

DIARY

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The Secretary of the Treasury, by this public notice, invites tenders for \$200,000,000, or thereabouts, of 91-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated November 19, 1941, and will mature February 18, 1942, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, November 17, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 10 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on November 19, 1941, provided, however, any qualified depository will be permitted to make payment by credit for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its district.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United

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States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a) (1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

-oGo-

November 14, 1941
3:35 a.m.

Morris
Wilson: How are you, sir?

HMJr: Fine.

W: Lovely day.

HMJr: Mr. Wilson, are you so that you can talk a
minute alone?

W: Yes, I am alone.

HMJr: Good. I'm calling you up on a sort of a
personal matter.

W: Go ahead, sir.

HMJr: There's a Miss Hazelett over here.....

W: A what?

HMJr: A woman by the name of Hazelett.

W: Oh, I've heard of her, yes.

HMJr: And her mission is to pick ten women from United
States.....

W: Yes, yes, I've read that, yes.

HMJr:to go over to England.

W: And your Mrs. Biddle on the other side is sort
of sponsoring the thing, isn't she?

HMJr: I believe so.

W: Yes.

HMJr: Now, you know, Mrs. Morgenthau is assistant to
Mrs. Roosevelt.

W: Yes.

HMJr: On this Civilian Defense.

W: Yes.

HMJr: And if, when they got around, and they thought that they might like Mrs. Morgenthau to go.....

W: Oh.

HMJr:as assistant to Mrs. Roosevelt, not as my wife.....

W: I know, I know.

HMJr:I wanted to say it would be very pleasing to me.

W: Oh, well, now. That's a real suggestion.

HMJr: See?

W: Will you leave it to me?

HMJr: I'd like to.

W: Ha, leave it to me and I'll tell you what happens.

HMJr: I'd like to.

W: Sure, and you can trust my discretion.

HMJr: Yes, because it needs discretion and.....

W: Ah, well no - you know me well enough for that.

HMJr: Well, that's why I've called you.

W: Nobody will know your name and I'll just tell you where the thing stands.

HMJr: If you would.

W: I will, and I'll do it right away.

HMJr: Now, on another subject which is quite different.

W: Yes.

HMJr: Some weeks ago, I think you told me that you were yet to receive your first plane under Lend-Lease, and I wondered if that was still true.

W: Well, I will check that up. It certainly was true a few weeks ago.

HMJr: And I tell you what I - if you could do this, not only planes - under Lend-Lease, what have you received up to whatever the most recent date is that you operate - let's say November 1.

W: Sure.

HMJr: What?

W: Sure.

HMJr: I mean as of November 1, what have you got under the first Lend-Lease.

W: Oh, sure, sure. Well, I can get that for you.

HMJr: What?

W: I can get that for you.

HMJr: If you could.

W: Sure, sure. Leave them both with me.

HMJr: Because I'm - my interest is - I'm putting all the pressure I can that they should speed up production so that you'll get more.

W: Sure, I know that.

HMJr: Now.....

W: Well, I always feel you're working for us behind the scenes.

HMJr: Well, I'm doing all I can.

W: I know it.

HMJr: I tell people how little you've gotten, and they're shocked.

W: Yes, I know. Ed Stettinius, who apparently was speaking from the book, mentioned to me yesterday that they were very close to a billion dollars under Lend-Lease now.

HMJr: Oh, that's.....

W: Of course, mind you, that includes food.

HMJr: Well.....

W: Food would probably be at least a third of it anyway.

HMJr: Look, for your ears only.....

W: Yes.

HMJr:as of the fifteenth of October.....

W: Yes.

HMJr:the total amount of munitions.....

W: For munitions, yes.

HMJr:was a hundred and seven million dollars to all countries.

W: All.

HMJr: It was a hundred and seven million.

W: I see.

HMJr: And that includes everybody.

W: Sure, sure. Chinese and Russia.....

HMJr: Russia and.....

W:and what have you.

HMJr:and what have you.

W: Sure, sure.

HMJr: I mean, that's deliveries.

W: Yes.

HMJr: Now, we're - the other thing, and that's just camouflage and that's what I'm trying to take. They talk about a billion; well, but when you get down, ship repairs is a big item.

W: Sure.

HMJr: Food is a big item.

W: Oh, yes, quite.

HMJr: And when I got down to food as of the fifteenth of October, a hundred and seven million.....

W: Yes.

HMJr:with munitions.

W: Yes, yes.

HMJr: See?

W: And that looked pretty small to you, didn't it?

HMJr: It looked too damned small.

W: Yeah, I know.

HMJr: I mean, it's ridiculous.

W: I know. I know.

HMJr: So.....

W: Now, I'll get that figure for you.

HMJr: Thank you.

W: Fine. You'll hear from me. And the other matter - I'll get busy right away.

HMJr: Thank you.

W: And it will be a bright idea of mine.

HMJr: Right.

W: Yes.

HMJr: Wonderful.

W: All right, fine, sir.

HMJr: Thank you.

W: Good-bye

November 14, 1941
12:56 p.m.

Lieut.
Sinton:

I checked the weather again, and that condition prevails from Washington north over the entire New England States, and the atmosphere is apparently saturated with smoke; and the best they can predict is two to four miles visibility at LaGuardia after dark.

HMJr:

Well, what's the answer, Sinton? Can you or can you not fly.

S:

No, sir, I don't believe so. Under the instructions I have, no instrument landings and the chances are it might be instrument. It's right on the borderline. Three miles is necessary for contact, and they predict between two and four. It might be four and it might be two.

HMJr:

Well, I'll have to try to go commercial, that's all.

S:

Yes, sir. Well, there's no doubt that commercial planes will be running.

HMJr:

Yeah. Well, the next thing is to get a seat on one.

S:

Yes, sir. Westover field is the same situation up there.

HMJr:

But there's no chance of it getting better?

S:

No, sir. It will be between two and four miles, sir.

HMJr:

Those are your instructions, huh?

S:

Yes, sir. I can't go in if it's instrument weather. What we could do, we could take off and - or wait until later, until I see how it's making out - we could take off, and if it was turned to instrument on account of the smoke at LaGuardia, we could possibly go into

Floyd Bennett where it might be still contact..

HMJr:

Oh, no.

S:

Or Newark, but I.....

HMJr:

No, no. All right. You keep watching the weather and let my office know. I'm going to hang up now.

S:

Yes, sir. I'll notify them.

November 14, 1941
4:20 p.m.

Morris
Wilson:

Did you get my message?

HMJr:

I got your message and I wanted to call you
and tell you how kind I thought you'd been.

W:

Oh, no, I haven't. It was one of the easiest
things I ever had to do down here.

HMJr:

Tell me what happened. I was curious.

W:

Well, I put it forward, of course, as a bright
suggestion of mine.

HMJr:

As what?

W:

As a bright suggestion of mine.

HMJr:

I see.

W:

You see?

HMJr:

Yeah.

W:

And they jumped at it. Why, they said, "Wonderful.
We just didn't have the nerve to ask." You know.

HMJr:

Oh, really.

W:

A woman in that - you know.....

HMJr:

Yeah.

W:

.....class. "But if you think there's any chance."
I said, "Well, you never know, but why don't you
try." "Wonderful." "You mustn't stop asking just
because you're a little timid. You mustn't be
timid."

So, as I say, I'm getting the credit for having
a really worthwhile idea.

HMJr:

Oh, you did? (Laughs)

W:

Yes. (Laughs) No, no. Seriously, they just
jumped at it.

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HMJr: That's grand.

W: Why, they say it was an eclipse.

HMJr: That's fine.

W: And they furthermore argued back and said, "Why, the lady in question is on the inner councils now, sitting around and trying to help us work the whole thing up.

HMJr: Well, isn't that fine?

W: Yes.

HMJr: You mean my wife?

W: Yes, surely.

HMJr: That's right.

W: Yes.

HMJr: That's right.

W: Yes. So I hope that everything you ask me will be as pleasant and as easy to do as that.

HMJr: That's terribly kind of you.

W: (Laughs)

HMJr: Thank you.

W: I hope you have a good week-end.

HMJr: Thank you.

W: Good-bye.

MEMORANDUM FOR THE SECRETARY'S DIARY

13

Conversation Between
Secretary Morgenthau and George Buffington

November 14, 1941

In a conversation this morning we discussed the progress of distribution of the folder "Know Your Taxes". I stated we had distributed direct or sent to Federal agencies for redistribution approximately 30,000,000 folders "Know Your Taxes". The Secretary stated he believed this was the largest distribution of literature made by the Government.

I told the Secretary I was concerned by the fact that the public did not seem to be buying Series A notes. I consider the Tax Savings Plan in its present form cumbersome and believe more emphasis should be put upon educating the public to accept taxes with the belief that they will find their own adequate means for saving when they are alive to the fundamental problem. The Secretary agreed that the education campaign should be considerably broadened. He gave me clearance to proceed on this basis.

The Secretary stated that he was pleased with what already had been done and wanted to tell me that there was a place for me in the Treasury and suggested I make my plans accordingly when I go home next week. He asked if it had been necessary for me to forego income by being in Washington. I told him I had been deprived of a substantial commission from a business transaction by coming to Washington at this time.

I told the Secretary about recent conferences with the President of the American Association of Advertising Agencies with respect to publicity on taxes. The Secretary seemed to think possibilities had been overlooked in the past by not working closer with commercial agencies in the effort to secure their cooperation. I told him I might remain in Chicago next Monday in order to see the head of the Financial Advertising Association there, to which he agreed.

I told the Secretary it might be helpful to have the President say something publicly on the question of the Tax Savings Plan. This apparently would be difficult beyond what has already been made public regarding his

letter to Congressman Doughton on the broad subject of taxes. The Secretary stated that this whole question of educating the public is a selling job and he would like to have me undertake it.

The Secretary said he would like to have me feel free to discuss the possibility of changes in the broad aspects of the tax program which may now be causing public irritation. These questions can be discussed in his office with Mr. Blough if it should develop that any suggestions of mine have merit.

The Secretary pointed out that newspapers continually emphasize reduction in corporate earnings due to higher taxes. Little or no emphasis has been placed upon the fact that certain corporations have increased their earnings in spite of taxes. He would like to have me analyze conditions and see if publications like the New York Times will aid us in pointing out the optimistic as well as the pessimistic side of this whole tax program's effect upon corporations. He has asked me to talk the matter with Mr. Eugene Duffield, Chief of the Washington Bureau of the Wall Street Journal. He also suggested that I work with Mr. Merillat who was formerly in Tax Research.

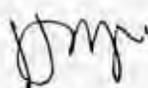
The Secretary suggests that I have someone read editorials and other newspaper publicity on taxes with the idea of familiarizing myself with public opinion. He also said that his personal correspondence on tax matters is available to me upon request.

G.T.

November 14, 1941.

Secretary Morgenthau
Mr. George Buffington

Mr. John S. Fleek, the president elect of the Investment Bankers Association, takes office shortly after December 5. He happens to be a personal friend of mine and I should like to talk with him to see if we might advantageously use the association in connection with Tax Anticipation Notes. In Chicago, you expressed some doubt about using this organization. If you have no objection, I should like to talk with Mr. Fleek. May I have your approval.



GB:amo 11/14/41

TREASURY DEPARTMENT

16

INTER OFFICE COMMUNICATION

DATE November 14, 1941

TO Ferdinand Kuhn, Jr.

FROM Herbert Merillat

**PRESS COMMENT ON
TAXES AND PRICES:
GROUP AGAINST GROUP**

There is a growing editorial demand for vigorous Presidential leadership on the home front. The rising cost of living, labor unrest, and the imminence of heavy new taxes give urgency to appeals for immediate enactment of an effective price-control law. As labor, farmers, and industrialists compete with one another in a scramble for a larger respective share of the national income, the press urges that the time for political bargaining is past, and that the time for determined action to stabilize the domestic situation is here.

Few papers have quarreled with the President's appeal for new anti-inflationary taxes. The need of more revenue and of siphoning off purchasing power has long been recognized. But the President's appeal would come with better grace, it is said, if in the past he had pressed vigorously for effective price control and for substantial cuts in non-defense spending.

It is being said that the call for new taxes fails to meet the issue squarely. The time has come for a coordinated attack on inflation on all fronts. The rumored new tax program is an inadequate parry. There is general agreement in the press that the first job of the Administration and Congress is to enact a really effective price-control law. The President also should actively support a program of government economy. Only then should new taxes be considered, as a complementary anti-inflation measure. This is the gist of typical editorials on the President's letter to Mr. Doughton.

Treasury Tax Plan

The editorial "line" on the Treasury's most recent tax proposals has not yet become clear. Usually, in the past, the press has lined up quite solidly for or against any pending proposal before the debate was over, but editorial reaction to the rumored proposal of a 15 percent income tax withheld at source so far has been mixed.

1. Many papers, both conservative and liberal, find the 15 percent withholding tax so shocking that it should not be taken too seriously. Such comment classes the proposal with Secretary Morgenthau's suggestion of a 6 percent profit limit, as a "shocker" intended to soften up taxpayers for acceptance of taxes less drastic than those proposed.

2. Some papers, again both conservative and liberal, see in the 15 percent tax a wholly unjust blow at wage earners, many of whom have not received the increased income which the Treasury proposes to "mop up."
"Labor", the paper of the railroad brotherhoods, bitterly assails the plan as a "heartless, senseless proposal." It is joined by so dissimilar a paper as the Kansas City Star, which asks -- If some wage earners and contractors now have more income, what of the masses who face higher living costs?
3. On the other hand, there are hints in a number of conservative papers that a tax aimed so directly at wage earners is not unwelcome.
4. There is general approval of the principle of withholding income taxes at the source, at least in the case of small taxpayers. The check-off system is considered as a simpler, surer, and less costly method of collection.
5. Many papers have protested against the size of the proposed tax burden. Does the Treasury seriously intend, it is asked, to demand payment next year of a 15 percent

income tax in addition to the heavy new taxes recently imposed? Although the need for revenue is recognized, time must be allowed for taxpayers to make necessary adjustments in their scale of living before they can be expected to pay drastically heavier taxes.

6. Much editorial criticism now, as when the 6 percent profit limit was proposed, is directed at the alleged lack of a Treasury over-all tax program. Secretary Morgenthau -- these critics say -- should stop bringing up startling tax proposals from time to time. His department should prepare an over-all, well-considered tax program and present it frankly to Congress.

Conspicuously absent, however, is any suggestion that a tighter excess profits tax should be a part of any such program. Only the "Nation", of papers so far seen, has said that a tax on low-income groups cannot be justified until an iron-clad excess profits tax is on the books.

7. The Keynes "deferred savings" plan has a growing number of adherents who favor it as an alternative to the proposed withholding tax.

The press continues to oppose any increase in social security taxes which is not required by increased social security benefits. Editorial writers are almost unanimous in condemning use of the social security system as a method of emergency financing.

Price Control Bill

The House Banking Committee's bill is almost unanimously condemned in the press as a caricature of a real price control measure. The triple-option "ceiling" on farm prices is the feature most bitterly criticized. The omission of wage-controls ranks next as a favorite target.

The House Committee, it is said, has failed dismally to do its duty, and the Administration must share the blame because of its failure to support an effective price control bill.

Even papers in farming regions denounce the farm bloc for pushing through amendments which will allow farm prices to rise above parity. Some such papers, however, minimize the inflationary effect of higher farm prices and retort to farm critics that wage increases, not farm prices, are the chief threat.

The C.I.O. News calls for the speedy adoption of a really effective price control bill, meaning one which will hold food costs down. It points out that "working people spend from 35

to 45 percent of their income on food, and if food prices are not kept within reasonable limits, the worst and most immediate dangers of inflation will remain uncurbed." At the same time, the paper exhorts labor to oppose vigorously any attempts to control wages.

In general, the tone of the press is angry that no effective action has been taken to halt price advances, and almost despairing that such action will be taken.

This Klotz

11-14-41

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These notes are the basis
for my report
~~which~~ and includes the
report on the
Klotz

1. Depression Expenditures

○ Pump financing ²³

Price Raising.

Turn Program
in to training program
for national defense.

Federal works

1. Suggestions
Have spent 5 billion on roads
since 1932

1. Cancel road matching
Program \$139. million

This will have effect of
cutting down on States,
Administration expenses?

Rivers & Harbors 24

○ Nov 7.
Spent 76 million out of 200 million
could save \$100 million

Reclamation projects

Nov 7.
Spent 36 million out of 95.

○ C. C. C.

estimated they would
spend 200 million
have spent 78. "
Admin. cost

N. Y. F.

25

○
Spent

Office of Edc.
Spent 119.
have spent 50.

○
Take N. Y. A. - C.C.C.
+ Prod Edc. consolidate
into one bureau for
training for Nat. Defense

Have one office
to ~~train~~ train
men & women
for particular
skills for nat. defense.

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W.P.F. - Federal Works
Estimated spend \$875.
have spent 327
left. 348

Discontinue W.P.F.
competing with
defense program
give all Federal
money for training,
and pick up defense
cases then social security

o agr.

27

Set up Bureau
to have post
war projects

o



SOIL CONSERVATION AND DOMESTIC ALLOTMENT ACT

All payments under this classification are included in the general group.

Expenditures (checks paid) (In millions):

Fiscal year 1938	-----	\$303.9
1939	-----	477.9
1940	-----	605.1
1941	-----	465.1
Estimates for 1942:		
January Budget	-----	475.0
October 5, 1941 Revision	-----	475.0
Actual expenditures:		
July, 1941	-----	25.3 ^{1/}
Aug. "	-----	9.0
Sept. "	-----	6.4
Oct. "	-----	19.2
^{2/} Total, first 4 months	-----	60.0 ^{1/}
Total - July-Oct. 1940	-----	70.3

^{1/} Includes \$15.0 repaid to Commodity Credit Corporation in fiscal year 1942 which was borrowed from that Corporation and spent in 1941.

C.C.C.

The Act of July 2, 1940 provides that the Secretary of Agriculture may borrow up to \$50,000,000 in each fiscal year beginning with 1941 from the Commodity Credit Corporation, to make crop insurance premium advances and to make advances for conservation materials (grants of aid), etc., such loans to be repaid from subsequent appropriations or unobligated balances of appropriations.

Activities covered by program

The objectives of the Agriculture Conservation and related programs are —

- (1) Preservation and improvement of soil fertility. ✓
- (2) Promotion of the economic use and conservation of land. ✓
- (3) Diminution of exploitation and wasteful and unscientific use of national soil resources. ✓
- (4) Protection of rivers and harbors against the results of soil erosion to aid in maintaining the navigability of waters and water courses and in flood control. ✓
- (5) Reestablishment *** of the ratio between the purchasing power of the net income per person on farms and that of the income per person not on farms that prevailed during 5-year period August, 1909 - July, 1914, etc.

- (6) Assist in marketing of agricultural commodities for domestic consumption and for export. ✓
- (7) Regulate interstate and foreign commerce in cotton, wheat, corn, tobacco and rice *** through storage of reserve supplies, loans and marketing quotas. ✓
- (8) Assist consumers to obtain adequate and steady supply of such commodities. ✓

The Soil Conservation and Domestic Allotment Act authorizes payments or grants of other aid to producers measured by

- (1) their treatment or use of their land, or a part thereof, for soil restoration, soil conservation, or the prevention of erosion;
- (2) changes in the use of their land;
- (3) their equitable share of the normal national production of any commodity or commodities required for domestic consumption and exports, etc.

PRICE ADJUSTMENT ACT OF 1938 AND PARITY PAYMENTS

All payments under this classification are included in the general group.

Expenditures (checks paid)(In millions)	
Fiscal year 1938	\$19.5
1939	215.0
1940	198.3
1941	<u>205.0</u>
Estimates for 1942	
January Budget	205.0
Oct. 5, 1941 Revision	<u>205.0</u>
Actual expenditures	
July, 1941	11.1
August	12.5
September	18.1
October	<u>28.7</u>
Total first 4 months	70.4
Total July-October, 1941	<u>142.1</u>

During 1942 the total funds available for expenditure are as follows:

Unexpended balance July 1, 1941	202.0
Appropriated July 1, 1941 in	
1942 Appropriation Act	<u>212.0</u>
	<u>414.0</u>

Parity payments may be made on cotton, corn, wheat, rice and tobacco. It appears from the hearings before the House Appropriation Committee that the price of the 1941 crop during the period through March, 1942, determines whether there will be any parity payments for 1942 crops. Producers of the five basic commodities will plant them for the crop year 1942 during the fiscal year 1942, the earliest planting being that of winter wheat in the fall of 1941. About the only parity payments to be made before June 30, 1942, from the 1942 appropriation will be for wheat, the other parity payments, while being obligated and appropriated in the fiscal year 1942, will be paid in the fiscal year 1943.

Thus, payments currently being made in the fiscal year 1942, are, for the most part, in connection with 1941 crops and obligations for such payments arose in the spring of 1941.

**SURPLUS MARKETING ADMINISTRATION AND
AGRICULTURAL ADJUSTMENT ADMINISTRATION (ACT OF AUGUST 24, 1935)**

All expenditures under this classification are included in the general group.

