling?

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H.M.Jr: Chick?

Schwarz: Chuck Kades is talking tonight in St. Paul before the National Tax Association on tax exempts and tomorrow morning Roy Blough is talking both on the fiscal situation and income tax.

H.M.Jr: George? How is the cost of living?

Haas: Oh, I will have that for you. Here is a table showing how the debt increased.

H.M.Jr: Oh, yes.

Haas: We are almost half a length ahead this time.

H.M.Jr: Oh!

Haas: Those are the stamps by denominations. They just became available.

H.M.Jr: Mr. Barnard?

Barnard: All members of the Joint Committee on Non-essential Expenditures have been appointed now.

H.M.Jr: You haven't heard of anything?

Barnard: Nothing more.

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H.M. Jr: Have you?

Bell: Nothing except what is in the paper, that there is liable to be a meeting this week. The members of the committee have been appointed.

H.M. Jr: Anything else?

Barnard: Nothing else.

H.M. Jr: Ferdie?

Kuhn: The Manufacturers' Association of Connecticut is meeting in New Haven November 12, and they would like very much to have you come and talk about payroll allotments.

If not, can someone, one of the Assistant Secretaries, go up?

H.M. Jr: Well, you talk it over with the crowd, will you?

Kuhn: Harold and I both think it is a good meeting and they are a pretty important bunch.

H.M. Jr: You talk it over with them.

Can I give this to you from my son Henry, who is going to make a speech before some plant workers on payroll allotments? He would like some material. Henry has accepted in Cleveland.

Kuhn: Right. I will send it to him.

There is nothing else, except that we have a new conductor for the Treasury Hour.

H.M. Jr: Who?

Kuhn: Al Goodman's assistant for the past twenty years.

H.M. Jr: Wonderful.

Kuhn: We will see what happens.

H.M. Jr: Did you get me the records from last Monday night?

Kuhn: I have inquired as to whether there was a new one. I haven't heard whether there was. When would you like those?

H.M. Jr: Whenever you have them, I would love to go down and hear them. We must keep this confidential in the Treasury, but we have a better than fifty-fifty chance of getting Toscanini to play for us, and only for us, this year with the NBC orchestra. There is a better than fifty-fifty chance. He will do it around the Christmas holidays. It will be the only time he will conduct during the whole year.

Kuhn: That is all.

Bell: On that committee, Mr. Secretary, I am making up some material which I ought to go over with you before we go up there. I don't know whether you want it or not.

H.M.Jr: What committee?

Bell: That Expenditures Committee. I am making up quite a lot of material.

H.M.Jr: Sure, you, Barnard, and I, will sit down. Jake?

Viner: Nothing.

H.M.Jr: Will you give me back that Lauch Currie thing tomorrow? You might show it to Mr. Barnard and Mr. Bell.

Dan, I wish that you and Morris, between you, would know by Wednesday whether we can or cannot pay off United States Housing's issue in cash.

Bell: The answer is "Yes".

H.M.Jr: Well, have you taken it up with Strauss?

Bell: No, but you have to approve all the financing.

H.M.Jr: Don't you think it would be nice, between now and Wednesday, if you would do that?

Bell: Yes, I can discuss it with him. I don't think they care. They are leaving it entirely to us, but I will be glad to discuss it with him.

H.M.Jr: Will you? And also, you know I raised the question about only borrowing over five years for Jones?

Bell: Jones can't go beyond five years.

H.M.Jr: Can he do five years?

Bell: He can do five years, yes.

H.M.Jr: That is all right. Have you considered about paying off Commodity Credit?

Bell: We ought to pay off Commodity Credit, because when Jones gets his money and pays back Commodity Credit what he owes it, they will have about a hundred million cash, and they ought to use it to at least reduce it by half, and I should just as soon see it eliminated.

H.M.Jr: Well, will you have Morris work that up for the Wednesday luncheon. That is what I want to talk about.

Admiral?

Waesche: That Norwegian steamer which landed a Nazi agent in Greenland was not seized by a Navy vessel. It was seized by the Coast Guard. That is the picture.

H.M.Jr: It was?

Waesche: Yes, sir.

H.M.Jr: We caught her?

Waesche: Yes, sir. She landed the Nazi agent there on Greenland. I have only a very few meager details. Of course, the original report went to the Navy Department. I just had a personal letter from --

H.M.Jr: And a Coast Guard fellow caught her?

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Waesche: Yes, sir. Of course, he is in the Greenland Squadron, which is entirely a Coast Guard Squadron, which is operating under the Navy, of course. But the Squadron is in command of the Coast Guard.

H.M.Jr: That is Iceberg Smith, isn't it?

Waesche: Iceberg Smith, yes, sir.

H.M.Jr: The old rascal. The Navy claims everything.

Waesche: There is that final report you asked for.

H.M.Jr: Well, there is no use doing anything.

Waesche: Oh, no, it was just as a matter of interest.

H.M.Jr: It would just unnecessarily irritate them. I will kid Knox about it. But it was a Coast Guard vessel with a Coast Guard crew, that caught them?