Expenditures (checks paid)(In millions)	A.A.A.	S.M.A.
Fiscal year 1938 - - - - -	\$15.0	\$23.1
1939 - - - - -	133.3	77.2
1940 - - - - -	51.5	91.1
1941 - - - - -	187.0	53.9
Estimates for 1942:		
January Budget - - - - -	200.0	
Oct. 5, 1941, Revision - - - - -	<u>240.2</u>	
Actual expenditures		
July, 1941 - - - - -	21.1	
August 1941 - - - - -	18.9	
September 1941 - - - - -	11.1	
October 1941 - - - - -	<u>19.6</u>	
Total, first 4 months - - - - -	70.7	
Total, July-Oct, 1940 - - - - -	58.2	

Program authorized

Sec. 32 of the act of Aug. 24, 1935 (7U.S.C. 612c), appropriates for each fiscal year an amount equal to 30 per centum of the gross receipts from duties collected under the customs laws during the period Jan. 1 to Dec. 31, both inclusive, preceding the beginning of each such fiscal year, to be used by the Secretary of Agriculture to (1) encourage the exportation of agricultural commodities and products thereof by the payment of benefits in connection with the exportation thereof or of indemnities for losses incurred in connection with such exportation or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption; (2) encourage the domestic consumption of such commodities or products by diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce; and (3) reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

In addition to the permanent appropriation authorized under Sec. 32, the Congress has appropriated additional amounts for expenditure pursuant to Sec. 32. The additional amount appropriated for 1942 is \$100,150,000.

Activities

The activities under this expenditure caption, as indicated in the estimates of expenditures for 1942, contained in the 1942 Budget, are as follows:

	<u>Amounts</u> <u>(In millions)</u>
Food stamp plan, redemption payments - - - - -	\$125.0
Cotton stamp plan, " " - - - - -	8.0
Purchase of surplus commodities and distribution to State relief agencies - - - - -	40.6
Encouragement of export of agricultural commodities, program payments - - - - -	10.0
Diversion of agricultural commodities to by-products and new uses, program payments - - - - -	10.0
Administrative expenses for surplus removal program - - - - -	5.7
Other - - - - -	.3
Total - - - - -	<u>\$199.6</u>

FARM TENANT ACT

Part of the 1942 expenditures are classified in the general group, and part are reflected under transactions in checking accounts of governmental agencies.

	<u>General Budget</u>	<u>R.F.C. Funds</u>
Expenditures (checks paid)(In millions)		
Fiscal year 1938 - - - - -	\$ 3.1	
1939 - - - - -	26.6	
1940 - - - - -	41.8	
1941 - - - - -	<u>27.3</u>	<u>29.4</u>
Estimates for 1942		
January Budget - - - - -	5.3	50.0
Oct. 5, 1941, Revision - - - - -	<u>7.0</u>	<u>50.0</u>
Actual expenditures		
July, 1941 - - - - -	.7)	
August, 1941 - - - - -	.7)	14.9
September, 1941 - - - - -	.6)	
October, 1941 - - - - -	<u>.6</u>)	
Total first 4 months - - - - -	2.5	14.9
Total - July-October, 1940 - - -	16.8	1.0

RECONSTRUCTION FINANCE CORPORATION

In addition to expenditures from regular appropriations included in the budget for the fiscal years 1941 and 1942, the Reconstruction Finance Corporation was authorized to make advances to the Secretary of Agriculture up to \$50,000,000 for 1941 and \$50,000,000 for 1942 for loans in accordance with Title I of the Bankhead-Jones Farm Tenant Act.

Activities included under the caption "Farm Tenant Act" from appropriated funds and advances from the Reconstruction Finance Corporation, as indicated by estimates of expenditures included in the 1942 budget, are as follows:

	(In millions)
Farm tenancy loans - - - - -	\$50.0
Technical services, including	
county committees - - - - -	1.6
Administrative Expenses - - - - -	.9
Liquidation and management of	
resettlement projects - - - - -	.7
Land utilization and retirement of	
submarginal land	
Acquisition of land - - - - -	.9
Management, operation, etc.	
of land acquired - - - - -	<u>1.3</u>
Total - - - - -	55.4

FARM SECURITY ADMINISTRATION

Part of the 1942 expenditures are classified in the general group, and part are reflected under transactions in checking accounts of governmental agencies.

Expenditures (checks paid) (In millions)

	<u>General Budget</u>	<u>RFC Funds</u>
Fiscal year 1938 - - - - -	\$180.1	-
" " 1939 - - - - -	183.6	-
" " 1940 - - - - -	158.5	-
" " 1941 - - - - -	62.2	\$111.3
Estimates for 1942:		
January Budget - - - - -	65.0	100
October 5, 1941 Revision - - - - -	60.0	120 ^{1/}
Actual expenditures:		
July, 1941 - - - - -	\$5.2	} 13.2
Aug. " - - - - -	4.2	
Sept. " - - - - -	4.8	
Oct. " - - - - -	4.5	
Total, first 4 months - - - - -	\$18.8	\$13.2
Total, July-Oct. 1940 - - - - -	23.1	20.0

1/ Approved authorization in Act of July 1, 1941.

Reconstruction Finance Corporation:

In addition to expenditures from regular appropriations included in the budget for the fiscal years 1941 and 1942 the Reconstruction Finance Corporation was authorized to make advances to the Secretary of Agriculture up to \$125,000,000 for 1941 and \$120,000,000 for 1942.

Activities of the Farm Security Administration from appropriated funds and advances from the Reconstruction Finance Corporation, as indicated by estimates of expenditures included in the 1942 Budget, are as follows:

	(In millions)
Rural rehabilitation loans - - - - -	\$98.5
Rural rehabilitation grants - - - - -	20.9
Rural rehabilitation services:	
Farm and home management assistance - - - - -	17.8
Investigation of applications, and making, collecting, and servicing loans and grants	11.7
Farm debt adjustment - - - - -	2.0
Migratory Labor camps - - - - -	4.4
Other activities - - - - -	2.9
Administrative expenses - - - - -	7.7
Total - - - - -	<u>\$166.0</u>

RURAL ELECTRIFICATION ADMINISTRATION

Part of the 1942 expenditures are included under general budget, and part are reflected under transactions in checking accounts of governmental agencies, etc.

	<u>General Budget</u>	<u>R.F.C. Funds</u>
Expenditures (checks paid)(In millions)		
Fiscal year 1938 - - - - -	15.2	46.5
1939 - - - - -	37.7	100.0
1940 - - - - -	38.0	-
1941 - - - - -	24.2	36.0
Estimates for 1942		
January Budget - - - - -	4.2	40.0
Oct. 5, 1941 Revision - - - - -	8.0	139.0 ^{1/}
Actual expenditures		
July, 1941 - - - - -	1.5)
August - - - - -	1.2)
September - - - - -	1.4) 25.0
October - - - - -	.7)
Total, first 4 months - - - - -	4.7	25.0
Total, July-October, 1940 - - - - -	11.3	-

^{1/} Balance available - no estimate of expenditures submitted.

R. F. C.

In addition to loans and expenditures authorized from appropriated funds under the budget, the R. F. C. has been authorized from time to time to advance moneys for making rural electrification loans, as follows:

Fiscal year 1942 - - - - -	\$100,000,000
Fiscal year 1941 - - - - -	100,000,000
Prior years - - - - -	146,500,000
	<u>346,500,000</u>

Practically all expenditures of the Rural Electrification Administration are for loans and the purchase of property in accordance with the Rural Electrification Act of May 20, 1936.

FARM CREDIT ADMINISTRATION - OTHER

<u>Fiscal year 1941</u>	(In millions)
Banks for Cooperatives, reduction in capital stock - - - - -	-\$60.0
Production Credit Corp. reduction in capital stock - - - - -	- 15.0
Other - - - - -	<u>- .3</u>
	<u>- 75.3</u>
<u>Fiscal year 1942</u>	
Administrative Expenses - - - - -	5.0
Banks for Cooperatives, increase in capital stock - - - - -	59.0
Production Credit Corps., increase in capital stock - - - - -	15.0
Other - - - - -	<u>- 2.6</u>
	<u>76.4</u>

Economy Suggestions Submitted by
Secretary Morgenthau
to the Joint Committee on Reduction of Non-Defense
Expenditures

Friday, November 14, 1941

(Reading copy used by the Secretary)

There are certain classes of non-defense expenditures which consist in large part of construction projects, such as reclamation work, river and harbor work, road building, etc. Reductions in activities for these purposes will have multiple advantages, as follows:

- (1) Reducing non-defense expenditures.
- (2) Releasing man power needed for defense plants.
- (3) Increasing the supplies of materials and equipment which can be devoted to defense efforts.
- (4) Building up a back-log of projects for continued employment in the postwar period.

There are other instances where there appear to be overlapping and duplication, both in effort and in expenditure of funds.

In other cases, the Government undertook programs aimed at correcting or adjusting certain inequities which had grown up in our economic system. Some of these inequities have been eliminated and circumstances which made the initial program urgent have altered. Nevertheless, large sums continue to be appropriated and spent under such programs despite the greatly reduced justification for such expenditures during the period of defense expansion.

I shall refer briefly to certain specific non-defense expenditures which I recommend to the Committee for its consideration.

RECLAMATION PROJECTS

(In Millions)

Fiscal years 1932 to 1941, inclusive

Total expenditures during the
10-year period (1932-1941) amounted

to about - - - - - \$880.0

This includes expenditures for
irrigation and water conservation
under the Emergency Relief Appropriation
Acts.

Fiscal year 1941 - expended (checks issued) - 86.0

Fiscal year 1942 - estimated to be spent - - 95.0

Economy Suggestion:

It is suggested that all reclamation work be re-examined in the light of our present defense program and its anticipated acceleration.

Wherever it is possible to delay existing or postpone proposed projects which are not necessary in connection with the generation of power for defense purposes, this should be done.

RIVER AND HARBOR WORK AND FLOOD CONTROL

(In Millions)

Fiscal years 1932 to 1941, inclusive

Total expenditures during the

10-year period (1932-1941) amounted to - \$1,870.0

Fiscal year 1941 - expended (checks paid)- 219.0

Fiscal year 1942 - estimated to be spent - 200.0

Economy Suggestion:

It is recognized that certain river and harbor, flood control and soil erosion work must continue in the interest of the lives and safety of our people. But all projects which are not vital from this standpoint or necessary for definite defense purposes should be re-examined.

Work on all projects of this character which can be delayed or postponed should be prohibited and funds heretofore appropriated should be cancelled.

PUBLIC ROADS

(In Millions)

Fiscal years 1932 to 1941, inclusive

Total expenditures during the
10-year period (1932-1941) amounted
to about - - - - - \$5,800.0

This includes expenditures for
highways, roads, streets, etc., under
the Emergency Relief Appropriation
Acts and the Public Works Administration
Act of 1938.

Fiscal year 1941 - expended (checks paid):

Regular - - - - -	\$174.1	
W. P. A., etc. - - - -	<u>485.0</u>	659.1

Fiscal year 1942 - estimated to be spent:

Regular	- - - - -	175.0
W. P. A.	- - - - -	Not available

Fiscal year 1943 - expenditures in this
year were obligated on or before
January 1, 1941.

Fiscal year 1944 - expenditures in this
year will be obligated on or before
January 1, 1942.

Fiscal year 1942: The amount appropriated and being spent in the current fiscal year covers the Federal-aid highway, grade crossing, etc., authorization of \$162,000,000 for the fiscal year 1941 and balances of prior years' authorizations. These expenditures were obligated on or before January 1, 1940.

Fiscal year 1943: The Act of September 5, 1940, contained an authorization of \$139,000,000 for Federal-aid highways, etc., for 1942. This authorization was obligated on or before January 1, 1941, and there is an obligation on the Congress to appropriate sufficient amounts in the next fiscal year to pay these obligations. This cannot be avoided.

Fiscal year 1944: The act of September 5, 1940, contained an authorization of \$139,000,000 for the fiscal year 1943. Under existing law this amount must be apportioned among the States not later than January 1, 1942. After such apportionment specific projects are approved. The approval of projects constitutes a contractual obligation of the Federal Government for the payment of its pro rata share of the cost of the projects approved. This can be postponed.

Economy Suggestion:

It is suggested that the Congress, by appropriate enactment, rescind the 1943 highway authorization. This would result in a reduction of expenditures for public roads in the fiscal year 1944 (July 1, 1943 to June 30, 1944).

Inasmuch as money spent by the Government is matched by the States, a reduction in the Federal road expenditures will most likely bring a desired reduction in highway expenditures by the States.

State and local authorities should be requested to defer undertaking new projects, even though allotments have already been made for them.

Other major projects already under way which can be appropriately discontinued or curtailed should be suspended.

Any new roads or enlargement of existing road facilities required by national defense activities could be specifically authorized as defense projects.

AGENCIES ENGAGED IN VOCATIONAL ACTIVITIES

	<u>Amounts appropriated for 1942</u>			<u>Esti- mated Expen- ditures 1942</u>
	<u>Adminis- trative</u>	<u>Other</u>	<u>Total</u>	
	<u>Expenses</u>	<u>Activities</u>		
Civilian Conservation Corps - - -	\$19.2	\$227.8	\$247.0	\$200.0
National Youth Administration:				
Regular - - - - -	5.8	86.0	91.8	90.0
National Defense - - - - -	3.0	57.0	60.0	60.0
Office of Education:				
Regular - - - - -	.9	28.4	29.3	30.1
National Defense - - - - -	1.2	106.9	108.1	118.8
TOTAL	<u>\$30.1</u>	<u>\$506.1</u>	<u>\$536.2</u>	<u>\$498.9</u>

Economy Suggestion:

Each of the above agencies is under the Federal Security Agency, and its primary function is the vocational training of youth, with present emphasis on employment in defense occupations.

It would seem that the regular activities of the Civilian Conservation Corps and National Youth Administration must conflict with the more important defense program, and should be eliminated or drastically reduced.

It is suggested that all vocational training activities be consolidated in a new Bureau of Defense Training. Any overlapping functions or duplication of work could be eliminated and one comprehensive training program, integrated with the defense program, could be formulated and administered more economically than appears possible under the present organizations.

Particularly, it is suggested that grants by the Office of Education to States and educational institutions be reviewed. In making this recommendation I should like to point out that I have always been a strong advocate of measures designed to protect and further the interests and welfare of young people.

However, at this time the number of young people needing assistance is being greatly reduced by the exceptional employment opportunities offered by the expansion of the Defense Program, together with the demands of our armed forces. Such young people as have not entered employment through normal channels or are not in the Army should receive vocational training designed to fit them for employment in defense.

FARM PROGRAM

Reflected in Budget

Expenditures included in the Budget under the Farm program which was initiated in 1933, after the catastrophic fall in prices in 1932, were designed mainly to meet conditions involving low prices for farm products, surplus production and loss of export markets.

Present conditions are radically different from those which the Farm program was designed to meet.

Major expenditures under the Farm program are included under the following captions:

Expenditures (In Millions)

	<u>Estimated</u> <u>1942</u>	<u>Actual</u> <u>1941</u>	<u>Actual</u> <u>1940</u>
Surplus Marketing Administration, and Agricultural Adjustment Administration (Act of August 24, 1935) - - - - -	\$240.0	\$240.9	\$142.6
Soil Conservation and Domestic Allotment Act - - - - -	475.0	465.1	605.1
Administration of Sugar Act of 1937	48.0	50.4	48.8
Price Adjustment Act of 1938 and Parity Payments - - - - -	<u>205.0</u>	<u>198.3</u>	<u>215.0</u>
TOTAL - - - - -	<u>\$968.0</u>	<u>\$954.7</u>	<u>\$1,011.5</u>

Economy Suggestion:

I believe that the Administration has done a wonderful job for the farmer in nearly tripling his income in ten years. It is estimated that in 1941 the farmer's share of the total national income will be 20 percent greater than in 1932, notwithstanding a reduction of almost 10 percent in the proportion of the farm population to the total population of the country.

Estimated farm income and population, in relation
to national totals, 1932-1942 (in millions)

Year	<u>Gross cash farm income</u>			<u>Net income from agriculture</u>		Farm population as a percentage of total population
	From farm marketings	Government payments	Total	Amount	Percent of national income	
1932	\$ 4,682	\$ 0	\$ 4,682	\$3,232	8.1	24.9
1941	10,550	650	11,200	8,600	9.7	22.8
1942	12,350	650	13,000			

Although governmental aid was necessary in order to bring the farmer's net income from three and one-quarter billion dollars in 1932 up to eight and one-half billion dollars or more in 1941, certainly after having reached this goal there does not appear to be any reason to continue spending at the same rate. This is especially important when the money we are using for this purpose is so badly needed for armaments and lend-lease aid. The farmer is getting his share of the total expenditures made by the Government, as the increase in his net income indicates. In addition, there are substantial benefits that will accrue to the farmer from the lend-lease program.

About five hundred million dollars have been allocated under the lend-lease program for the purchase of agricultural commodities. In view of all these circumstances I feel at this time that we could well afford to make drastic cuts in our agricultural expenditures.

Exception should, of course, be made for those expenditures which are for the purpose of helping the lowest income group, which suffers from wholly inadequate nutrition.

FARM PROGRAM

Not Reflected in Budget

There are other phases of the Farm program involving loans for rural rehabilitation, farm tenancy and rural electrification. In 1941 and 1942 expenditures for these purposes have been shifted from the Budget and transferred to the R.F.C., which has been authorized to advance funds to the Secretary of Agriculture to enable him to make loans.

Activities of this character are as follows:

	<u>General Budget</u>	<u>R.F.C. Funds</u>
Expenditures:		
Farm Security Administration:		
Fiscal year 1940 - - - - -	\$158.5	-
Fiscal year 1941 - - - - -	62.2	\$111.3
Farm Tenant Act:		
Fiscal year 1940 - - - - -	41.8	-
Fiscal year 1941 - - - - -	27.3	29.4
Rural Electrification Administration:		
Fiscal year 1940 - - - - -	38.0	-
Fiscal year 1941 - - - - -	24.2	36.0
Estimates for 1942:		
Farm Security Administration - - - - -	60.0	134.0 ^{1/}
Farm Tenant Act - - - - -	7.0	71.0 ^{1/}
Rural Electrification Administration - - -	8.0	139.0 ^{1/}

^{1/} Unused balances of authorizations.

Commodity Credit Corporation

Inter-related with the Farm program are the activities of the Commodity Credit Corporation. Expenditures have been made by this Corporation with funds received from the following sources:

From the Treasury		
Included in the Budget		
Capital and surplus:		
Fiscal year	1934	- - - - - \$ 3,000,000
"	" 1936	- - - - - 97,000,000
"	" 1938	- - - - - 94,000,000
"	" 1940 (net)	- - - 76,000,000
"	" 1942	- - - - - <u>1,600,000</u>
		\$271,600,000
Not included in the Budget		
Purchase of notes (net to		
	Nov. 10)	- 120,000,000
From Public Borrowing (net		
	to Nov. 10)	<u>- 701,000,000</u>
TOTAL	- - - - -	<u><u>-\$1,092,600,000</u></u> ^{1/}

^{1/} In addition, receipts from repayments of loans and sale of commodities are available for expenditure.

Recent estimates furnished to the Treasury
by the Commodity Credit Corporation show for the
current fiscal year, the following:

Estimated disbursements - - - -	\$1,100,000,000 ^{1/}
Estimated receipts - - - - -	<u>913,000,000^{1/}</u>
Excess of disbursements, to be covered by borrowing funds from the Treasury - - -	<u><u>\$ 187,000,000</u></u>

^{1/} Include transactions under the lend-lease program.

Economy Suggestion:

It is suggested that we reexamine the need for continuing that part of the Farm program which is not reflected in the annual budget and which is financed from funds obtained through corporations or borrowed from the Treasury. The Congress is apt to overlook the substantial expenditures which are not reflected in the annual budget. Eventually any losses which may be incurred through these programs will become budget charges. Each of these items should be reexamined in the same manner that has been suggested for the Farm program expenditures which are reflected in the budget proper.

2.8 billion
1932

~~We~~ We have gone thru the experience started in 1932 of charging off 2.8 billion of R. F. C. advances now that we borrow for R. F. C. we expect to have R. F. C. finance independent agencies and ~~lose~~ lose all budgetary control over these agencies.

I should like it understood that in making the suggestion that this class of farm expenditure should be reexamined, I do not refer to the bulk of activities undertaken by the Farm Security Administration, inasmuch as the need for much of their expenditures is, in my opinion, still urgent.

Just as I suggested earlier that there should be no reduction of expenditures for the help of the undernourished, so I believe that there should be no reduction in our help of the share-croppers and farm tenants who are in urgent and continuing need of economic rehabilitation.

November 14, 1941.

MEMORANDUM

TO: Secretary Morgenthau (for the files)

FROM: Mr. Schwarz

Secretary Morgenthau appeared this morning at an executive session of the Joint Committee on Federal Expenditures, of which he is a member, as the first witness following the organization of the Committee. Chairman Byrd and Vice-Chairman Doughton, with Senator McKellar and Representatives Cullen, Treadway and Taber and Budget Director Smith were present. The Secretary was accompanied by Messrs. Barnard, Morris, White, Kuhn, Heffelfinger and Schwarz. The meeting, scheduled for 10:30 a.m., got under way at 10:45 a.m.

It was decided that the Secretary should read his prepared statement (copy attached) by the sections into which it was divided, and that questioning should follow each section. Throughout the testimony and cross-examination, Secretary Morgenthau provided the stimulus for action at many points when it became apparent that the other Committee members were leaning toward postponement.

On Reclamation Projects, Rep. Treadway suggested a break-down be obtained, and the Secretary agreed.

On River and Harbor work, Senator McKellar asked whether the Secretary had any recommendations on the St. Lawrence, Florida Ship Canal and the Tennessee River projects. The Secretary replied that they ought to be postponed at least, that he thought the Congress, in its rush to get the defense program under way, had not had time to re-examine some of the projects, that in times of national emergency we cannot burn the candle at both ends.

Senator Byrd raised the first point in the section on Public Roads by asking if the \$485,000,000 shown in the table under WPA, etc., was all for highways. Mr. Heffelfinger replied by saying that the figure represented highways, roadways, streets, etc.

Rep. Taber observed that the \$171,000,000 spent on the regular roads program, with trained help and contractors, was probably more effective than the much larger amount

expended under WPA. Then Senator McKellar made the first of a series of defenses of the public roads projects. He conceded that the regular program was more effective, but pointed out that some of the WPA allotment is intended to keep men employed. Reverting to the regular roads program, Senator McKellar said that some reductions have been made and argued that authorizations are necessary -- otherwise the States could not use their planning facilities.

Budget Director Smith inquired how the authorization for fiscal 1943 could be postponed and Secretary Morgenthau replied that the method he was going to suggest would show how an appropriation could be avoided.

Senator McKellar suggested that strategic defense highways might be built more cheaply than under existing methods and asked if it could not be required that all roads money be appropriated for such highways. The Secretary said the chances are that the authorizations for fiscal 1944 have nothing to do with national defense. In response to a question by the Secretary, Senator McKellar said he was not shocked by the suggestion that Federal aid be postponed but added, "We can't do that" when Senator Byrd broke in to say, "To postpone is one thing; to abolish, another."

Senator Byrd inquired about parliamentary procedure necessary to effect a saving in this item by January 1 and asked whether the authorization would have to be cancelled by the Public Roads Committee. Senator McKellar thought it was up to the Appropriations Committee. Senator Byrd then said a decision would probably have to be asked of the Rules Committee and Director Smith advised that a positive act rather than a negative one would be necessary. Rep. Taber thought it would be possible to bring the matter to the attention of the House in connection with the Deficiency Bill scheduled to come up the week of November 24 and promised to look into it.

Senator Byrd said he thought the success of such a move would depend on what other economy recommendations were made -- on WPA, for instance. Senator McKellar said such an effort would be attacking one of the most popular programs in the country and a minute later suggested that possibly a fifty percent saving could be recommended.

Secretary Morgenthau asked that the Committee members be frank with each other. He said he was taking this assignment very seriously, that he thinks the country has, and he knows the Committee is serious about its job. "If we fumble this one," he said, "the country will think we don't mean business." He said he knew it was like asking a child to throw away a piece of candy, but that anything short of suspension of the appropriation as a test would be unsatisfactory. The Secretary said all the projects subject to economies are popular and have adherents but the road program sticks out like a sore thumb because action will have to be taken in six weeks. He said he would be very much discouraged if the Committee failed in this respect.

Budget Director Smith said that his Bureau considered its hands tied, that nothing can be done without changing the law itself but pointed out, entirely apart from the money that can be saved, most road building requires a considerable amount of steel and that priorities might be invoked.

Senator McKellar made a final stand by asserting that a real problem would be created if road building organizations were to be put out of business, but Senator Byrd pointed out that the Federal Government had nothing to do with the letting of contracts.

Rep. Taber wound up the discussion on roads by saying, "If we are going to succeed in this, we will have to put an amendment on the bill itself."

On Vocational Activities, Vice-Chairman Doughton stressed his belief that the States should come forward at this time and take over much of the work of assistance to youth. He pointed out that the normal need for assistance is being greatly reduced and that the States are now in a better position to take care of the young people who do need help. Senator McKellar was sharp in his criticism of the CCC, which he said he had voted for originally, argued that the agency was spending too much on each boy enrolled, that many first-class colleges would be glad to provide educational facilities at much lower costs, that he had had the time of his life to get the current appropriation reduced from \$247,000,000 to \$200,000,000. He told of Senator Lodge's testimony that CCC trucks in the streets of Boston were carrying large signs urging enrollment in the Corps as a means of avoiding service in the Army. He called this "monstrous" and said he believed we would have to cut out this activity at this time.

Secretary Morgenthau expressed his opinion that the CCC had been a magnificent conception at the time of its founding, that we had to take care of our youth and that the CCC did its share very well. However, he said, we have been so busy passing appropriations for National Defense -- and we shall have to pass more -- that we haven't had time to re-examine thoroughly some of our other activities. Rep. Taber was critical of the young people who have been receiving CCC and NYA training and Rep. Doughton said there would be "a wholesome effect" if we can cut out these expenditures, which he said were irritating taxpayers.

After Secretary Morgenthau had completed his discussion of the Farm Program, Chairman Byrd observed that there had been no reference to the WPA. The Secretary explained that he had seen in the papers that the President is planning a new defense program, that the Secretary was eager to see what transition effect this might have on employment throughout the country, and pointed out that the President will have to make up his mind within the next six weeks, when the 1943 Budget Message is due.

Rep. Doughton said WPA expenditures would have to be cut if approval of the farmers is desired, that farmers in his district tell him they have trouble getting help, because of nearby WPA projects. Rep. Taber suggested that the WPA was the natural place to start on any economy program, and Chairman Eyrd said a balanced program would be necessary if the Committee hoped to get its recommendations through Congress.

Budget Director Smith broke in to argue that, though unemployment has fallen to a new low, there may well be a problem of temporary character due to dislocations while the nation is pulling away from non-defense industries. He said there may be "pretty serious trouble" in the next few months. Mr. Taber asked whether that would relate to the 1943 budget and Smith said, "It may."

Rep. Doughton wound up the session with a long statement in which he said that all of us are called upon to make sacrifices, that we must all think of what we can put into the Government rather than what we can get out of it. He made a veiled appeal for White House aid by saying that unless the Committee was given the full cooperation of the nation's leaders, it was not going to accomplish what it is trying to do.

The meeting was concluded at 12:10 p.m. after the members agreed to convene again at 10 a.m., Tuesday, November 18. Secretary Morgenthau thereafter read portions of his prepared statement to the press and answered a few questions put by the reporters. Asked if a large tax bill would still be necessary in the face of proposed economies, the Secretary replied, "And how!". He said that he still felt that a billion dollars could be saved out of non-defense appropriations.

-000-

Handwritten notes:
@ EMB.
K. King
J.P.W.
J.K.
1578

November 14, 1941.

70

TO: HAROLD N. GRAVES

SUBJECT: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

SALE OF BONDS

Actual cash receipts from the sale of Series E, F, and G Bonds from November 1st through November 12th were \$103,041,000, a decrease of 1.2 per cent over the similar period in October. Sales from October 1st through October 10th were \$104,317,000. Sales from September 1st through September 11th were \$91,954,000. The comparison is based on the first nine working days for each of the three months.

CIVILIAN DEFENSE WEEK

Stamp booths were set up in the Dunbar and Woodrow Wilson High Schools in Washington in cooperation with the Committee for Civilian Defense. The film, "America Preferred," was shown during school assemblies.

MOTION PICTURES

The following films are in varying phases of production:

- (1) A short subject at Metro-Goldwyn-Mayer Studios featuring the talent of George Burns and Gracie Allen.
- (2) Three cartoon subjects being drafted by Walt Disney.
- (3) A short subject with "Bugs Bunny" singing "Any Bonds Today"; Leon Schlesinger, Producer.

(4) A Gene Autry "short", being prepared for showings in Oklahoma, may later be distributed nationally.

Mills Novelty Company plans production of short films-- at no cost to Treasury Department--of famous persons stating their views on the Defense Savings Program. These will be used in the continuity of the reels in Panarom machines which are set up in hotel lobbies, stations, etc. The Mills Co. has 4,000 of these machines which show to an estimated 400,000 people weekly.

RADIO

Network time devoted to the Defense Savings Program during October totaled 204 hours and four minutes, representing the cooperation of 43 separate companies on 73 programs.

Beginning December 1st, Proctor and Gamble Company will put into effect a new schedule on their various programs to include 29 especially dramatized appeals every four weeks urging the purchase of Defense Bonds and Stamps. Evening programs arranging new, highly dramatic spots for the Defense Savings Program include "What Price Glory", (Mennen); "Sherlock Holmes", (Grove Laboratories); "Fibber McGee and Molly", (S. C. Johnson and Son); Shirley Temple program, (Elgin Watch Co.); Jack Benny, (General Foods); "Big Town", (Lever Bros.); and the Gene Autry, Ben Bernie, "Scattergood Baines", and "Dear Mom" programs (William Wrigley Jr., Co.).

Elaine Sterne Carrington, writer of commercial daytime programs has volunteered to serve the Defense Savings Staff, Radio Section, as script consultant. Outstanding authors of commercial radio met

with Miss Carrington in New York November 14th to formulate plans for production of five-minute Bond and Stamp dramatizations.

A new Treasury Department program, under auspices of Thomas B. Hassett, Massachusetts Collector of Internal Revenue, was inaugurated November 9th over the Colonial (New England Regional) Network.

The "WE, THE PEOPLE" broadcast from the Wardman Park Hotel, Washington, on November 11th, featured two Treasury Department representatives:

John F. Moran, Chairman of the Public Debt
Destruction Committee

and

William Burch, printer from the Bureau of
Engraving.

PRESS

A special holiday edition -- for Thanksgiving, Christmas, and New Year's -- of the Retailers-For-Defense "clip sheet" was distributed to 25,000 outlets, including daily and weekly newspapers, chambers of commerce and Defense Savings state committees. This double-spread clip sheet suggests editorial and advertising tie-ins for newspapers and merchants during the holiday season. (Samples of clip sheet attached).

Stamp sale figures for October, which established the highest monthly record, a total of \$5,935,934.50, were released to daily newspapers and editorial writers on November 14th.

Photographs of Margaret Mitchell, author of "Gone with the Wind", buying a Defense Savings Bond in Atlanta, Ga., were

released through the Associated Press, International News Photos, Aome Newspictures, Inc., and Western Newspaper Union. Exclusive poses went to each photo service along with a statement from Miss Mitchell endorsing the Defense Savings Program.

A series of matted Minute Man emblems with copy reminding readers of the number of shopping days to Christmas, and also to "Give Defense Bonds and Stamps", went to 1550 daily newspapers. (See sample sheet attached)

"Editor and Publisher", weekly newspaper trade magazine, devoted its lead article to the proposal of newspaper publishers to adopt the Philadelphia Evening Bulletin newsboy Defense Stamp sale plan.

Cartoons, especially drawn for the Defense Savings Staff, were received from Charles G. Werner, Bernard Seaman and Dr. Seuss, and are being matted for distribution to the Labor Press.

BUSINESS PUBLICATIONS

The National Defense Committee of the Associated Business Papers, representing 132 publications, passed a resolution in New York on November 10th, which states:

"It is the patriotic duty of every business paper enthusiastically to extend its fullest cooperation to the Treasury Department to aid in the sale of Defense Bonds and Stamps".

Services of Schuyler Hopper, promotional expert of the Associated Business Papers, were loaned to the Treasury Department. Mr. Hopper will begin immediate preparation of a series

of advertisements on Bonds and Stamps to be distributed to business publications.

HOUSE ORGANS

Twenty-five editors of leading house organs throughout the nation have been invited to serve on a House Magazine Editors Committee for Defense Savings, chaired by Robert Newcomb, Editor, of "Stet". Fourteen acceptances have been received already.

Replies from the October 11th mailing to a selected list of 300 house magazines suggesting the use of the Minute Man symbol, indicate that virtually all are now publishing this Defense Savings emblem or will do so beginning with their next issue.

FIELD OFFICE

Status of the field organizations throughout the country as follows:

	<u>States</u>	<u>Changes since November 7</u>
State and local committees organized	28	↑ 1
State committees organized	11	↓ 3
Administrators and/or chairmen appointed	12	- 3
Not started	1	- 1
Total	<u>52</u>	(including D.C., Alaska, Hawaii, and two field divisions in California)

(See Map attached)

Twelve field representatives are at work in the field assisting state organizations in various promotional activities.

TREASURY BOOTHS

Defense Savings Stamps and Bonds and Tax Anticipation Notes

were sold in the following amounts at the booths listed:

Hechts: (Opened 11/3/41)

Bonds	\$975.00
Tax Notes	---
Stamps	<u>805.85</u>
	1,780.85

Lansburgh's: (Opened 10/10/41)

Bonds	\$1743.75
Tax Notes	25.12
Stamps	<u>1092.85</u>
	2,861.72

From October 3rd to November 1st, Garfinkle's sold \$1,252.80 in Stamps, Bonds and Tax Notes. The Willard Hotel, from October 15th to November 1st, sold \$222.45 in Stamps, Bonds and Tax Notes, while Woodward & Lothrop's booth, from October 6th to November 8th, sold \$10,831.80 in Stamps, Bonds, and Notes. Total Treasury booth sales to date: \$16,949.62.

FAIRS AND EXPOSITIONS

A print of "America Preferred", is being shown along with other films by the traveling display unit of the Anheuser Busch Co., of St. Louis, Mo. This unit, which has complete motion picture projection equipment, is set up at various fairs and expositions.

The General Motors "Parade of Progress", carrying a decorated Defense Savings Booth, was in Tulsa, Oklahoma, from Saturday, November 8th through Tuesday, November 11th, and will be in Muskogee, Oklahoma, Saturday and Sunday, November 15th and 16th.

DIRECT MAIL

Orders from the industrial mailing to date show sales of \$2,856,338; the customer mailing \$2,862,726; total \$5,719,726.

Initial results from the Series IV tests -- 13 tests to approximately 10,050 names each, mailed November 8th -- are being

shown. First two days of pulling produced \$5,681.

The second industrial mailing to a list of approximately 400,000, offering F and G Bonds, and also, on a special Christmas order form, E Bonds for employee bonuses and gift buying, will be completed November 15th. A second industrial mailing to approximately 600,000 names newly available since the September-October mailing, delayed by non-delivery of certain material on schedule, is now expected to be completed by the end of the month.

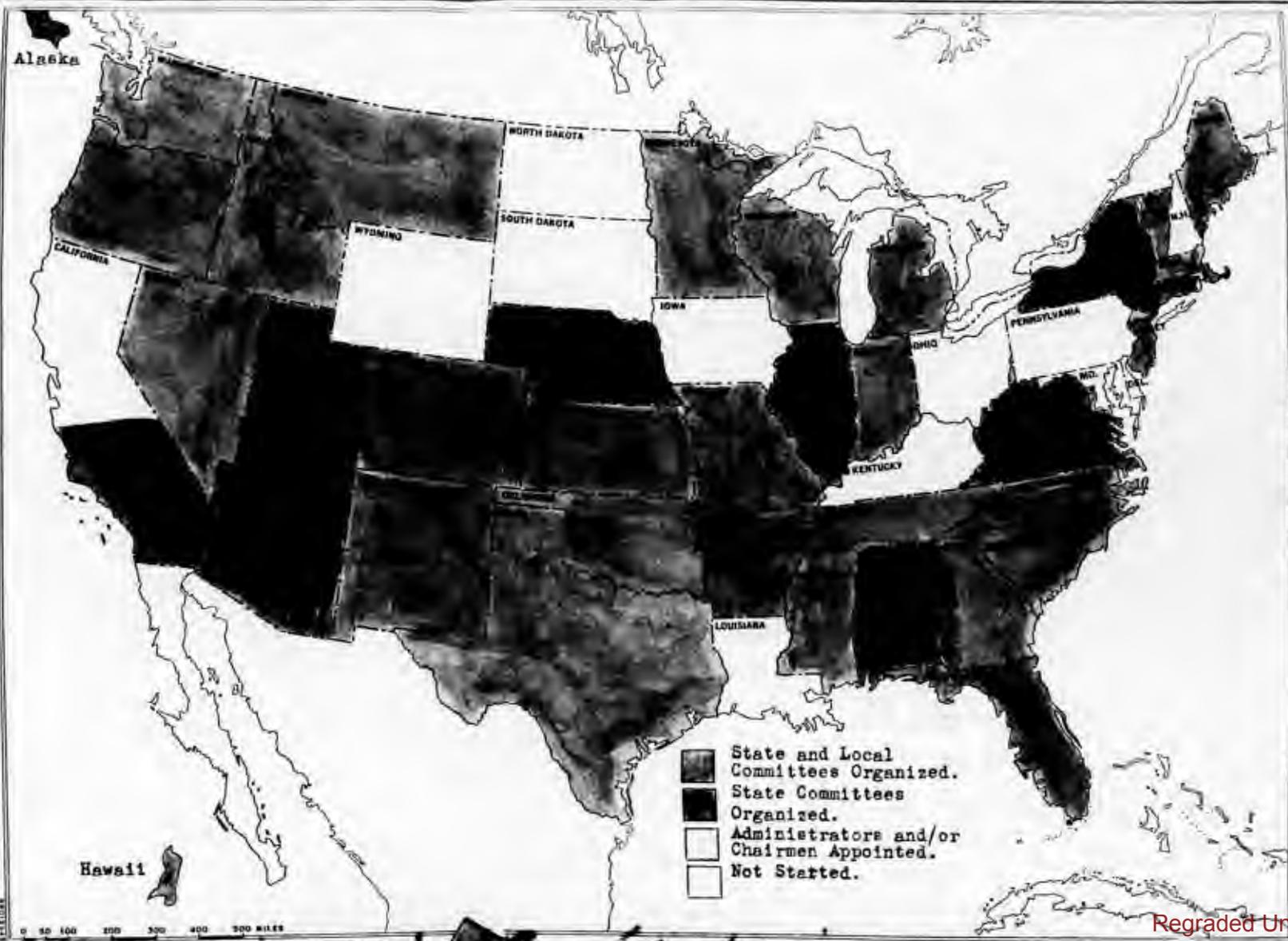
As of November 14, 1941

RAND McNALLY

LOOSE LEAF OUTLINE MAP

77 UNITED STATES

MADE IN U.S.A.



- State and Local Committees Organized.
- State Committees Organized.
- Administrators and/or Chairmen Appointed.
- Not Started.

Regraded Unclassified

CHRISTMAS SHOPPING REMINDERS

Dear Editor:

Use of these stereos in your news columns during the Christmas shopping season is suggested as an important

means of cooperating in the Treasury Department's Defense Savings Program for the sale of Defense Savings Bonds and Stamps. Thank you.

**38 SHOPPING DAYS
to Christmas**



Also GIVE
U.S. Defense Savings
**BONDS and
STAMPS**

AT STORES • BANKS
POST OFFICES

**37 SHOPPING DAYS
to Christmas**



Also GIVE
U.S. Defense Savings
**BONDS and
STAMPS**

AT STORES • BANKS
POST OFFICES

**36 SHOPPING DAYS
to Christmas**



Also GIVE
U.S. Defense Savings
**BONDS and
STAMPS**

AT STORES • BANKS
POST OFFICES

**35 SHOPPING DAYS
to Christmas**



Also GIVE
U.S. Defense Savings
**BONDS and
STAMPS**

AT STORES • BANKS
POST OFFICES

**34 SHOPPING DAYS
to Christmas**



Also GIVE
U.S. Defense Savings
**BONDS and
STAMPS**

AT STORES • BANKS
POST OFFICES

**33 SHOPPING DAYS
to Christmas**



Also GIVE
U.S. Defense Savings
**BONDS and
STAMPS**

AT STORES • BANKS
POST OFFICES

**32 SHOPPING DAYS
to Christmas**



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POST OFFICES

**32 SHOPPING DAYS
to Christmas**



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POST OFFICES

**31 SHOPPING DAYS
to Christmas**



Also GIVE
U.S. Defense Savings
**BONDS and
STAMPS**

AT STORES • BANKS
POST OFFICES

**30 SHOPPING DAYS
to Christmas**



Also GIVE
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**BONDS and
STAMPS**

AT STORES • BANKS
POST OFFICES

**29 SHOPPING DAYS
to Christmas**



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POST OFFICES

**29 SHOPPING DAYS
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Also GIVE
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**BONDS and
STAMPS**

AT STORES • BANKS
POST OFFICES

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

Approved for Release by NSA on 05-08-2014 pursuant to E.O. 13526

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POST OFFICES

**27 SHOPPING DAYS
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POST OFFICES

**27 SHOPPING DAYS
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POST OFFICES

**26 SHOPPING DAYS
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POST OFFICES

**25 SHOPPING DAYS
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**24 SHOPPING DAYS
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**23 SHOPPING DAYS
to Christmas**



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**22 SHOPPING DAYS
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**21 SHOPPING DAYS
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to Christmas**



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POST OFFICES

**20 SHOPPING DAYS
to Christmas**



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**19 SHOPPING DAYS
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**18 SHOPPING DAYS
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AT STORES • BANKS
POST OFFICES

**17 SHOPPING DAYS
to Christmas**



*Also GIVE
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AT STORES • BANKS
POST OFFICES

**16 SHOPPING DAYS
to Christmas**



*Also GIVE
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POST OFFICES

**15 SHOPPING DAYS
to Christmas**



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POST OFFICES

**15 SHOPPING DAYS
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AT STORES • BANKS
POST OFFICES

**14 SHOPPING DAYS
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POST OFFICES

**13 SHOPPING DAYS
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*Also GIVE
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**BONDS and
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AT STORES • BANKS
POST OFFICES

**12 SHOPPING DAYS
to Christmas**



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POST OFFICES

**11 SHOPPING DAYS
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POST OFFICES

**10 SHOPPING DAYS
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AT STORES • BANKS
POST OFFICES

**9 SHOPPING DAYS
to Christmas**



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From: Press Section, Defense Savings Staff,
Treasury Department,
Washington, D. C.