Waesche: Yes, Coast Guard vessel and Coast Guard crew.

Foley: Operating under the Navy.

H.M.Jr: Are they operating under the Navy?

Waesche: Yes, those particular vessels are operating under Admiral King. There are three vessels. The old Bear and the North Star, which we took over from the Department of Interior, and the Northland. The North Star and the Northland are both completely manned by Coast Guard officers and men, and the officer, Iceberg Smith, in command of that group of three ships, is a Coast Guard officer, and he reports directly to Admiral King of the Atlantic Fleet.

H.M.Jr: Anything else?

Waesche: That is all, sir.

H.M.Jr: Anyway, I compliment you.

Morris: I have this clipping that I looked up that you asked me about, the one about the English trade unions and what they have done.

H.M.Jr: Yes.

I will see you some time, because I want to hear about your experience in New York. Was it interesting?

Morris: Very interesting.

H.M.Jr: Worth while?

Morris: Yes, sir. I also saw Panama Hattie (laughter).

White: You picked your friends from a different place.

Foley: I will tell Alice about that.

H.M.Jr: I congratulate you.

Foley: I was in New York. I saw the rodeo (laughter).

H.M.Jr: I could answer that one.

Sullivan: Mr. Doughton is hollering for an early start on the Administrative Amendment Bill to forestall the other matter. There has been some indication in the last couple of days that an effort will be made during the course of the hearings on the Administrative Amendment Bill to make some changes in the Revenue Act of '41, which we just passed, and I would like to talk with George and Doughton before that movement gets any

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further, and have an understanding that no changes in revenue are going to be made.

H.M. Jr: And I give you an option on Thursday for lunch, if you want me to have the two of them down.

Sullivan: Well, I thought I might skip up there today and talk with them.

H.M. Jr: Yes, but if there is something, let me know, and I will invite the two of them down Thursday for lunch.

Sullivan: All right, sir.

H.M. Jr: I want you to get up there.

Sullivan: There is also a memo on the matter we discussed over the telephone Saturday at noon time. I am having lunch with that fellow today, and I will give you more information after I talk to him.

H.M. Jr: I can mention it without mentioning names?

Sullivan: Surely.

H.M. Jr: As a result of the Vinson Committee looking into excessive profits, one company had made a profit of seventy-two percent. It has already refunded, if that is what it is; at least it has redrafted the contract that cost the Government seven hundred and fifty thousand dollars. And there is a company that made two hundred forty-seven per cent profit, and don't think that the laboring man doesn't know it.

Sullivan: I will give you a memorandum. I am going to get facts and names this noon.

H.M.Jr: I am interested. Do they know the difference between seven per cent on a contract, say where a company might have six contracts a year and seven per cent on the over-all?

Sullivan: Yes.

H.M.Jr: Does Vinson really know the difference?

Sullivan: Yes.

Foley: Before we get back into that position on Vinson-Trammell again, Mr. Secretary, I think we ought to have an opportunity to talk it over.

H.M.Jr: Sure.

Sullivan: I think so too.

Foley: Because that is a play to cut us out from an excess profits tax that really works, and if we can't get the other, this is better than what we have got.

H.M.Jr: Did you hear what I said to John? I called up John and asked him to find out what they have got, just to see.

Sullivan: You see, they haven't had any hearings and I don't think we should take any position until we find out just what they are showing.

H.M.Jr: I have been accused of following the German pattern of six per cent. You might tell them that some of my pseudo-Germans are thinking of lowering it to four. They think six is too high.

Sullivan: And look what is happening to the country. They haven't any excess profits tax in Germany now, sir.

- H.M. Jr: Some of the letters I have got have accused me of following Hitler's pattern of six per cent, and in this morning's paper they say the Germans are now thinking of lowering it to four, but what they say is something quite different, that you can't pay more than four per cent dividends.
- Viner: That is dividends, not profits.
- H.M. Jr: No, I am following it. But the people that write me the letter, Jake, don't understand it.
- Ed?
- Foley: We had a nice talk on Saturday with Dr. Stonier, the Executive Director of the American Bankers' Association, about how we could get over to the banks in the country the administration of freezing control. He is cooperating. He is sending the editor of "Banking" today to see us, and he wants, or suggested, that we send in advance the letter that we discussed the other day, that will go to all the banks, to the State Secretaries of the state associations, over your signature, and they will tie in with the state secretaries so that during November and December, when they have these regional meetings in the different states all over the country, they can push freezing control, and speakers can be provided and the matter brought to the attention of the smaller groups, which is just what we want.
- H.M. Jr: Do you know what they are doing, Buffington?
- Buffington: I have just heard in a general way.
- H.M. Jr: Whatever they do, let Buffington know, so that we can make a good entry there with

the banks and Buffington will get the same opportunity. That is the purpose of the staff meetings, you see.

Buffington:~

All right.

Foley:

He is going to send a committee down very soon, and when that is arranged I will let you (Buffington) know, and I would like to have you available for that committee.

H.M.Jr:

O.K. gents. Thank you all.