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81

8 SHOPPING DAYS to Christmas
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 POST OFFICES



12-18

7 SHOPPING DAYS to Christmas
 Also GIVE
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 POST OFFICES



12-19

6 SHOPPING DAYS to Christmas
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12-17

5 SHOPPING DAYS to Christmas
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12-16

4 SHOPPING DAYS to Christmas
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 POST OFFICES



12-15

3 SHOPPING DAYS to Christmas
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12-14

3 SHOPPING DAYS to Christmas
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12-13

2 SHOPPING DAYS to Christmas
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BONDS and STAMPS
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 POST OFFICES



12-12

1 SHOPPING DAY to Christmas
 Also GIVE
U.S. Defense Savings
BONDS and STAMPS
 at STORES • BANKS
 POST OFFICES



12-11

From: Press Section, Defense Savings Staff,
 Treasury Department,
 Washington, D. C.

PHOTO COURTESY OF THE U.S. GOVERNMENT PRINTING OFFICE
 U. S. GOVERNMENT PRINTING OFFICE: 1945 O-388-000

THE SOUTH CAROLINA NATIONAL BANK
COLUMBIA, S. C.

B. M. EDWARDS
PRESIDENT

November 14, 1941

Dear Mr. Morgenthau:

After seeing you in Washington yesterday and hearing your commendation of the work that I have done for you during the past eight months, I came home feeling mighty good.

I talked with Harold Graves again over the 'phone and it is understood that for the present, at least, I will retain the official title as Assistant to the Secretary of the Treasury and try to hold myself in readiness to respond to any calls which may be made upon me if my services are needed from time to time.

I think you bestowed a very high honor on me in giving me this title when I went to Washington, and of course I am pleased to have it continued at your pleasure. I understand that there are very few of these official positions and if at any time you need this particular title to give to someone who may be called in to assist in the matters of the Treasury Department, you will have my resignation on a moment's notice. Then if you care to call me by some other designation, regardless of the rank, it will be entirely satisfactory.

Again thanking you and with all good wishes,
I am

Sincerely yours,

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

B. M. Edwards

BENDIX AVIATION CORPORATION

AVIATION, AUTOMOTIVE, MARINE AND INDUSTRIAL PRODUCTS

30 ROCKEFELLER PLAZA

NEW YORK, N. Y.

CABLE ADDRESS "BENDIXCORP"

November 14, 1941

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

My dear Mr. Morgenthau:

I am delighted to acknowledge your letter of November 10th, and note your expressions of appreciation and confidence.

I can assure you that it is the unanimous desire of our Directors and my fellow executives to continue to cooperate with you in our common task until we have achieved fulfillment of the aims in behalf of our country to which this task was dedicated.

Very sincerely,

Vincent Bendix

TREASURY DEPARTMENT

84

INTER OFFICE COMMUNICATION

DATE November 14, 1941

TO Secretary Morgenthau
FROM E. H. Foley, Jr.

Although it is quite lengthy, I think the attached letter from Frank Watson, now with Consolidated Aircraft, in regard to their flight delivery service will make interesting reading.

I have already sent it to Jim Forrestal and Bob Lovett. I am also attaching a copy of Admiral Tower's reply.

E. H. F.

Attachments

CONSOLIDATED AIRCRAFT CORPORATION

LINDBERGH FIELD

SAN DIEGO, CALIFORNIA

SOLE "CONSOLAIRCO"
TELEPHONE
JACKSON 9191

IN REPLY
REFER TO

Levy Water
Allen Towers

8 October 1941

Mr. E. H. Foley, Jr.
General Counsel
Treasury Department
Washington, D. C.

Dear Ed:

There is a suggestion which I feel should be presented in the very near future to the proper people. It does not concern Consolidated particularly nor possibly does it concern the Navy directly. It seems to me, however, to be worthwhile for National Defense consideration.

This suggestion relates again to the matter of flight deliveries but this time it covers delivery of approximately 150 of our Catalina type flying boats under lend-lease contract with the Navy and to be ready for the British some time before the middle of next year. At the present time Consolidated has received no request or intimation in connection with the flight delivery of these airplanes. It is presumed that they will go from our factory to Bermuda and thence on to England as in the case of the flying boats delivered thus far.

Perhaps the Navy Department has or is planning a flight delivery program of its own for these airplanes. It may be that in addition to the large number of similar type flying boats which we are producing for the Navy, they will need the extra training which conducting this flight delivery program will give or will have the crews available to carry on the program. If this is so, my suggestion need not be given consideration.

However, if the Navy Department can be assisted by having these British airplanes flight delivered without taxing their own facilities, definite advance planning will very shortly be necessary.

Consolidated now has an asset of considerable value from the standpoint of National Defense in the form of a well-coordinated and efficient flight delivery organization. This organization is apparently scheduled for dissolution in the very near future. If need for it should again appear, it would appear advisable to take steps to keep it intact.



CONSOLIDATED AIRCRAFT CORPORATION
LINDBERGH FIELD, SAN DIEGO, CALIF.

Mr. E. H. Toley, Jr.

- 2 -

8 October 1941

This organization was created nearly a year ago to accomplish flight delivery of flying boats and land bombers being built by Consolidated under contracts with Britain, Canada, Australia, and Netherlands. Because of the number of deliveries scheduled and because of the size and range of the aircraft to be delivered, careful steps were taken to build up an efficient organization. This flight delivery organization is not a miscellaneous pilots pool such as has been sufficient for the other aircraft manufacturers producing smaller airplanes and making their deliveries in a series of short daylight hops. Steps were taken to secure the services of the best available pilot personnel and well-planned additional training programs were carried through in order that all crews would be qualified to fly day or night, contact or instrument, to practically any point. This organization today is the only one in the country having such an unlimited rating.

Results, of course, are what count and the record of the Consolidated flight delivery department is worth mentioning. Thus far nearly 100 flying boats have been delivered from San Diego to Bermuda, involving in a majority of cases a 2400 mile non-stop transcontinental flight at night. Thirty-six flying boats are now being delivered to the Philippine Islands, a total trip from San Diego of approximately 7400 miles. Nearly 20 more have been taken over the 2300 mile jump to Hawaii where these have been turned over to Australian crews. Eighteen more flying boats have been taken non-stop from San Diego to Ottawa, Canada, a distance of 2350 miles. Approximately 26 four-motor bombers have been taken through to Montreal. The sum total of these adds up to several years of normal airline operations. The Philippine Island delivery, for instance, is equal to a year of Pan American operation over the same route and is being accomplished in a period of approximately three months. It might be said that this organization is capable of taking these long range flying boats to practically any point on the globe. To all of this must be added the very important fact that there is involved the handling of new aircraft setting out on long flights over land or water after only four hours of shakedown flying at the factory. The record of accomplishment without a crash of any kind is considerably in excess of the law of probability and can only indicate a highly capable organization.

It is difficult for those not familiar with the business to realize that such a success is based almost entirely upon organization. It is true that the crews are good but they are good partly because of the organization which included their training and which functions with them. They would not and could not accomplish the same results as individuals or as crews in any other less efficient organization. Successful ferry flying involves many of the aspects of airline operation but includes additional factors as well. The element of group confidence is very important. In all cases very new airplanes are involved and a background of knowledge of factory operations must be present to enable the crews to set out on their two and three thousand mile hops with full confidence. Naturally, there must also be confidence in weather predictions and the personnel who analyze and make them. It goes without saying that all members of the

CONSOLIDATED AIRCRAFT CORPORATION
LINDBERGH FIELD, SAN DIEGO, CALIF.

Mr. E. H. Foley, Jr.

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8 October 1941

organization must each have the fullest confidence in the ability of the others in the group to perform their assigned task for in a well-knit flight delivery organization no crew is ever fully on its own.

With this all established and operating with smoothness, it would seem worthwhile to preserve the organization under some status if, for the interests of National Defense, there were any indications of future use for the department.

Consolidated's program of flight deliveries will proceed at a decreasing tempo around the first of the coming year and should be entirely terminated by the middle of next year. Westward deliveries to the Philippines will be over in December. There will remain thereafter but a single group of Canadian flying boats being reworked at Elizabeth City, North Carolina, for diversion to the British and which will be flight delivered to Bermuda.

It may well be that the undertaking of flight delivery of the 150 lend-lease flying boats to Bermuda by Consolidated crews will constitute doing only half the job and, therefore, not present an entirely worthwhile solution for getting the airplanes to England. The assignment from Bermuda on is in the nature of an extra chore for the Atlantic ferry organization of the R.A.F. since these Consolidated boats are the only airplanes going to England which have the range to move through Bermuda. While the Consolidated crews consist mostly of older pilots, navigators, and other members, since these are the best and most experienced men in the game, it is possible that the group would be willing to consider flying boats clear through from San Diego to England if they could do the job under the present organization. All have refused to undertake any connection under any circumstance with the existing Atlantic ferry organization. To state their reaction very frankly, these men are careful, skilled and safe fliers of thousands of hours experience and they do not consider the present trans-Atlantic operations as being correctly organized or correctly handled. While they recognize the risks of flight into the war zone, these risks are not considered as deterring. The risks of flying with an organization in which they do not have confidence, with ground crews whose abilities are doubtful and under other conditions not conducive to safety, absolutely remove for them all consideration of joining the Atlantic ferry service under the present setup under any circumstances of compensation. The group feels the same way about the Pan American South Atlantic venture, many of them having previously worked for this organization. They would, however, make the trip on to England as part of their own group if return trips and all details were to be handled by them.

This is no put up or shut up proposition, for the matter of ferry operations to England has not been seriously suggested and all of these men are to a certain extent worried about possible employment when our own operations close down. They know that there is a good market for experienced pilots now and all have received offers both from the R.A.F. ferry service and from the Pan American organization at salaries ranging from double to three or four times what they are now being paid.

CONSOLIDATED AIRCRAFT CORPORATION
LINDBERGH FIELD, SAN DIEGO, CALIF.

8 October 1941

Mr. E. H. Foley, Jr.

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Nor can it be honestly said that it is a matter of interest to Consolidated. It is my personal feeling that the company would hesitate to conduct operations from San Diego to England even if requested to do so and on an apparently profitable basis. Consolidated is a manufacturing organization and flight operations have never been more than a minor service necessity. Doubtless any detail which would be worked out would be under lend-lease and on a cost-plus fixed-fee basis with little or no profit involved in comparison to the detail work which would result. There is, of course, considerable value to the manufacturer in every case in being able to see its own aircraft carried through to final delivery to the point of service use. All aircraft manufacturers are also beginning to recognize to a greater extent that they are no longer individual and private businesses but are distinctly a part of a single National Defense program.

Under the Neutrality Act as it now stands it appears that an American organization could not make direct deliveries of aircraft to England. This, of course, may be subject to change in the near future. There is also the possibility that the present flight delivery department of Consolidated could be created as a corporate entity, either wholly owned by the government under RFC powers or under some other sort of arrangement if it is felt desirable to assign to it the task of complete delivery to England. If the operation could be more efficiently handled by termination of flight deliveries by this group at Bermuda as in the case of previous deliveries of British flying boats, the problem would of course be greatly simplified and could doubtless be handled by direct contract with Consolidated.

The principal point to be made, and one which must be made in the very near future, is that an experienced and efficient organization does exist but will not exist at the time of possible future need if steps are not taken for its preservation. It is realized that in the mass of present problems now confronting those in responsible positions, the issue of delivery of lend-lease Consolidated flying boats approximately eight months from now may find difficulty in commanding present attention. However, giving that problem attention now would produce a simple solution and one which will result in assured satisfaction at a later date. It will be much more difficult to re-create an organization equal to that which now exists. And even with the extra effort, the new organization will probably result in a less satisfactory performance and a more expensive program than advanced decision can now provide.

Within the next sixty days, a tag-end delivery of nine Catalinas is to be made to Bermuda. Thereafter, as previously mentioned, converted Canadian Catalinas will be moved on to Bermuda for the next few months. The total of these will not require a large portion of the present Consolidated flight delivery organization and retrenchment is now on schedule. The British have a very limited Atlantic ferry organization for functioning out of Bermuda with these aircraft and it may well be that, assuming Neutrality Act problems can be overcome, these groups of airplanes could be taken on to England by the Consolidated organization as a prelude to the extensive deliveries under lend-lease which are to come.

CONSOLIDATED AIRCRAFT CORPORATION
LINDBERGH FIELD, SAN DIEGO, CALIF.

Mr. E. H. Foley, Jr.

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8 October 1941

Such a program would preserve the organization intact and give it the necessary advance experience for the larger operation which will break at the maximum intensity of R.A.F. flight deliveries of land bombers through Halifax and will in itself involve an operation considerably larger than any previous flying boat deliveries through Bermuda.

I am sending you this letter entirely unofficially and because I sincerely feel that the suggestions made are worthy of consideration. It has been my personal privilege to work very closely with Consolidated's flight delivery program. I am frankly impressed with the organization, even in excess of the impression which their record to date fully justifies. You know that in addressing this to you I am fully aware that the problem involved may already have been given direct consideration and a more appropriate solution resolved. To say nothing, on the basis of such an assumption, would not be an appropriate discharge of duties on my part, however.

Production angles out here are ironing themselves out with great speed and the record to date as well as substantial promises for the future appear much better than could have been reported six months ago. There is naturally much to be done yet and no slackening of effort. My own hours seem to get longer rather than shorter but the important thing is that the results are satisfying.

Sincerely yours,



Frank Watson

FW:hnc

(COPY)

NAVY DEPARTMENT

Bureau of Aeronautics

JHT-GB

Washington

12 November 1941

Dear Mr. Foley,

The letter of Mr. Frank Watson dated 8 October and addressed to you and which you passed on to Mr. Forrestal, eventually came down to me. I am returning herewith the letter, which deals with the subject of flight ferry crews organized by Consolidated Aircraft.

Probably you are aware of the fact that in so far as CATALINA types are concerned, the ferry crews have delivered them to Bermuda in accordance with the terms of the contract, and R.A.F. crews have taken them from Bermuda to the United Kingdom. At one time we suggested to the British a change in this procedure under which deliveries would be made all the way across by American crews, but they preferred to adhere to their own scheme. After we received Mr. Watson's letter we again took the matter up with the British Air Commission and were informed that it was one which concerned the Royal Air Force Ferry Command, Air Chief Marshal Bowhill, R.A.F., whose headquarters are at Montreal. Knowing that Consolidated ferry crews are reluctant to establish any connection with that organization, I felt that little would be accomplished by endeavoring to pursue the subject further in that direction. However, I have written to Bowhill, whom I know very well, suggesting that he come to Washington for a consultation, and will present the matter to him upon the occasion of his visit.

I am sure that you realize we have great difficulty at times in our endeavors to help the British, and it has been my experience that best results can be accomplished by direct conversations rather than by correspondence.

Sincerely,

/s/ J. H. Towers

J. H. Towers
near Admiral, U.S.N.Edward H. Foley, Jr., Esquire
General Counsel for the Treasury
Treasury Department
Washington, D. C.

TREASURY DEPARTMENT

91

INTER-OFFICE COMMUNICATION

DATE November 14, 1941

TO Secretary Morgenthau
FROM Mr. Foley



Fred Ironside of the Post Office Department telephoned me Thursday afternoon and requested that a Treasury representative attend a meeting on censorship in the Post Office Department at 10:45 a.m. today. Herbert Gaston and Huntington Cairns attended the meeting, at which representatives of War, Navy, Justice and Post Office were present.

At the meeting, Mr. Ironside explained that at the last Cabinet meeting, the President had appointed a committee, with the Postmaster General as chairman, and consisting of Treasury, War, Navy, Post Office, Justice and the Library of Congress, to consider legislation authorizing the imposition of a system of censorship. At today's meeting, Justice presented a draft of bill for consideration which we are now studying. The bill is so drafted that under its provisions the President will have plenary power to adopt any system of censorship he chooses and to make such subsequent modifications

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thereof as he may desire without further authorization from Congress. It is not believed that any objection will be raised to the principle of the bill. We are now studying the bill from the technical legal point of view and will furnish final drafts to the Post Office by 10:00 a.m. Saturday.

A meeting of the Cabinet officers appointed to the committee by the President will be called the first part of next week to consider the draft submitted by the subcommittee. Section 1 of the bill will be submitted in three forms:

- (1) To authorize a system of censorship in time of war.
- (2) To authorize a system of censorship during a national emergency.
- (3) a. To authorize a system of censorship during a war.
b. To authorize during a period of national emergency examination and inspection of communications. Thus, during a period of national emergency, you would not have full power of censorship but merely examination and

inspection. This, for example, would exclude the power to delete parts of messages.

The general view of the meeting was that the President should be given full power of censorship now, but Justice felt that Congress would not grant such a power at this time and that the third form of the bill was the one which would be most likely to pass. The Navy stated that there was an urgent present need for full censorship.

The Army and Navy have been working on a plan of censorship for some time, and it is expected that they will urge their plan upon the President, which he would be free to put into effect if the proposed bill becomes law. Treasury and Justice have been opposed to the Army and Navy plan, which envisages a military, rather than a civilian, set-up. The Army and Navy do not want to run the censorship but they want it staffed with Army and Navy personnel, and with the employees in an Army or Navy reserve status. The chief argument for this proposal is that it will prevent resignations from the Service. We have been advised by

the British on the basis of their experience that such a set-up is undesirable. However, the Navy stated that they have been in consultation with the British and that their plan is in accord with the British experience.

S. W. F. L.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

95

DATE November 14, 1941

TO Secretary Morgenthau
FROM Mr. Thompson

The complete mailing of copies of your address to be delivered tomorrow in Worcester was completed last night. Approximately 13,000 copies were mailed out.

Handwritten signature

November 14, 1941

Dear Missy:

Elinor and I were delighted to learn that you had arrived safely at Warm Springs and also that you are feeling much better.

I cannot begin to tell you how much we have missed you here in Washington. It doesn't seem like the same place. We have often asked about you, and only recently we inquired of your brother as to how you were getting along.

If there is anything that you would care for, Elinor and I would love to send it to you. Please let us hear from you.

With kind regards,

Sincerely yours,

(Signed) Henry

Miss Marguerite LeHand,
Warm Springs, Georgia.

m.m.c.

TREASURY DEPARTMENT

97

INTER OFFICE COMMUNICATION

DATE November 14, 1941

TO Ferdinand Kuhn, Jr.

FROM Alan Barth

EDITORIAL OPINION
ON FOREIGN AFFAIRS:
ANOTHER TURNING POINT

The press of the country presents an unhappy contrast: heightened resolution and morale toward events abroad; confusion and cross-purposes respecting the domestic scene. The climax of the fight for neutrality repeal found editorial thinking distracted between continued support for the Administration on foreign policy and bitter hostility to labor leadership at home. For the moment, John L. Lewis loomed as a more immediate enemy than Adolf Hitler.

Labor

Newspapers, this past week, have demonstrated anew that they are business enterprises and that their publishers are employers. Despite an unremitting insistence on passage of the Neutrality Act amendments, they all but unanimously rejoiced over the Mediation Board's unexpected decision on the captive mine issue. They take it for granted that the Mine Workers' strike will be renewed; and almost obviously they rejoice over this, too, for they desire to

see the strike broken by the power of the national Government. As the Scripps-Howard papers put it somewhat exultantly: "Now, at last, this Government must take a stand against 'strikes as usual' . . . The alternative is unthinkable. It would be to admit that America must buy the permission of dictators here at home before it can arm itself and others against dictators abroad."

This point of view -- that unionism and Nazism are comparable manifestations of dictatorship -- appears to have produced the nearly disastrous revolt against the Administration in Congress. It seems unlikely that the press as a whole wished to foment such a revolt. Last-minute editorials in influential conservative papers, such as The New York Herald-Tribune, implored the legislators to separate the issues which their own news pages and editorials had helped to confuse. With the Neutrality Act amendments passed, there is no doubt that editorial tom-toms will beat unrestrainedly for anti-strike legislation.

Encouragement

The past week has produced a marked uplift in editorial spirits about the progress of the war. The following factors seem to be chiefly responsible for the current wave of optimism:

1. Moscow, Leningrad, Rostov and Sevastopol are still in Russian hands. It was widely feared that some, if not all, of these cities would be taken by the Nazis. That the Red Army continues its stubborn resistance and even, in some areas, is launching

counter-attacks, is now taken as sure evidence that an eastern front will be maintained throughout the winter. Editorial writers have found a good deal of pleasure in re quoting the Hitler boast of October 3 that "The enemy is already broken and will never rise again."

2. Stalin's speech made a profound impression, despite an editorial tendency to scoff at his estimate of German casualties. The American press seems at last to be persuaded that he is genuinely determined to fight Hitler to the end. Accordingly, there is increased editorial support for the shipment of war materiel to Russia, together with increased confidence in the utility of this measure. Application of Lease-Lend assistance to the Soviet Union was generally accepted as logical and desirable.

3. Even more impressive to commentators over here was the publication of extracts from Goebbels' article in Das Reich. It was interpreted as reflecting a marked change in the Nazi outlook -- a shift, in the psychological sense, from the offensive to the defensive. The Kansas City Times remarked of it that, "The exuberant boastfulness that has characterized so many pronouncements by leading Nazis in the past, Herr Goebbels included, was gone, sunk apparently without a trace . . . It almost sounds as if Adolf Hitler's chief pepper-upper has begun to whine." Once more the press is speculating hopefully about a breakdown in German morale.

4. Prime Minister Churchill's unequivocal pledge of support in the Pacific, coming on the heels of a minor British naval victory in the Mediterranean, was taken as an especially heartening evidence of growing anti-Axis strength and collaboration. The editorial response to it takes the form of a toughened insistence on firmness in this country's dealings with Japan.

Refreshed hopefulness has brought with it an increased zest for making American intervention effective. There is widespread, almost universal, dissatisfaction with the pace and scope of the production program; along with this goes an ashamed consciousness that Lease-Lend deliveries have by no means measured up to Lease-Lend promises. The insistence that America produce and deliver for the fighting fronts is now urgent and impatient.

Anniversary

Editorials on the occasion of Armistice Day were much more than the customary stylized and stiltedly ironic tributes to the World War dead. Taken together, they support the thesis that isolationism, in the sense in which this term was employed during the 1920's, has largely disappeared from the American approach to world affairs.

In many of the editorials there is now a candid acknowledgment that American failure to participate in collective security

efforts after the last war was a tragic error. In most of them there is a firm insistence that the United States assume a leading role in the reconstruction of the world when the present war is ended. "Although the enlightened world pays just honor to the glory of the valiant heroes of the world war," says The Indianapolis News in a representative editorial, "it is forced to give a long thought to what it did with the peace that these men won. It failed to preserve the peace, hence it failed the men who won it. Today the same forces -- of democracy against tyranny -- are locked in an even greater struggle . . . The errors of the council table are being corrected on the battle-field . . . The proper memorial to the heroes of 1914-1918 is thus prescribed by events as a solemn vow to win back their gains -- and more. To win, this time, not only the war, but also the peace."

There has grown, and there is growing, in the United States a mature sense of responsibility about the problems of the world. The press is preaching and events are demonstrating that the earth cannot be segmented. All portents indicate that this is a view which has grown from the grass roots up, that in this the press reflects the public. It is more than an editorial opinion; it has become a basic popular attitude.

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE *Nov. 14, 1941*

TO Secretary Morgenthau
 FROM E. H. Foley, Jr.

In response to the suggestion contained in your memorandum of November 12, 1941, the question of food shipments to Unoccupied France was discussed at a meeting held in the office of Assistant Secretary of State Acheson at 10:30 A.M. on November 13, 1941. Messrs. Acheson, Dunn, Atherton and Reber were in attendance for the Department of State, and Messrs. Foley, Pehle, B. Bernstein, Coe, E. M. Bernstein and Timmons for the Treasury Department.

I suggested further consideration of the recent application made by the French Government to release \$200,000 of its blocked funds to the American Friends Service Committee for the purchase of milk in Switzerland. The previous release of \$50,000 to the American Friends Service Committee was discussed. Although there was some delay in exporting and distributing the milk purchased, it was ultimately distributed by the Friends Committee through its centers in Unoccupied France.

It was generally agreed that this application was part of the broader problem of food shipments to Unoccupied France. Mr. Acheson stated that the American Red Cross is purchasing milk and medical supplies with funds allocated by the President, and a vessel, the SS "Capulin", is scheduled to sail for France at the end of November. British navicerts covering the cargo have been assured. The cargo will consist of the following items:

2,523,000	lbs.	Powdered Milk
135,000	cases	Evaporated Milk
20,000		Layettes
		Miscellaneous medical supplies

The total value of the cargo is \$1,500,000, of which \$1,250,000 is milk.

The distribution of the food and medical supplies will be entirely in the hands of the American Red Cross, under the supervision of American personnel, and these supplies will bear the insignia of the American Red Cross. Distribution through the American Red Cross, a semi-governmental agency, provides the necessary safeguard to assure the use of these supplies for the purpose intended and without political benefit to the Vichy Government. At the same time it is felt that this token shipment will be of some propaganda value to the United States.

The application of the French Government for the release of \$200,000 of blocked French funds to be used by the American Friends Service Committee in the purchase of milk in Switzerland for distribution in Unoccupied France is believed objectionable by the Foreign Funds Control Committee for the following reasons:

1. It is undesirable to have competing agencies distributing relief in France. A unified program under American supervision and semi-governmental control is assured when the American Red Cross is the distributing agency.

2. The application of the French Government would release blocked French funds in this country for the purpose of purchasing food supplies in Switzerland, and may be the prelude to stronger efforts by the French Government to obtain the release of much larger amounts out of the substantial blocked French funds here for food shipments from this hemisphere, shipments which would constitute a serious breach of the British blockade. Representatives of the French Embassy now approach the State Department almost weekly with requests for the release of blocked funds for the purchase of food for France.

3. Any food purchased with French Government funds and distributed in France will provide invaluable propaganda for the Vichy Government. In the case of the wheat shipments by the Red Cross, the Vichy Government made vigorous but unsuccessful efforts to gain control of the distribution of the grain for the purpose of making political capital.

4. It is clear that the Friends Service Committee could not purchase enough milk in Switzerland to meet any real part of the French needs. The Swiss export surplus of milk is very small. Consequently, the Friends purchases of milk in Switzerland are really nothing but token purchases, the only real effect of which will be to keep the Friends organization in the field in Unoccupied France, where it is supplied with funds by the French Government so long as it is able to import foodstuffs.

In view of the above, I shall not approach the American Friends Service Committee to obtain a detailed report with respect to its existing facilities in France as you suggested unless I hear from you further.

E. H. F. L.

Treasury Department 10
Division of Monetary Research

Date Nov. 14, 1941 19

To: Secretary Morgenthau

Although the ticker made Churchill's statements read in the present tense, the speech as reported in the New York Times (paragraph marked in red) is in the past tense on the question of resources.

We have not yet received an official copy.

MR. WHITE
Branch 2058 - Room 214½

The White

W.G.N.S.
November 10, 1941
10:47 A.M.

ADD CHURCHILL, LONDON

Regarding Britain's buying power, Churchill recalled that last year at this time Britain did not know where to turn for dollars for American exchange.

"By very severe measures", he added, "we have been able to gather and sent to America about 500,000,000 pounds (\$2,000,000,000) but the end of our financial resources is in sight-- nay it has been actually reached."

RECEIVED
Treasury Department
NOV 10 1941
Division of
Monetary Research

TREASURY DEPARTMENT

108

INTER OFFICE COMMUNICATION

DATE November 14, 1941

TO Secretary Morgenthau
FROM H. D. White
Subject: Conference of Mr. Bewley with Mr. White, and with Mr. Hicks present, Wednesday, November 12, 11:30 A.M.

Mr. Bewley called upon Mr. White (at Mr. Bewley's request) to ask about the terms under which gold was to be sent from Russia to the United States. He asked:

(1) Whether gold would be shipped to the United States in partial payment of materials received by Russia under the Lend-Lease Act, and he asked whether, if that should be so, the United Kingdom would be able to receive *pari passu* gold payments from Russia;

(2) Whether the arrangement with respect to the sale of gold to United Kingdom *pari passu* with the United States applied to the \$30 million of gold sold to the United States Treasury for future delivery.

Mr. White said that he would speak to the Secretary about the matter and would get in touch with Mr. Bewley when he had the information.

Mr. White asked Mr. Bewley for the following information (in pursuance of the Secretary's request):

(1) Because of rumors that had reached the Secretary, the Secretary was interested in learning where the Duke and Duchess of Windsor obtained the foreign exchange for their recent trip to the United States;

(2) The Secretary would also like to know the details of the recent exchange clearing agreement between the United Kingdom Government and the American motion picture companies distributing films in England.

Mr. Bewley agreed to provide this information.

Mr. White also told Mr. Bewley that while Secretary Stimson had not yet replied to the Secretary's letter of October 14, he thought the War Department was making some progress on the problem.

NOV 14 1941

My dear Mr. President:

The Treasury Cryptanalytical Unit has just decoded the following messages sent by radio from German agents in South America to Germany on the dates indicated. The original coded messages were intercepted by Coast Guard monitors:

"5 October 1941

DEL To ALD (South America to Germany)

No. 11. Renewed application of strong USA pressure that Brazil Government declare Portuguese entitled to equal rights as Brazilians. Occupy Atlantic possessions of Portugal with simultaneous suggestion that Portugal Government be received here since invasion of Portugal is impending. Oral negotiations between Caffrey, Oswaldo, Getulio. The latter postponed decision. Embassy advised. (Signed) Alfredo."

"6 October 1941

DEL to ALD (South America to Germany)

Supplement to our No. 11. According to statement secret agent from presidential chancellery counter-proposal Brazilian Government in case of occupation Portugal from our side provides: First, setting up Portuguese Government here; second, occupation all Portuguese colonial possessions by mixed Pan-American contingents; third, administration colonies by Portuguese Government from here. Supposedly Pan-America Governments agreed. Stand of Salazar still unknown. This (message) No. 15. Alfredo."

Aside from the information contained in these messages the important thing from our standpoint is that they indicate that someone inside the office of the President of Brazil is in the employ of the Nazis.

I am informed that a particularly complicated code was used for the sending of this series of messages.

I thought this would be of interest to you.

Sincerely,

(Signed) E. Wengenhan, SW

Secur Service
4:35

The President

The White House.

n. m. c.
cc - Foley's office

SK:EHF:mp 11/10/41

November 14, 1941

My dear Mr. Hoover:

This will acknowledge receipt of your two confidential letters, dated November 10th, which I have read with interest.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. Edgar Hoover,
Federal Bureau of Investigation,
Department of Justice,
Washington, D. C.

November 14, 1941

My dear Mr. Hoover:

This will acknowledge receipt of your two confidential letters, dated November 10th, which I have read with interest.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. Edgar Hoover,
Federal Bureau of Investigation,
Department of Justice,
Washington, D. C.

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11/12/41

Photostatic copy to Mr. Irey

JOHN EDGAR HOOVER
DIRECTOR

113

Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.

November 10, 1941

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

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

My dear Mr. Secretary:

As of possible interest to you, I am transmitting herewith a copy of an anonymous communication dated October 17, 1941, which was postmarked New York City, October 11, 1941, at 4:30 p.m.

In connection with the Dr. Rudolph Hutz of the General Aniline and Dye Corporation, 230 Park Avenue, New York City, referred to in the enclosed letter, there is submitted herewith a memorandum concerning this individual.

Sincerely yours,

J. E. Hoover

Enclosures

N. Y. City
Oct. 17-'41

Federal Bureau of Investigation -

May I suggest that you investigate the Income Tax
Reports of Dr. Rudolph Hutz - (American) ^{General} Aniline and Film Corp.
230 Park Ave. - N. Y. City.

Dr. R. Hutz was interned during World War I. He keeps
a home in Germany. If Dr. Hutz has been generous with the
Government or anyone but himself it will be surprising.

Yours truly

A Citizen with sons in the Army and Navy.

M E M O R A N D U M

November 10, 1941

Dr. Rudolph Hutz was born in Kousdorf Rheine, Germany, on December 10, 1877. He arrived in the United States at the port of New York on the "Kronprinzessin Cecelie" in 1909. He served one year in the German army and had three brothers, Walter, Herman and Eric Hutz, who also served in the army of that country. On August 20, 1918, Dr. Hutz was arrested at Concord, New Hampshire, upon a complaint sworn on the same day for violation of Section 3 (c) of an Act entitled "An Act to Define, Regulate, and Punish Trading with the Enemy." On August 21, 1918, following a plea of not guilty, he was committed to jail without bail. Upon a Presidential Warrant he was taken from Concord, New Hampshire, to Boston, Massachusetts, where he was incarcerated awaiting an order of internment. On October 31, 1918, the United States Marshal at Boston was ordered to deliver him to the United States Marshal at Hartford, Connecticut, for transfer to Fort Oglethorpe, Georgia, for internment. His release was authorized on June 12, 1919, and he was actually released on June 19, 1919.

From a letter dated September 16, 1918, addressed to the Attorney General by the United States Attorney at Boston, Massachusetts, certain excerpts which appear to be pertinent concerning Hutz's internment are hereinafter quoted:

"Very soon after Dr. Hutz' arrival in this country he was sent to Boston as Technical Manager of the Bayer Company, and later he was given charge of the entire business of that concern in Boston. The business of the Boston office was that of dealing in dyestuffs. Dr. Hutz knew that the Bayer Company was German owned and controlled and knew that the management of its affairs rested with Dr. Duisberg, who was and perhaps still is a sort of director-general of the Faben Fabriken Company in Germany, which is the owner of the Bayer Company of New York.

"Hutz had in his custody here a considerable amount of property belonging to the Bayer Company. It was somewhat difficult to get from him an estimate of the value of the property of that company which was in his custody and control here in Boston at the time the Trading with the Enemy Act went into effect. There is no doubt in my mind that the stock was much less at that time than in normal times,

Memorandum

Page two

but there seems to be no reasonable doubt that he had at that time property of the Bayer Company to the value of several thousand dollars in his control. He failed to make any report whatever of this property to the Alien Property Custodian.

"The business of the Bayer Company being greatly diminished by reason of the war conditions, it was found that the concern known as the Williams & Crowell Company of Providence, R. I., was able to produce certain dyestuffs, and the Bayer Company became the selling agents for that concern. In January last a scheme developed for the purchase of the business of this company, and a new company was organized in New York City under the same name, changing from Providence to New York, that is, the name of the new company was Williams & Crowell Company of New York. This was organized by men who had been in the employ of the Bayer Company, Dr. Hutz among the number. The Doctor states that he did not take his stock in the new company in his own name, but acting under advice of counsel, put it in the name of an American citizen, a Mr. Pierce, in whose name his stock still stands. He invested \$10,000 in this company, the capitalization of which was \$100,000.

"The feature that seems worthy of remark in this organization is that while the company was making a net profit of from \$40,000 to \$50,000 a month the stockholders agreed to accept a dividend of 10% per annum and be satisfied with that, and also had an agreement to which, Dr. Hutz states, they all assented, that the Bayer Company should have an option on their stock in this New York Company to take it over at par within six months after the war, which shows very clearly a scheme to hold the dyestuff business of this company for the Faben Fabriken Company of Germany and turn it back into its old channel after the war.

* * * * *

"I feel that a man who is willing to do injury to American commercial interests would not be likely to hesitate to do other injury to American interests, should opportunity offer, and that the harm he may do to this country is really limited only by his opportunities. I, therefore, regard Dr. Hutz as a dangerous person to be set large, and respectfully recommend that he be interned for the period of the war."

11/12/41

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Photostatic copies sent to:

Mr. Foley

Mr. Pehle

JOHN EDGAR HOOVER
DIRECTOR

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**Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.**

November 10, 1941

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

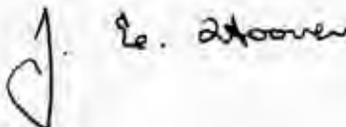
The Honorable
The Secretary of the Treasury
Washington, D. C.

My dear Mr. Secretary:

As of possible interest to you, the attached memorandum showing the credits of cold storage firms against the French Government has been obtained from the Banco Central de la Republica Argentine, Buenos Aires, Argentina, and is being transmitted herewith.

This information was obtained from a reliable, confidential source.

Sincerely yours,

 J. E. Hoover

FORM 1042-R (REV. 11-15-83) **DECLARATION OF FOREIGN INCOME**
 U.S. CITIZEN OR RESIDENT ALIEN

Line	Country	Type of income	Form or other document number	Amount in local currency	Applicable tax in local currency	Amount in U.S. dollars (per \$1)		Foreign tax credit		Total	Foreign tax credit limitation		Foreign tax credit	Total tax
						Income	Tax	per \$100	per \$1		per \$100	per \$1		
1	Argentina	Dividend	17-11-88	7.58	De la Asesora s/n Parado 2	6,428.17.11	6,428.17.11	705,794.00	3,795.09.00		705,794.00	3,795.09.00	6,428.17.11	1,794.46
2	Argentina	Dividend	7-1-88	7.58	Compendio de -que se adjun- ta- se adjun- ta- se adjun-	2,016.19.01	2,016.19.01	1,889,808.45	2,100.19.00		1,889,808.45	2,100.19.00	2,016.19.01	1,794.46
3	Argentina	Dividend	22-1-88	7.58	Fin. la serpa	2,216.04.10	2,216.04.10	511,517.94	2,281.04.00		511,517.94	2,281.04.00	2,216.04.10	1,794.46
4	Argentina	Dividend	4-1-88	7.58	Fin. la serpa	2,728.20.00	2,728.20.00	715,081.18	2,184.11.11		715,081.18	2,184.11.11	2,728.20.00	1,794.46
5	Argentina	Dividend	17-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	609,308.74	2,148.18.01		609,308.74	2,148.18.01	2,200.04.38	1,794.46
6	Argentina	Dividend	2-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	1,210,000.75	7,483.19.00		1,210,000.75	7,483.19.00	2,200.04.38	1,794.46
7	Argentina	Dividend	29-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,643,989.80	2,043.01.00		2,643,989.80	2,043.01.00	2,200.04.38	1,794.46
8	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	1,015,110.48	2,756.18.00		1,015,110.48	2,756.18.00	2,200.04.38	1,794.46
9	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	713,000.78	4,038.19.00		713,000.78	4,038.19.00	2,200.04.38	1,794.46
10	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,200.04.38	2,187.18.11		2,200.04.38	2,187.18.11	2,200.04.38	1,794.46
11	Argentina	Dividend	23-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	323,112.91	2,943.18.00		323,112.91	2,943.18.00	2,200.04.38	1,794.46
12	Argentina	Dividend	27-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	689,175.11	2,289.17.11		689,175.11	2,289.17.11	2,200.04.38	1,794.46
13	Argentina	Dividend	4-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	221,448.71	2,711.03.00		221,448.71	2,711.03.00	2,200.04.38	1,794.46
14	Argentina	Dividend	20-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	1,240,348.31	7,254,041.00		1,240,348.31	7,254,041.00	2,200.04.38	1,794.46
15	Argentina	Dividend	12-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,038,171.12	1,271,171.81		2,038,171.12	1,271,171.81	2,200.04.38	1,794.46
16	Argentina	Dividend	11-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,480,773.93	7,631.11.10		2,480,773.93	7,631.11.10	2,200.04.38	1,794.46
17	Argentina	Dividend	12-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,941,141.01	1,178,140.94		2,941,141.01	1,178,140.94	2,200.04.38	1,794.46
18	Argentina	Dividend	19-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	1,729,181.11	1,229,181.11		1,729,181.11	1,229,181.11	2,200.04.38	1,794.46
19	Argentina	Dividend	21-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,128,223.88	7,228,223.00		2,128,223.88	7,228,223.00	2,200.04.38	1,794.46
20	Argentina	Dividend	21-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	1,074,790.84	2,228,181.00		1,074,790.84	2,228,181.00	2,200.04.38	1,794.46
21	Argentina	Dividend	18-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,022,889.04	11,798,141.00		2,022,889.04	11,798,141.00	2,200.04.38	1,794.46
22	Argentina	Dividend	11-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	12,518,011.09	2,044,007.00		12,518,011.09	2,044,007.00	2,200.04.38	1,794.46
23	Argentina	Dividend	4-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	758,227.43	4,798,191.01		758,227.43	4,798,191.01	2,200.04.38	1,794.46
24	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	297,941.92	2,341.01.00		297,941.92	2,341.01.00	2,200.04.38	1,794.46
25	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,717,171.11	1,240,041.41		2,717,171.11	1,240,041.41	2,200.04.38	1,794.46
26	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	1,454,194.00	2,271,141.00		1,454,194.00	2,271,141.00	2,200.04.38	1,794.46
27	Argentina	Dividend	26-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,682,191.89	2,298,171.00		2,682,191.89	2,298,171.00	2,200.04.38	1,794.46
28	Argentina	Dividend	12-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,009,021.00	795,709.00		2,009,021.00	795,709.00	2,200.04.38	1,794.46
29	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,229,171.00	2,229,171.00		2,229,171.00	2,229,171.00	2,200.04.38	1,794.46
30	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,228,121.00	2,228,121.00		2,228,121.00	2,228,121.00	2,200.04.38	1,794.46
31	Argentina	Dividend	11-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	10,848,001.00	1,478,382.01		10,848,001.00	1,478,382.01	2,200.04.38	1,794.46
32	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	4,414,981.00	728,382.44		4,414,981.00	728,382.44	2,200.04.38	1,794.46
33	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	7,029,141.00	1,429,897.87		7,029,141.00	1,429,897.87	2,200.04.38	1,794.46
34	Argentina	Dividend	23-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	1,195,041.00	2,221,041.00		1,195,041.00	2,221,041.00	2,200.04.38	1,794.46
35	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
36	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
37	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
38	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
39	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
40	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
41	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
42	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
43	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
44	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
45	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
46	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
47	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
48	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
49	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
50	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
51	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
52	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
53	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
54	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
55	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
56	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
57	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
58	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,200.04.38	1,794.46
59	Argentina	Dividend	1-1-88	7.58	Fin. la serpa	2,200.04.38	2,200.04.38	2,221,041.00	2,221,041.00		2,221,041.00	2,221,041.00	2,20	

No.	Nombre de la Empresa	Tipo	Fecha de la última del vapor	Número de la factura	Descripción de la carga	Monte de la obligación (en \$)			Pagos efectuados		Saldo a favor	Saldo en Deuda	Total adeudado a esta Empresa
						Importe de la factura original	Diferencia en concepto de los gastos facturados	Total	Por el Sistema de Préndas				
									en Pesos	equivalentes en \$			
24	Frigo-Lines de la Argentina S.A.	E.Orange	20. 3.40	89327	De la Antártica	4.128.11.11	26.02.11	4.154.13.10	772.128.14	4.128.11.11	-	26.02.11	4.154.13.10
25		Orange	20. 4.40	84	de la Antártica	2.101.04.00	26.02.09	2.127.06.00	262.277.43	2.101.04.00	-	26.02.11	2.127.06.00
26		Orange	17. 4.40	72	Francia	4.212.11.00	26.02.01	4.238.13.00	262.244.00	4.212.11.00	-	26.02.11	4.238.13.00
27		Orange	18. 4.40	87	Francia	2.287.07.00	26.02.02	2.313.09.00	-	-	-	26.02.11	2.313.09.00
28		Orange	21. 4.40	80	Francia	4.222.04.00	26.12.08	4.248.06.00	-	-	-	26.02.11	4.248.06.00
29		Orange	18. 4.40	140	Francia	4.222.04.00	26.11.08	4.248.06.00	729.241.04	4.222.04.00	-	26.02.11	4.248.06.00
30		Viking Star	18. 4.40	141	Francia	4.222.04.00	26.11.08	4.248.06.00	224.224.00	4.222.04.00	-	26.02.11	4.248.06.00
31		Viking Star	17. 4.40	140	Francia	4.222.04.00	26.11.08	4.248.06.00	224.224.00	4.222.04.00	-	26.02.11	4.248.06.00
32		Orange	23. 4.40	144	Francia	2.222.01.04	26.12.11	2.248.03.00	1.121.12.03	2.222.01.04	-	26.02.11	2.248.03.00
33		Orange	17. 4.40	144	Francia	2.222.01.04	26.12.11	2.248.03.00	1.121.12.03	2.222.01.04	-	26.02.11	2.248.03.00
34	Orange	17. 4.40	144	Francia	2.222.01.04	26.12.11	2.248.03.00	1.121.12.03	2.222.01.04	-	26.02.11	2.248.03.00	
35	Orange	17. 4.40	144	Francia	2.222.01.04	26.12.11	2.248.03.00	1.121.12.03	2.222.01.04	-	26.02.11	2.248.03.00	
36	Orange	17. 4.40	144	Francia	2.222.01.04	26.12.11	2.248.03.00	1.121.12.03	2.222.01.04	-	26.02.11	2.248.03.00	
37	Orange	17. 4.40	144	Francia	2.222.01.04	26.12.11	2.248.03.00	1.121.12.03	2.222.01.04	-	26.02.11	2.248.03.00	
38	Cia. Swift de la Plata S.A.	Orange	17. 4.40	245	Francia	4.727.17.00	-	4.727.17.00	-	-	-	26.02.11	4.727.17.00
39		Orange	18. 4.40	1981	Francia	18.121.07.10	-	18.121.07.10	2.247.242.20	18.121.07.10	-	26.02.11	18.121.07.10
40		Orange	18. 4.40	2001 y 2009	Francia	21.121.07.10	-	21.121.07.10	2.247.242.20	21.121.07.10	-	26.02.11	21.121.07.10
41		Orange	17. 4.40	437	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
42		Orange	18. 4.40	2229	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
43		Viking Star	16. 4.40	732/34	Francia	20.221.10.04	26.02.04	20.221.10.04	2.247.242.20	20.221.10.04	-	26.02.11	20.221.10.04
44		Viking Star	17. 4.40	745 y 775	Francia	9.212.07.07	26.02.07	9.212.07.07	1.201.242.20	9.212.07.07	-	26.02.11	9.212.07.07
45		Florida	22. 4.40	774	Francia	9.212.07.07	26.02.07	9.212.07.07	1.201.242.20	9.212.07.07	-	26.02.11	9.212.07.07
46		Orange	17. 4.40	282/29	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
47		Orange	17. 4.40	282/29	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
48	Orange	17. 4.40	282/29	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
49	Orange	17. 4.40	282/29	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
50	Orange	17. 4.40	282/29	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
51	The United and Argentine Meat Co. Ltd.	Orange	17. 4.40	3427	Francia	4.727.17.00	-	4.727.17.00	722.272.20	4.727.17.00	-	26.02.11	4.727.17.00
52		Orange	17. 4.40	3421	Francia	11.221.07.07	-	11.221.07.07	1.201.242.20	11.221.07.07	-	26.02.11	11.221.07.07
53		Orange	17. 4.40	3422	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
54		Orange	17. 4.40	3423	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
55		Orange	17. 4.40	3424	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
56		Orange	17. 4.40	3425	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
57		Orange	17. 4.40	3426	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
58		Orange	17. 4.40	3427	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
59		Orange	17. 4.40	3428	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
60		Orange	17. 4.40	3429	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
61	Compañía de la Plata S.A.	Orange	18.11.20	77944-44-48	Francia	14.221.10.00	-	14.221.10.00	1.201.242.20	14.221.10.00	-	26.02.11	14.221.10.00
62		Orange	17. 4.40	7824	Francia	21.221.10.00	-	21.221.10.00	1.201.242.20	21.221.10.00	-	26.02.11	21.221.10.00
63		Orange	17. 4.40	7825	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
64		Orange	17. 4.40	7826	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
65		Orange	17. 4.40	7827	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
66		Orange	17. 4.40	7828	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
67		Orange	17. 4.40	7829	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
68		Orange	17. 4.40	7830	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
69		Orange	17. 4.40	7831	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
70		Orange	17. 4.40	7832	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10
71	Orange	17. 4.40	7833	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
72	Orange	17. 4.40	7834	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
73	Orange	17. 4.40	7835	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
74	Orange	17. 4.40	7836	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
75	Orange	17. 4.40	7837	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
76	Orange	17. 4.40	7838	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
77	Orange	17. 4.40	7839	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
78	Orange	17. 4.40	7840	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
79	Orange	17. 4.40	7841	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
80	Orange	17. 4.40	7842	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
81	Orange	17. 4.40	7843	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
82	Orange	17. 4.40	7844	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
83	Orange	17. 4.40	7845	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
84	Orange	17. 4.40	7846	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
85	Orange	17. 4.40	7847	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
86	Orange	17. 4.40	7848	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
87	Orange	17. 4.40	7849	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
88	Orange	17. 4.40	7850	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
89	Orange	17. 4.40	7851	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
90	Orange	17. 4.40	7852	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
91	Orange	17. 4.40	7853	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
92	Orange	17. 4.40	7854	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
93	Orange	17. 4.40	7855	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
94	Orange	17. 4.40	7856	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02.11	9.121.07.10	
95	Orange	17. 4.40	7857	Francia	9.121.07.10	-	9.121.07.10	1.201.242.20	9.121.07.10	-	26.02		

November 14, 1941

Under Secretary Bell

Mr. Dietrich

Mr. Thor, Managing Director of the National Bank of Iceland stopped in today to see me. Mr. Thor again brought up the question of making bilateral the first sentence of paragraph 11 of the stabilization agreement. I suggested that Mr. Thor discuss this matter with Mr. Berle and he said that he already had and that he understood that both the Treasury and State Departments were against changing this sentence.

Mr. Thor said that he would probably leave for Iceland within a week and that he had grave doubts as to whether his Government would accept the stabilization agreement without a change being made in the first sentence of paragraph 11 so that Iceland would also have the right to terminate the agreement.



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122

DEPARTMENT OF STATE

Washington

In reply refer to
22

November 14, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits copies of the paraphrase of telegram No. 637, dated November 12, 1941, from the American Legation, Budapest, Hungary, concerning a comprehensive scheme to meet Hungarian debt service in the United States.

Enclosure:

From Legation, Budapest.
No. 637, November 12, 1941.

COPY:hmd:11/15/41

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Budapest, Hungary.

DATE: November 12, 1941, 2 p.m.

NO. : 637.

THE FOLLOWING IS STRICTLY CONFIDENTIAL.

I have been informed by the President of the National Bank that the following comprehensive scheme to meet the service in the U.S. of Hungarian debts, is inspired by the desire to utilize Hungarian dollar assets in the American manner which is fairest to the mutual interests of U.S. creditors and Hungarian debtors, that so long as frozen dollar assets are available no time limit whatever is made with a view to servicing debts in the debt service scheme. At the present time it is not possible to foretell this but it is estimated that for nearly two years outstanding resources and present credits will make payment possible.

1. The plan is to service the League loan in the same manner as was previously done.
2. On the relief loan 1% will be paid. This equals an approximate payment of \$20,000 a year.
3. One per cent interest will be received by the Treasury bill-holders.
4. The servicing of long-term private debts will be done according to last cash offer; that is, the servicing will be done at an interest rate of 1-1/2% to 1-3/4%.
5. One per cent and one and one fourth per cent interest respectively, with no amortization, will still be paid by Hungarian standstill debtors.

It is requested by my informant that this offer be kept in strictest confidence because if it were known to Germany prior to accord being reached, Hungary would be in a very difficult position.

PELL

Copy:bj:11-15-41

TREASURY DEPARTMENT

124

INTER OFFICE COMMUNICATION

DATE November 14, 1941

TO Secretary Morgenthau

FROM Mr. Dietrich

The State Department has advised us that, in the copies of their cable No. 966 of November 11 to the American Consul, Shanghai, item "r" in the list of appointed banks should read:

Chekiang Industrial Bank, Ltd.



LET

GRAY

125

Hong Kong via N. R.

Dated November 14, 1941

Rec'd. 3:44 a.m., 15th.

Secretary of State,
Washington.

491, November 14, 3 p.m. (SECTION ONE)
FROM FOX FOR SECRETARY OF THE TREASURY.

CONFIDENTIAL

"T F --K (?) Stabilization Board has before it a number of applications which involve questions with respect to which they would like to obtain your assistance. Early consideration of these questions will be greatly appreciated. I have taken each of them up with Cochran.

One. The Board has before it an application for exchange from "S.K.F." calling for an allotment of United States dollar exchange for about \$65,000 to cover a shipment which arrived in Shanghai from Hangchow recently, the bulk of which appears to have been disposed of prior to arrival. Delivery is now being held up pending the granting of exchange. Applicant alleges that 65% of (?) imported into Shanghai emanate from S.K.F. works and that this is
an essential

-2- 491, November 14, 3 p.m. (SECTION ONE) from Hong Kong.

an essential import. He also asks for an assurance that exchange will be granted against further imports. It appears that commodities of this character are scarce and difficult to obtain but they are produced by number of manufacturing companies in the United States and Great Britain. Query: may exchange be granted under any of the general licenses in respect of (a) the shipment now arrived in Shanghai (b) any future shipments, all of which are from the (?).

Two. Shanghai is vitally interested in certain imports from Indochina such as coal and rice. In the Board's recent negotiations with representatives ^{the} of Shanghai Municipal Council it was disclosed that anthracite coal of grade suitable for the Chinese populace could be obtained from Indochina providing payments can be made in United States dollars. Individual coal companies are willing to have their United States dollar payments remain frozen "because we understand that the Indochina Government would use these frozen assets as security for 'piastre notes' which would be printed to be used as payment to miners

SOUTHARD

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Hong Kong via N. R.

Dated November 14, 1941

Rec'd. 1:09 a.m., 15th

Secretary of State,
Washington.

491, November 14, 3 p.m. (SECTION TWO).

will include: is the understanding correct that payment in United States dollars for coal and other products of Indochina may be made providing its assets remain frozen in the United States.

Three. Shanghai is also almost entirely dependent upon bituminous coal shipped in by the "Kailan Mining Administration". Understand that contracts were previously payable in pounds but more recently United States dollar payments are required to pay for imports of machinery from the United States. This question was raised with respect to Shanghai Power Company in my cable of September 13. Your reply of November 6 was not clear. Question has arisen again in connection with the negotiations with Shanghai Municipal Council representatives and in other applications. I am informed that the British
have

-2- #491, November 14, 3 p.m. (SECTION TWO) from
Hong Kong.

have already authorized payment of sterling for shipment of coal by KMA into Shanghai from north China. Board is of the opinion that Shanghai will suffer a severe winter unless payment for coal from KMA's north China mines are authorized in United States dollars. Query: Will United States Treasury grant special licenses or give permission for payment in United States dollars for coal to KMA?

Four. Board in some instances has received applications from banks licensed in 59 (*) for exchange to cover financing of imports from Switzerland and Thailand. Some cover retirements of their matured bills drawn before imports from Switzerland consist mostly of aniline dyes, pharmaceuticals and watches and from Thailand rice and pharmaceutical wood and chaulmoogra oil used in the treatment of leprosy. Query: May these banks provide exchange for financing imports without special license?"

END OF MESSAGE.

SOUTHARD

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Hong Kong via N. R.

Dated November 14, 1941

Rec'd 5:25 a.m.; 15th

Secretary of State,
Washington.

492, November 14, 4 p.m.

CONFIDENTIAL FROM FOX FOR THE SECRETARY OF
THE TREASURY.

"TF-L (one) had made arrangements to leave Friday night for Chungking in answer to summons from Kung for board members to discuss Shanghai situation.

(Two) Hsi Te -- Mou and I have been designated by board to make trip. In order to effect distribution of long commercial cable to interested parties am postponing trip until Monday evening. Expect to be in Chungking pending receipt of instructions week or ten days. Hall -- Patch has gone to Shanghai for ten days and expects soon to go to Singapore for a conference with British authorities.

(Three) Am greatly impressed by new provisions and believe that it should go far to improve situation here and particularly position of Stabilization Board."

SOUTHARD

GW

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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF

November 14, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith paraphrases of two telegrams, no. 1696 and no. 1726, dated October 28 and October 31, 1941, respectively, from the American Embassy at Tokyo concerning shipments of gold from Japan to Peru.

Enclosure:

Paraphrases of telegrams
no. 1696 and no. 1726,
dated October 31, 1941,
from Tokyo.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Tokyo
TO : Secretary of State, Washington
DATED: October 28, 1941, 2 p.m.
NUMBER: 1696

My Peruvian colleague informs me that 260 kilos of gold, which were valued at yen one million twelve thousand, were shipped to his country by the Japanese on the NOTO MARU on the 27th of August. There were also shipped on the 16th of September 558 kilos at yen two million five hundred thousand on the TERUKAWA MARU.

It is hoped that I will obtain further details, which will be reported in a later telegram, concerning these shipments, such as the disposition of the gold, the consignees, et cetera.

GREW

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, Tokyo
TO: Secretary of State, Washington
DATED: October 31, 1941, 10 p.m.
NUMBER: 1726

The shipment of gold to Peru on the TERUKAWA MARU and NOTO MARU was sent through the Yokohama Specie Bank by the Bank of Japan. This shipment was a consignment made to a Mr. N. Kobayashi in Lima, who was designated there as the Yokohama Specie Bank's agent. The gold, it was stated to the Consulate of Peru in Yokohama was to be used for the payment of salaries to officials of Japan in Peru and for imports in Japan of Peruvian merchandise. At the same time information was also given to the Consulate indicating that at a later date more gold would be shipped.

It is the feeling of my Peruvian colleague that the fact that this gold was sent at the same time that a large number of officials of Japan had been sent to Peru was more than purely coincidental. He also feels that ultimately the gold may be used for propaganda purposes or other activities instead of for the specified uses. In further connection with this he said that through arrangements made through Japanese banks in Brazil and Argentina and under arrangements which were made by these banks with

- 2 -

banks in Peru there are available accommodations for the settling of Japanese-Peruvian accounts and for the establishing in Peru of Japanese credits. He further stated that it was, therefore, not necessary to transfer the gold to Peru for these reasons. He stated that in the light of restrictions by Peru on the export of strategic raw materials Japan can no longer obtain there such supplies and other products which could be exported from Peru could be paid from credits resulting from exports to Peru of Japanese merchandise. He further stated that on the first part of November a ship had been scheduled to sail for the South American west coast although a later report which he has received indicates that it will not touch a Peruvian port as it was originally supposed. It was also stated by my informant that 1800 books which have been listed as school books were shipped to Peru on board the NOTO MARU.

TREASURY DEPARTMENT

134

INTER-OFFICE COMMUNICATION

DATE November 14, 1941.

TO Secretary Mergenthan
 FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£54,000
Purchased from commercial concerns	£13,000

Open market sterling remained at 4.03-1/2. The only reported transaction consisted of £1,000 sold to a commercial concern.

The discount on the Canadian dollar widened to 11-5/8% at the close, as compared with 11-1/2% last night.

For several months, the New York "free" rate for the Brazilian milreis has been quoted at .0505. New York banks have advised the Federal Reserve Bank of New York that milreis are available at this rate only for use in covering living and maintenance expenses, contributions and a few other similar purposes. For all other transactions not governed by the .0505 rate or the official quotation (which is about .0606), milreis are available in New York at .0515; this is called the "free" rate by the banks. Capital transfers, shipping and freight charges, insurance payments, and the like, reportedly go through at the .0515 rate.

Continuing its improvement, the Uruguayan free peso advanced another 25 points to a new high of .4750.

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

Argentine peso (free)	.2388
Colombian peso	.5775
Mexican peso	.2070
Venezuelan bolivar	.2540
Cuban peso	1/8% discount

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

No new gold engagements were reported.

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

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

We made no silver purchases today.

- 2 -

The report of November 5, received from the Federal Reserve Bank of New York, giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$4,065,000, a decrease of \$430,000 in the short position since October 29. Net changes were as follows:

<u>Country</u>	<u>Short Position October 29</u>	<u>Short Position November 5</u>	<u>Change in Short Position*</u>
England**	\$ 641,000 (Long)	\$ 788,000 (Long)	- \$ 147,000
Europe	2,605,000	2,632,000	+ 27,000
Canada	50,000 (Long)	98,000 (Long)	- 48,000
Latin America	154,000	151,000	- 3,000
Japan	201,000	98,000	- 103,000
Other Asia	2,207,000	1,986,000	- 221,000
All Others	19,000	84,000	+ 65,000
Total	\$4,495,000	\$4,065,000	- \$ 430,000

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

**Combined position in registered and open market sterling.



CONFIDENTIAL

BRITISH EMBASSY
WASHINGTON, D.C.

November 14th, 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 dated November 13th, 1941.

Naval.

Morning of 12th. Two of His Majesty's trawlers attacked by aircraft off Halsborough Lighthouse.

One received direct hit and sank but the aircraft was shot down by combined fire of both ships.

2. Another strong reinforcement of bombers and fighter aircraft has arrived at Malta.

3. Royal Air Force.

United Kingdom. Night of 12th/13th and day of 12th. No offensive operations owing to adverse weather.

4. Libya. Night of 10th/11th. Eight Wellingtons bombed Benghazi and Blenheims bombed El Gasala, whilst the enemy made attacks on Tobruk and Mersa Matruh.

The following day Bersa attacked and number of M.T. vehicles on Jedabaya el Aghalla road destroyed.

RESTRICTED

G-2/2657-220; No. 544 M.I.D., W.D. 11:00 A.M., November 14, 1941

SITUATION REPORTI. Eastern Theater.

Ground: The situation at Leningrad is unchanged.

Fighting continues along the entire Moscow front from Tula, along the Nara river to Kalinin. The Russians claim local successes.

There is no confirming information available covering the situation in the Donets Basin.

The "mopping up" operations in the Crimea continue. Kerch and Sevastopol are being invested.

Air: The luftwaffe was said to have put the main Russian naval base at Sevastopol out of commission.

II. Western Theater.

Air: German planes attacked Falmouth, England last night despite bad weather. There is no indication of the end of the lull in British air activity caused by recent heavy weather.

III. Middle Eastern Theater.

Naval: The British Admiralty announced the loss of the British aircraft carrier, ARK ROYAL. It was returning in the Mediterranean to Gibraltar when torpedoed yesterday afternoon, and sank this morning while an attempt was being made to tow it to Gibraltar.

Ground: The Italian war communique reports heavy fighting in the Gondar region of Ethiopia, the last Fascist stronghold. This indicates a final effort by the British to clean up the East African campaign.

Air: German dive bombers were said to have bombed British pillboxes near Tobruk.

RESTRICTED

Reading copy of
Secretary Morgenthau's speech
before the
NATIONAL GRANGE

Worcester, Mass.,
November 15, 1941.

Today, as never before, it is an honor to be an American farmer. The future health and happiness of all the world depends, as never before, upon the American farmer's work and skill and enterprise. I am very happy, therefore, to have this opportunity of speaking to a great audience of American farmers, and to accept at your hands, Mr. Taber, this pin that certifies to twenty-five years' membership in the National Grange.

To anyone who lives and works with the good earth it brings a new pride year after year to sow the new crop, to tend it carefully, and to harvest it at last. Speaking to you as a fellow farmer rather than as Secretary of the Treasury, I can assure you that one of the great satisfactions of my life is to see the trees that I planted on my own farm twenty-five years ago grow and blossom and bear good fruit. And during these twenty-five years it has meant a great deal to Mrs. Morgenthau and to me to be members of the Wicopee Grange, near our farm in the Hudson Valley.

The local Grange has given us a place to discuss common problems with our neighbors, and it always has given us the feeling that we are a part of this great national organization which for seventy-five years has been the friend of every farmer in the United States. I shall wear my membership pin as a badge of honor.

I had intended to remind you at the very start of this talk of the danger of inflation as it might affect the farmers of the United States; but your National Master has already spoken of the danger, and has done it eloquently. May I quote a few sentences of what he said?

"Next to the suffering on the battlefield and the anguish of those at home, inflation is one of the calamities of war

How could any farmer forget 1921 and '22, or 1932 and '33? . . . Inflation endangers all forms of wealth, every bank deposit, and, in fact, all of the established accumulations of generations."

One of the most effective ways to fight inflation is to produce more of the goods which do not compete with our defense industries for materials or for labor. That means, above all, to produce more food in the interests of the consumer and the farmer as well.

I should like to pay my tribute to the work of Secretary Wickard and the Department of Agriculture in encouraging our farmers to grow more of the right kinds of food -- more dairy products, vegetables, fruits and meats, the so-called protective foods on which our national well-being depends.

The opportunity ahead of American farmers at this time is so vast that very few of us, I think, can conceive it. We have prided ourselves on being the best fed nation in the world.

Europeans who have come to our shores have marvelled at the stacks of fruit and vegetables in our shops and at the abundance of the diet available to American families. Yet we are not as well nourished as outward appearances might seem to show. Only the other day the President of the United States expressed his sense of shame at the high percentage of recruits for the army who had to be rejected.

Nearly 50 percent of two million men examined for selective service were found to be unfit, and of those rejected a large number were suffering from dental defects or other ills that probably were due to faulty nutrition. The President was not overstating when he described these conditions as an indictment of America.

A few years ago I took part in the conception and inception of the food stamp plan, which was an attempt to bring some of our surplus commodities into the hands of the underprivileged. The plan was conceived at a meeting between Vice President Wallace, Mr. Harry Hopkins, Doctor Thomas Parran, and myself; later it was perfected by Mr. Milo Perkins of the Department of Agriculture.

In line with this effort Doctor Parran, who is now Surgeon General of the United States and was then in the Treasury, undertook an investigation into food-buying habits and nutrition in the District of Columbia. Here was a compact area where per capita wealth was higher than that of any State, yet Doctor Parran found widespread under-nourishment, especially in milk, green vegetables and citrus fruits.

I suspect that similar investigations in other parts of the country might yield a similar result even today, when our public is more vitamin-conscious than when Dr. Parran's study was made.

This is a challenge that we as a government, and we as farmers, must meet together. The Government can help by encouraging and promoting the production and use of the right kinds of food, as it is beginning to do right now, under the leadership of Miss Harriet Elliott of the Consumers Division of the Office of Price Administration.

But farmers can do by far the biggest part of the job by producing more -- by diverting land and effort to the production of milk, butter, eggs, pork products, fruits and vegetables. It must no longer be said of this rich country of ours that millions of our people still go without the food that is necessary to good health and good morale.

Side by side with this challenge that confronts us at home, there has come a still more urgent and insistent call from across the sea.

The British people, as you know, have had their chief sources of food supply cut off either by invasion, as in the cases of Holland and Denmark, or by shipping shortages, as in the cases of Australia and New Zealand. The British today are living under conditions of siege. Their island home is one vast fortress, and every man, woman and child is in the garrison, fighting our fight as well as their own. It is our responsibility, and our high honor, to see that they are fed, not with a trickle of occasional shipments, but with enough sustaining food to enable them to carry on.

American farmers are already doing a mighty work in sending food to England in her time of greatest need. Secretary Wickard has already told you of the huge amounts that we are pledged to send during 1942. It will help us, I think, to produce those vast quantities if we always remember that our food shipments are bringing renewed strength and renewed courage to those who are in the front line of freedom.

That is an achievement which must be continued throughout 1942 and as long as the war may last. It is probably the greatest single call ever made upon American farms. If you add it to our own requirements, it is a call that will use all of our ingenuity, all our effort, and all of the experience that we have gained in recent years, if we are to meet it successfully.

In this effort the American farmer is as vitally important as the aircraft worker who builds a new bomber or the shipyard worker who helps to send a new battleship on its way. Knowing what I do of the great-heartedness of our farmers and of their capacity for hard work in a great cause, I am confident that that call will be answered and that England will be able to win the victory that is our own hearts' desire.

But after the victory -- what then?

After the Allies win this war -- and they are going to win it -- the opportunity for American agriculture and the need for colossal production of the right kinds of food will be much greater than it is even today. Where tens of millions in England are depending on us now, hundreds of millions throughout the continents of Europe and Asia will be stretching out their hands to us when the war is over.

I am in favor of seeing that the credit of the United States is used to do the humanitarian thing, the economic thing, the sound thing, in putting the great food production of the United States into the hands of the hungry millions.

I am one of those who believe that in the long run, as Vice President Wallace has said, service to humanity is economically sound.

I am thinking not only of the actual hunger and misery that will be sure to exist when the next Armistice comes, but also of the ruined agriculture of many countries that depended upon farming for their very existence. I am thinking of the fine herds that have been slaughtered in Denmark and Holland, which lived on their exports of dairy products.

I am thinking of the scorched earth in the great farming areas of Russia, where farm houses and farm implements have been destroyed in the past five months on a scale unparalleled in all history. There will be a lack of seed, a lack of feed for livestock, and in many countries a lack of manpower to tend the farms. Again, as in the past, American agriculture can save Europe from hunger and from the anarchy that comes with hunger on such a scale.

It is true, as the President said recently, that our first job now is to win the war rather than to concentrate on blueprints of what is to follow. I agree with him, yet I think there is one great fact about the coming democratic order in Europe which we should do well to remember now. That is that great masses of decent hardworking men and women will no longer tolerate the economic insecurity which furnished so much of the fuel for the political turmoil of the past 25 years. They are going to demand certain elementary guarantees for a decent life, and I think they will be right and amply justified in their demand.

In order to build a better world -- and that goes for our own country as well as for those abroad -- we must recognize the citizen's right to have a minimum standard of food with which he can live the life of a free man. My own feeling is that we should guarantee to every man, woman and child the right to have enough milk and butter, enough fruit and vegetables, enough of the protective foods of all kinds, so that everyone can be fit to do his part in the world of tomorrow.

After all, we in America decided about 75 years ago, about the time the National Grange was founded, that everyone was entitled to a decent education as a matter of right, and we established the greatest free school system in the world to provide that right. We found that it was not fair, and that it did not pay us as a nation, to permit illiteracy on a vast scale and to enable only those with wealth or other advantages to have a proper schooling. We have provided that schooling with State funds, and nobody would dream of abandoning it now.

We decided eight years ago that every citizen should have protection against unemployment or old age or disability, and we enacted a whole series of historic measures to help him obtain that protection as a matter of right. We found that it was not fair and that it did not pay us as a nation to leave millions of our people at the mercy of economic cycles over which they had no control. These changes have been accepted, and I doubt whether any except the most uncompromising Tory among us would abandon them now.

What I am suggesting would merely carry the process a step further. I speak of it today not as a dream but as something which I am convinced must follow, not only in this country but all over the world, if we are not to revert into an endless barbarism of wars and revolutions. It is our best hope of ensuring the survival of the way of life which we treasure in common with other free peoples throughout the world.

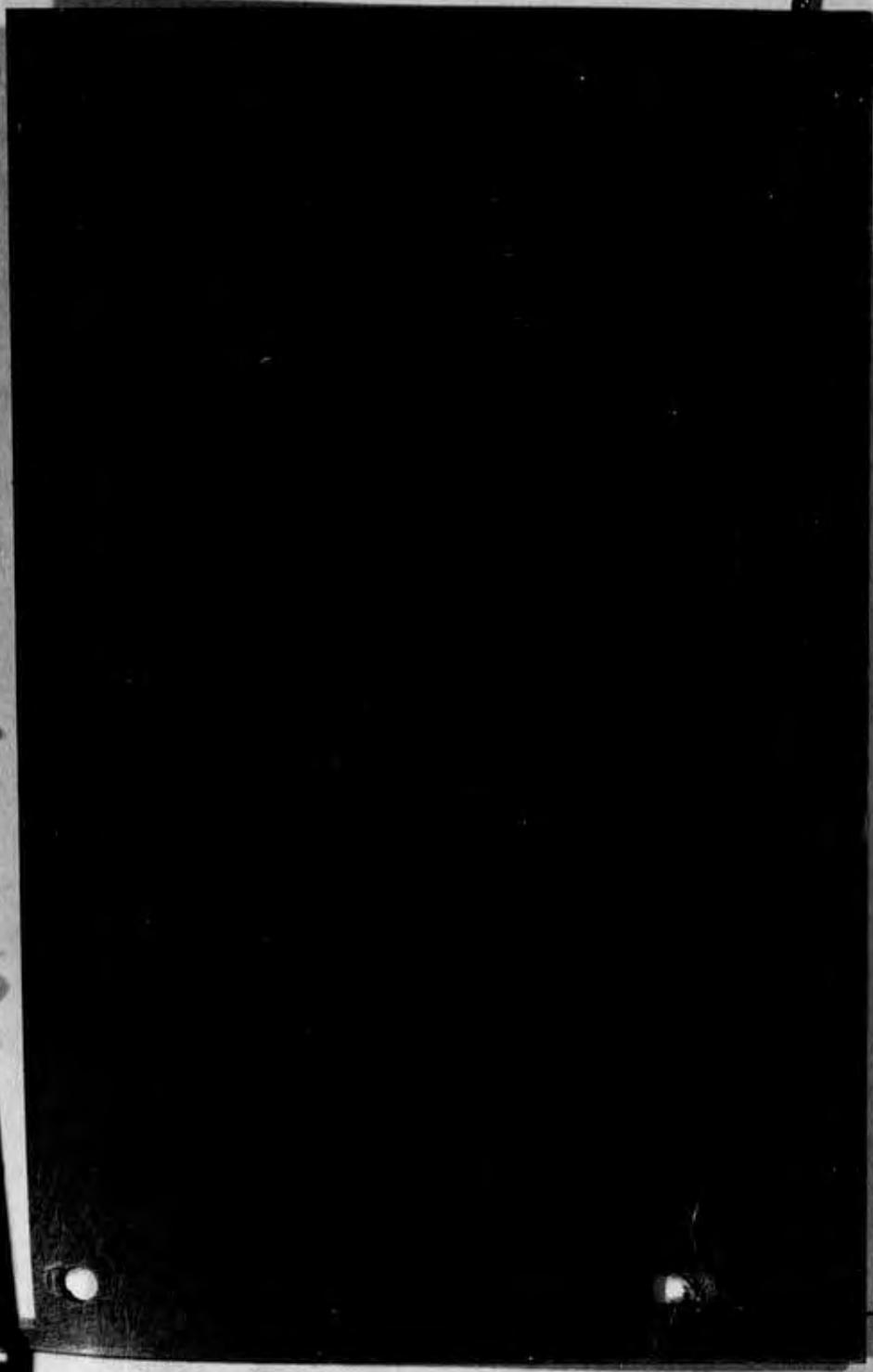
I have suggested it to this particular audience because I want you to consider what a tremendous opportunity it brings to American farmers. If our people and other peoples are to be guaranteed a minimum standard of nutrition, which I believe is their right, then we in this country will have to produce the food that will make that standard possible. That minimum for every adult was recently set by the National Nutrition Conference at $4\frac{1}{2}$ quarts of milk per week, one egg a day, one serving of meat a day, and two daily servings of vegetables and two of fruits.

If we were to attain such a minimum goal, if we were to recognize it as a right that belonged to everyone, it would mean a vast increase in our consumption and our farm production. It would mean an increase of at least forty percent in our present consumption of milk and milk products alone. It would mean a doubling of our present consumption of leafy vegetables and of the fruits that are rich in vitamins. It would mean that the farmers would have a greatly increased market here at home -- the best kind of market, for it would not be subject to foreign tariffs, and it would also increase steadily as population increased.

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I have never been one of those who believe that we are heading into a period of misery and darkness. Certainly there need be no agricultural misery in our country after this war. There need be and there must be no repetition of 1920 and 1921, which, as you know from bitter experience, were black years for American farmers.

If we could provide a minimum food standard for everyone -- and our farm lands have the capacity to provide it -- there would be less illness due to faulty nutrition, more production from our workers, a greater length of life for all our people, and an assured future for all American farmers.



TWENTY-FIVE YEARS



1,001

THE NATIONAL GRANGE OF THE PATRONS OF HUSBANDRY

In recognition of twenty five years continuous membership in the Grange
this certificate is issued to Henry Morgenthau, Jr.
whose name is enrolled in the permanent records of the New York State State
Grange as one of the Silver Star Builders of the Order of Patrons of Husbandry



Issued by the authority of the National Grange at
Washington, D. C. this fifteenth day of November 1941

Louis J. Taber
NATIONAL MASTER

Harry A. Eaton
NATIONAL SECRETARY



1867



1941

This is to certify that in commemoration of the
Diamond Jubilee of the National Grange

Hon. Henry Morgenthau, Jr.

has made a noteworthy contribution toward a
Grange Headquarters in the City of Washington

Harry A. Eaton
Secretary

Louis J. Tabor
Master



FIELD ORGANIZATION *News Letter*

DEFENSE SAVINGS STAFF

TREASURY DEPARTMENT, WASHINGTON, D. C.



NOVEMBER 15, 1941

NUMBER 26

Helena, Montana

TO THE FIELD STAFF:

Entering the seventh month of Defense Savings sales, there is cause for satisfaction over results. Total sales represent an impressive volume, which soon will reach the two billion dollar mark. The number of bonds sold has crossed the seven and one-half million mark. At the same time, more than seventy million individual stamps have been purchased. These totals, of course, represent many new owners of U. S. Government securities, and they indicate that we are on our way towards our goal of millions of Defense Savers in America.

The beginning is impressive, but it is only the beginning. Some state and local organizations are just swinging into the great program. Every report indicates that the building has been very sound—designed to promote regular buying, continuous saving.

The tens of thousands of volunteers who make up our vast field organizations, and the countless businesses and associations of all kinds which are contributing so much, deserve great credit for the manner in which the public is being brought into this mosaic of America.

The Defense Savings leaders and committee members in Montana, Utah, Nevada, and California, just visited, send enthusiastic Defense Savings greetings to other state groups.

Sincerely yours,

GALE F. JOHNSTON,

Field Director, Defense Savings Staff.

P. S. A Western trip emphasizes the greatness and the potentialities of our land. America's future is as brilliant as the past. We have just scratched the surface of the frontier.

G. F. J.

NEWSBOYS TO SELL DEFENSE STAMPS

Newspaper carrier boys all over the nation soon will have the opportunity of enlisting as "Official U. S. Defense Agents for the Sale of Defense Savings Stamps" under a plan recently endorsed by newspaper publishers and scheduled to go into operation November 24.



Secretary Morgenthau pins honor shield on John Gotsey, Jr., 15-year old Philadelphia high school boy and newspaper carrier, who sold the one millionth Defense Stamp in that city.

The direct sale of Defense Stamps by newspaper carrier boys to the customers on their routes was initiated in Philadelphia under the auspices of the Philadelphia Evening Bulletin, about the middle of September. In the following seven weeks, the boys sold more than one million ten-cent stamps - approximately one-third of all Defense Stamps sold in Philadelphia during this period.

Philadelphia's success with the plan of carrier boy sale of Defense Stamps brought demands for its extension to other cities. The Philadelphia Evening Bulletin volunteered to contribute the ideas which it had developed and the consulting services of Howard W. Stodghill, its business manager, Secretary Morgenthau and other Treasury officials were enthusiastic. And the American Newspaper Publishers Association, the International Circulation Managers Association, and six other regional and state associations of newspaper publishers, after a meeting in New York City on October 31, unanimously recommended that daily newspapers adopt the plan and so informed the Secretary of the Treasury.

Accordingly, the Defense Savings Staff is arranging to make available full information concerning the "Philadelphia Plan" to all daily papers and to provide papers which decide to put the plan into operation with all supplies and materials needed.

Carrier boys of participating newspapers will be asked to volunteer their services. They will receive identification badges; special albums for their customers who ask to have stamps delivered to them regularly; and, for the sale of the first 157 ten-cent stamps, merit pins, with additional awards in the form of silver and gold bars for additional stamp sales of specified amounts. At the close of the program, each boy is to receive a certificate on parchment paper stating that as a volunteer "U.S. Defense Agent" he sold a specified number of Defense Stamps.

The experience of Philadelphia is that carrier boys sell Defense Stamps like the proverbial "hot cakes." Of equal or greater importance is the fact that their patriotic devotion in this endeavor is a veritable tonic to all who have an opportunity to see them in action. Undoubtedly the carrier organizations of newspapers which participate in the plan will, in the words of Secretary Morgenthau, "render a great and permanent service to the Defense Savings Program and to the Nation."

BOSTON'S FIRST NATIONAL BANK MAKES DRAFT PLAN AVAILABLE TO ITS 55,000 COMMERCIAL ACCOUNTS

One of the biggest banks in the country to make it possible for its customers to buy Defense Bonds regularly through the convenient draft plan familiar to members of the Defense Savings Staff is the First National Bank of Boston. Adoption of the draft plan by this bank augurs well for the success of this phase of our program in Massachusetts and throughout New England.

The form included in the announcement of the purchase plan recently distributed to the bank's 55,000 commercial accounts is shown below:

AUTHORIZATION FORM + RETURN ENVELOPE
(This flap is glued for mailing. No crease or punch is necessary.)

Mail to: Attention: the Administration Dept. to The First National Bank of Boston, 77 Milk St., Boston, Mass., or to the Branch Office nearest you.

CHOICE OF AMOUNT	DEEDS FOR REGISTRATION								
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Purchase 1000 First of Series E</td> <td style="padding: 2px; text-align: right;">@ \$ 18.75 <input type="checkbox"/></td> </tr> <tr> <td style="padding: 2px;">Defense Bonds</td> <td style="padding: 2px; text-align: right;">@ 17.50 <input type="checkbox"/></td> </tr> <tr> <td style="padding: 2px;">You Buy or Buy Just Monthly</td> <td style="padding: 2px; text-align: right;">@ 75.00 <input type="checkbox"/></td> </tr> <tr> <td style="padding: 2px;">Checklist Return</td> <td style="padding: 2px; text-align: right;">@ 750.00 <input type="checkbox"/></td> </tr> </table>	Purchase 1000 First of Series E	@ \$ 18.75 <input type="checkbox"/>	Defense Bonds	@ 17.50 <input type="checkbox"/>	You Buy or Buy Just Monthly	@ 75.00 <input type="checkbox"/>	Checklist Return	@ 750.00 <input type="checkbox"/>	<p style="text-align: center;"><small>Print in type in this space the name or names to which the funds should be registered.</small></p> <p>Name ¹ _____</p> <p>Address _____</p> <p style="font-size: small;"><small>*Use full name or names in every address. The name should be preceded by "Mr." or "Mrs." when appropriate. A married woman's given name should be used and not that of her husband.</small></p>
Purchase 1000 First of Series E	@ \$ 18.75 <input type="checkbox"/>								
Defense Bonds	@ 17.50 <input type="checkbox"/>								
You Buy or Buy Just Monthly	@ 75.00 <input type="checkbox"/>								
Checklist Return	@ 750.00 <input type="checkbox"/>								

To: The First National Bank of Boston Date _____

\$15.75 in one month's payment.

I hereby authorize you to charge my checking account # _____ as the _____ day of _____ 1945 _____

with the month of _____ for the purchase and delivery of Series E United States Defense Bonds as returned.

Name _____
(Name and address for delivery of bank if other than given above)

By _____
Signature

"WHAT COULD BE A BETTER GIFT THAN A DEFENSE BOND?"

MANY BANKS are planning to enclose with the "Christmas Club" checks which they will soon distribute, messages similar to the one reproduced at the right, which will go out with the Christmas checks of the Green Point Savings Bank in Brooklyn, New York.

WITH THIS CHECK there comes a hearty wish for

A Merry Christmas
and a message in which we believe!

The gift will come when "These soldiers in line of duty will still await home and see the messages mailed to their families, we have here in the words of a girl:
 (This is one of our messages - a word in which we can be sure only if we are certain.
 You see and your country for every part of this check to buy U. S. Defense Savings Bonds at 75 cents.
 Please send us a letter gift when a Defense Bond for every purchase indicates a message on a beautiful gift to the nation of the future security of a loved one."

Green Point Savings Bank

MORE BONUSES IN DEFENSE BONDS

MANY COMPANIES which have paid bonuses in Defense Bonds and Stamps have been listed in previous issues of this NEWS LETTER. Recent reports indicate that this practice is becoming more and more widespread.

ADOPTION OF A STRONGLY WORDED RESOLUTION urging the payment of bonuses in Defense Bonds by the Board of Directors of the Chicago Association of Commerce will undoubtedly do much to further this movement. This resolution reads in part as follows:

"The sale of Defense Savings Bonds should be encouraged by every means, and it is therefore suggested that the custom of distributing periodic bonus payments, in effect among many employers, offers a desirable means of affecting the distribution of a substantial amount of Defense Savings Bonds by making periodic bonus payments in the form of Defense Savings Bonds in lieu of cash. . .

"The Chicago Association of Commerce, therefore recommends, earnestly, to all of its members and to all other employers, that they make bonus payments by giving employees Defense Savings Bonds rather than by paying such bonuses in cash."

* * *

FROM MANY PARTS OF THE COUNTRY come reports of bonus payments in Defense Bonds: -

Buffalo. Employees of the Sattler store will receive Christmas gifts of Defense Bonds and Stamps instead of cash this year. The Christmas gift certificates were distributed October 24 and are to be redeemed just before Christmas for the Bonds and Stamps. . . . Also in Buffalo, the William Honkerer Company, on its 104th anniversary, presented bonuses in the form of Defense Bonds and Stamps to its 327 employees.

Cincinnati. The Post Office here worked overtime recently filling an order for Defense Bonds, costing more than \$24,000, requested by employees of the Cincinnati Milling Machine Company. The company gave employees the choice of taking bonuses in cash or in Defense Bonds, and a large number ordered the Bonds.

Denver. A bonus of \$15,000 in Defense Bonds and Stamps was given to 1,200 employees of the Denver Dry Goods Company recently.

Jacksonville. Pursuant to its policy of sharing profits with its employees in the form of bonuses each year, the Daval Jewelry Company this year gave more than \$10,000 in Defense Bonds to its employees.

MORE BONUSES IN DEFENSE BONDS
(Continued)

Macon. An extra bonus of one \$35 Defense Bond was recently awarded to all of the 140 employees of the Union Dry Goods Company. The firm installed an allotment plan a short time ago and President E. J. Juban announced that when an employee had accumulated enough in this way to buy a bond, the firm would present him with another bond as a bonus. The Union Dry Goods Company, understandably enough, was one of the first large concerns in Georgia to report 100% participation in the allotment plan. At the right is a picture of the window display which featured the bonds purchased by the store's employees.



New York. A bonus of some \$9,000 in Defense Bonds and Stamps was distributed late in September by F. Schumacher & Company, dealer in fabrics and rugs, to its 299 employees.

St. Louis. Approximately \$27,000 worth of Defense Bonds and Stamps was distributed recently among the more than 1,700 employees of the Scruggs-Vandervoort-Barney Department Store.

Tulsa. A \$35 Defense Bond will be given to each of the 30 employees of the Shannon Furniture Company. I. W. Shannon, President, announced recently. "We thought it would stimulate interest in Defense Bonds," he said.

Washington. On September 23, the Cadillac-LaSalle Sales and Service Agency shared its profits with 109 employees by distributing as bonuses 125 Series E Defense Bonds, worth about \$13,500 (maturity value).

"I should like to offer as a suggestion, that every Christmas bonus in the United States be paid in Defense Bonds or Stamps this year. . . . There could be no more 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."

-- Henry Morgenthau, Jr.
Secretary of the Treasury.

News Letter

TO THE LADIES

State Women's Defense Savings Committee Working

WISCONSIN AWAY! In the Badger State, Mrs. George Ritter, who is Chairman of the Women's Organizations Division of the State Committee, is setting up an over-all organization among the women of her State that promises to reach down into every grass roots village. She has appointed a "key" woman in every city and community that has a Post Office, and has written to these women asking them for lists of all local women's organizations, and the names and addresses of their Presidents. In order not to miss any rural organizations, Mrs. Ritter also appointed a Women's Organization Chairman in every county and asked them to supply the names of the presidents of associations of farm women.

The first mailing to these Presidents of local organizations was a copy of the leaflet "We Gals Have To Stick Together".

The Presidents of all state-wide Women's Organizations have all been urged to work with the Presidents of their local affiliated clubs in the setting up of study groups, radio programs, and platform programs on the subject of Defense Savings.

And the Press has not been forgotten. A "news item" on the activities of the Women's Organizations Division has been released to all the editors of papers in the State.

IN DOWNHITCH the Women on the State Committee are working closely with the Women's Division of the State Defense Council. Mrs. Dorothy E. Bowles, who is a member of the former, is also in charge of the Welfare and Community Services of the latter. **IN OHIO**, Miss Grace Smith of Toledo has been selected as a member of the State Defense Savings Committee. She is immediate Past President of the National Restaurant Association. **IN NEW JERSEY**, the Women's Committee is under the chairmanship of Mrs. Patrick Henry Adams of Maplewood.

Local Women's Defense Savings Committees

IN MINNEAPOLIS, Mrs. Frederick G. Atkinson of the Hennepin County Committee has organized the women's subcommittee. **IN TAKIMA**, Washington, twenty-three women were recently added to the women's division of that city's committee. Each one represents a different women's group or organization. **IN PULASKI COUNTY, Arkansas**, Mrs. Vernon Hall, who is Women's Chairman for the county Defense Savings Staff reported that \$486 worth of Stamps had been sold, and 182 new stamp albums started at a booth at the Arkansas Livestock Show which was staffed by volunteers recruited by her Division.

Is this the only County Defense Savings Committee directed by women? In DeSoto County, Florida, Mrs. Marion Parker of Arreda serves as the County Executive Chairman and the Deputy Chairman and Secretary are also women.

News Letter

TO THE LADIES

Food for Thought

Since women do most of the Christmas shopping, it is to them especially, that appeals to buy Defense Bonds and Stamps for Christmas gifts, should be made. In Idaho, Mrs. John E. Bayes, who is Chairman of Women's Activities for that State, has sent the following letter to the County Chairmen of Defense Savings Committees:

"SAVINGS STAMPS FOR CHRISTMAS!"

Can we make this slogan a reality this year? Year after year the problem of Christmas gifts is a matter of deep concern for parents and relatives and friends of children and youth everywhere. If we have little to give, we fear that the gift may seem insignificant; if we have a generous Christmas budget, we worry for fear the selection may not be entirely appropriate for the taste or needs of the recipient. What to give is always a troublesome question.

"This year, it need not be. Give Defense Savings Stamps. Every boy or girl, from kindergarten age to college, will be happy to receive them. There is no chance that stamps will be considered an inappropriate gift. They fit all pocketbooks--as little as ten cents will buy one. They may be had in books costing \$37.50, exchangeable for a \$50 Bond. A filled book of stamps, a book partly filled, or a single stamp in its appropriate folder, whatever your budget permits--that is the gift to buy.

"You are sure to feel that your money is well spent, that you have added to our country's defense and that you have pleased someone you hoped to please with your gift. The receiver of your gift will know the satisfaction of holding a share in the government of the United States and may learn a precious lesson of thrift.

"Let's give STAMPS and DEFENSE for Christmas!"

THESE CHRISTMAS CARDS CONTAIN DEFENSE STAMP ALBUMS



(Merchants can order these cards from any greeting card publisher.)

Nexus Letter

FIELD ORGANIZATION NEWS

Leaders Appointed in Alabama and Pennsylvania

In ALABAMA, a Chairman and two Vice-chairmen have been appointed for the State Defense Savings Committee being organized there. Ed Leigh McMillan of Brewton has accepted the Chairmanship. Serving with him as Vice-chairmen will be Thomas M. Beach, president of W. B. Leady & Company of Birmingham, and Lucian Burns, Mayor of Selma.

In PENNSYLVANIA, Dr. John A. Stevenson, president of the Penn Mutual Life Insurance Company of Philadelphia, will serve as the Chairman of the State Committee and Benjamin Ludlow as State Administrator.

Highlights From Other States:

MASSACHUSETTS. City and town Defense Savings Committees in Massachusetts now represent practically 99% of the state's population. . . Twenty-four Massachusetts American Legion Posts have purchased \$35,975 worth of Defense Savings Bonds. . . Prizes totaling \$15,000 in Defense Bonds and Stamps will be awarded to solicited men serving in the First Corps Area for the best letters on "What I Like to Do When in Boston". The contest is sponsored by the Boston Soldiers and Sailors Recreation Committee.

MICHIGAN. Assistant Secretary of State Brackinridge Long was the principal speaker at the dinner which launched the Italian-American Defense Savings Committee in Detroit. Nearly 1,200 men and women representing 125 clubs and societies of Americans of Italian descent attended this meeting. . . Michigan State Chairman Frank N. Isbey is averaging a dozen Defense Savings speeches a week.

MINNESOTA. Announcement that Robert F. Pack, Chairman of the Minneapolis Defense Savings Committee would retire as president of the Northern States Power Company was commented upon editorially by the Minneapolis Labor Review. The editorial referred to the changed and improved labor relations of the Northern States Power Company and stated that "this was reflected in the fine reception Mr. Pack received when, as Chairman of the local committee for the sale of Defense Bonds, he recently addressed the Minneapolis Central Labor Union."

MONTANA. In cooperation with the Defense Savings Staff, Governor Sam G. Ford, proclaimed November 2 to 8 "Prevent Inflation" Week in Montana.

WASHINGTON. The first issue of Washington's Defense Savings news letter carries a congratulatory message from Secretary Morgenthau. . . State Chairman Joel E. Ferris, State Administrator Saul Haas, and Deputy Administrator Karl Richards have recently completed a tour of practically the entire state during which time they addressed many large meetings.

Nexus Letter

INDIANA

Huntington Has Defense Bond Day; Women Organize In Indianapolis

FOUR AIRPLANES dropped 15,000 leaflets over the city of Huntington and vicinity recently to promote interest in Defense Bonds and Stamps and call attention to the Indoor Circus sponsored by the Huntington Aero Club at which the Defense Savings Program was prominently featured. In the picture at the right, members of the Huntington Aero Club are about to take off on this flight. At the extreme right with the large poster, is Delano Provinger, executive chairman of the Huntington County Defense Savings Committee.



OTHER FEATURES of the Huntington Defense Bond Day program were:

- (1) A contest to select the best window display featuring Defense Savings (won by the Chris Ellis Restaurant. First prize was a \$25 Bond, and Mr. Ellis announced that he would distribute an equivalent amount of Defense Stamps to his employees.)
- (2) A colorful parade to the Community Gymnasium
- (3) An address by Judge Otto H. Eriq and
- (4) A choral pageant "The American Way of Life" in which 250 school children participated.

FIRST MEETING of the Women's Organization Division of the Marion County Committee was held October 18 at the Indianapolis Y.W.C.A. The Presidents of more than 20 women's organizations attended and heard their part in the program outlined by Mrs. Henry E. Ostrom, Division Chairman; Russell W. McDermott, Executive Chairman; and Homer E. Capehart, Rev. Joseph V. Simes and Harold B. West, members of the Marion County Committee.

IN RED LETTERS thirty inches high, the Fayette Bank & Trust Company of Connersville reminds its customers to buy Defense Bonds. In this city of 15,000, nearly three-fourths of the 4,000 factory employees now have an opportunity to enroll in payroll allotment plans, according to Angus Deaton, executive chairman of the Committee for Fayette County.



SCOUTS FORM THRIFT CLUB

In Indianapolis members of Boy Scout Troop No. 12 - all 43 of them - have pledged themselves to buy at least one Defense Savings Stamp a month. State Administrator Will H. Smith recently attended a meeting of this troop and congratulated the boys on the contribution they were making to the security of themselves and their country.

Nexus Letter

OKLAHOMA

Local Committee Organization Completed; "Victory Day" Program Begins

THE FINAL PIN, marking the organization of the last town Defense Savings Committee planned for Oklahoma, is being placed in the wall map by



State Administrator H. C. Jones, in the picture at the left. The large white pine stand for the "County Administrators" - one in each county - and the smaller black pine stand for city and town committees. Hats off to the Oklahoma Defense Savings Staff for this achievement!

OKLAHOMA'S "BOY FOR VICTORY" program (outlined in the October 25th NEWS LETTER) was launched early in November with a proclamation by Governor Leon C. Phillips:

"WHEREAS, the United States is definitely embarked upon a program of national defense, in which the sale of Defense Savings Bonds and Stamps is an important and necessary part;

"WHEREAS, victory for our country and for the State of Oklahoma in this phase of the program depends upon the full cooperation and participation of all of the cities, towns, rural communities, and individuals. . .

"THEREFORE, I, Leon C. Phillips, the Governor of the State of Oklahoma, hereby proclaim one day of each month commencing with the month of November, 1941, as VICTORY DAY and urge all cities, towns, and communities of the State of Oklahoma to set aside one day each month as a day in which to focus attention on our National Defense Savings Program."

SEVERAL OF THE LARGEST CITIES OF THE STATE, staged their first "Victory Day" programs on November 3. In Oklahoma City, 360 members of the city committee and its various divisions, including the insurance men who are working under the direction of the chairman of the salary allotment division, attended the breakfast meeting at which State Administrator Jones and various other leaders of the program spoke. A concerted effort to sell the allotment plan to business firms; the posting of banners carrying the slogan, "Take your change in Defense Stamps", on all store windows; speeches by members of the American Legion at school assemblies and by high school students at luncheon clubs; and a parade of high school bands and military units were of some of the other events on the program for this day.

Nexus Letter

OKLAHOMA

(Continued)

TULSA COMMITTEES ACTIVE. Adoption of the payroll allotment plan by concerns employing nearly 10,000 workers; numerous sales of large blocks of F and G Bonds to organizations and individuals; and growing popularity of the depositor draft plan, are some of the highlights of a recent report of Louis W. Grant, Tulsa County Administrator and Falkner C. Broach, Tulsa City Chairman.

"TO THE LIMIT" PURCHASES by the Mid-Continent Petroleum Corporation and its affiliate, the Mid-Continent Pipe Line Company preceded announcement that employees of these companies which have headquarters in Tulsa would be able to invest in Defense Bonds through an allotment plan.

"This is an hour of great National peril" wrote Jacob Francis, president of Mid-Continent, in a message to his employees. "The situation demands innumerable sacrifices on the part of every citizen. . . . I earnestly believe that it is the patriotic duty of every American citizen to lend a part of his income to the government by the purchase of its Defense Bonds."



Above, Charles Klein (right) Treasurer of the Mid-Continent Petroleum Company, goes over with Louis W. Grant, Tulsa County Administrator and President of the Home Federal Savings & Loan Association of Tulsa, the list of the first 87 employees of the Company to purchase Defense Bonds by the allotment plan.

OUTSTANDING RECORDS for participation in the allotment program are being made by other Tulsa concerns including the Tide Water Associated Oil Company (1350 employees, 75% participation); the First National Bank & Trust Company (162 employees, 93%); and the Tulsa Paper Company (51 employees, 100%).

TULSA BANKS under the leadership of Falkner C. Broach, Vice-President of the National Bank of Tulsa and city chairman, and E. Otis McClintock, President of the First National Bank & Trust Company of Tulsa, and chairman of the banking division of the State Committee, report that the number of their depositors taking advantage of the convenient draft plan for the regular purchase of Defense Bonds is increasing monthly.

ONE OF THE FIRST SAVINGS AND LOAN ASSOCIATIONS to make an automatic draft plan for the purchase of Defense Bonds available to its members is the Home Federal Savings & Loan Association of Tulsa.

News Letter

OHIO

Defense Fund Days in Toledo and Other Ohio Cities

CANTON'S "S" DAY, described in the NEWS LETTER of October 11, inspired similar demonstrations in several other Ohio cities.

IN TOLEDO, such a demonstration was staged on November 4. The program included, among other events:

A luncheon meeting sponsored by the Exchange Club at which Field Director Gale F. Johnston was the principal speaker;

Bombardment of the city by Miss Arlene Davis, woman flyer of Cleveland, Ohio, with "Dollars from Heaven" - certificates redeemable by various Toledo business houses for a total of \$1500 in Defense Savings Stamps and 1100 free tickets to the evening's football game.

A Parade of military units, bands and floats; and

A football game between the University of Toledo and the team of the 87th Division from Camp Shelby, Mississippi. This division includes many Toledo men. Between halves of this game an airplane piloted by a local pilot flew over the darkened stadium and was picked out by Army anti-aircraft searchlights.

IN MARSHILL a similar program to arouse interest in Defense Bonds and Stamps was arranged on October 30. And,

IN CLEVELAND during Armistice Week, a decorated float toured city streets playing "Buy Bonds Today!" and distributing thousands of free copies of the souvenir edition of this song.

CANTON MAKES DEFENSE STAMP BUYING EASY



The stamp booth shown at the left is a red, white, and blue triangular building in Canton's Public Square, which is sponsored by the Canton Radio Station WNBC and prominent Canton concerns including the Timken Roller Bearing Company, Diebold Safe & Lock Company, Hoover Company, Lunts Iron & Steel Company, the Ohio Power Company and The Canton Repository.

Each day the radio station broadcasts from in front of this little building a "Man On The Street" program in which many of the questions are about Defense Savings. Every person interviewed receives a 25 cent Defense Stamp, and for correct answers, four Stamps are awarded.

News Letter

WEST VIRGINIA

Stamps on Sale at Capital; Organizations Support Program

STATE EMPLOYEES will henceforth find it easy to secure their Defense Savings Stamps. At the suggestion of Governor Healy, Acting Budget Director C. M. Bailey has set up a revolving fund of \$1000 to maintain an ample supply of Defense Stamps at the State Capitol. This is the first step in putting into operation the "group agent" systematic savings plan for state employees.

ADDITIONAL ORGANIZATIONAL SUPPORT for the program has recently come from the West Virginia Savings and Loan League which at its annual convention passed a resolution urging all member institutions to qualify as issuing agents.

Addressing this convention and explaining the need for the Defense Savings Program were State Administrator Ray York and Ralph H. Richards, president of the Federal Home Loan Bank of Pittsburgh. Mr. Richards urged every savings and loan association to do its utmost to encourage Defense Bond Sales and called it "an unqualified duty to the Government" for every such institution to qualify as an issuing agent.

WEST VIRGINIA'S 100,000 COAL MINERS will soon have the opportunity of investing in Defense Bonds through allotment plans. At a meeting held in Charleston, October 12, Union representatives and officers of the West Virginia Coal Association considered and endorsed this phase of the Defense Savings Program.

HIGHLIGHTS:-

In Fairmont the American Legion Post purchased two \$1000 Bonds and \$800 worth of Stamps. In Lewis County the Legion Post and the local Moose Lodge each bought a \$1000 Bond.

In Parkersburg, the Theatre Guild announced that all profits from its next production would go for Defense Bonds to be turned over to the Red Cross; the Hull Club gave Defense Stamps as bridge prizes; all 20 employees of Watlack Motors, Inc. are participating in a payroll allotment plan; and the Elks Club recently held a well attended "Defense Dance", with guests paying admission with Defense Stamps.

From the penitentiary at Moundsville comes the story of eight prisoners who together have purchased a total of \$1,312.50 worth of Bonds and have thereby inspired many others to buy Bonds and Stamps regularly.



Admission Booth at the Parkersburg Elks' Club "Defense Dance"

OREGON

Portland Committee Carries on Aggressive Educational Program

A BATTLE OF TRAINED SPEAKERS ready to go out on short notice and deliver an appropriate address on Defense Savings to any kind of organization or group has been set up to serve Portland and Multnomah County. Charles Walker, Chairman of the Speakers' Bureau of the County Committee, has recruited these volunteers, given them the necessary instructions and is giving them their assignments.

A RIP-ROARING WILD WEST SHOW has helped to sell Defense Stamps in Portland. When the famous Levi Puppet show, one of the leading attractions at the San Francisco Fair, visited Portland recently, it gave two outdoor performances at noon in the downtown section at which members of the Junior Chamber of Commerce and Junior Business and Professional Women's Club, rigged out in cowboy outfits (see picture at the left), sold Defense Stamps to the hundreds who crowded around to see the interesting spectacle.



A SCHOOL PROGRAM has been developed by the Portland School Defense Savings Committee which is composed of teachers, principals and a representative of the P.T.A. Sale of stamps in the schools is supplemented by such educational activities as: the writing and acting of plays and skits dealing with thrift and savings, the drawing of posters, and the presentation of written and oral reports on the securities and the Savings Program.

FIRST PORTLAND CONCERN to report 100% acceptance of the salary allotment plan was the Peerless Pattern Works.

UNION MEMBERS throughout Oregon have been urged to participate in the Defense Savings Program and to take the initiative in setting up payroll allotment plans by S. Eugene Allen, editor of the Labor Press.

"The Treasury Department of the United States government has provided the people with one of the most effective weapons with which to wage war on inflation—the Defense Savings Program," said Mr. Allen in a recent issue of his paper, which is widely read throughout the state. "This weapon, freely used by the people, will be a most important factor in preventing unreasonable price rises and in storing up some of the purchasing power that has been so

OREGON

(Continued)

suddenly created to act as a cushion to absorb some of the shock when the impact of post war depression arrives No union could perform a more patriotic duty nor make wiser provision for its members than to aid in setting up a Defense Savings salary allotment plan."

WOMEN'S ACTIVITIES in connection with the Defense Bond and Stamp Program were off to a flying start October 6, when more than 200 officers of Oregon women's organizations met at the call of Mrs. Don McGraw, state chairman of this division. Advantage was taken of the presence in Portland on that date of Secretary of Labor Frances Perkins, and her services were obtained as a speaker for the occasion. Confining her brief address to Defense Savings, Secretary Perkins said:

"We should keep in mind how important it is in days like these for all of us to practice private thrift. Public expenses are bound to be great, and for that reason it is important for the public not to throw too much into the market. We should keep our pennies and dollars out of circulation, if we would avoid inflation. The ways in which Defense Bonds and Stamps have been prepared for sale make them one of the best forms of investment ever offered to women. For, women have the reputation of pinching out a little here and a little there, and each month they can pinch out a little for Defense Bonds, and then there will be money saved for a time when it may be most needed."



Above, G. Goetts, secretary and Al Hartung, district president of the C.I.O. Woodworkers Local No. 3, complete the purchase of \$6800 worth of Defense Bonds from A. A. Lesseg, Manager, East Portland Branch, First National Bank.



A group of volunteers furnished to the Defense Savings Staff by the "Central Volunteer Bureau" in Portland, assemble material for mailing, at the office of State Administrator Ted E. Gemble.

DEFENSE SAVINGS ON THE AIR
Leading Programs for the Coming Week

Monday, November 17 **"FOR AMERICA WE SING"** 9:30-10:00 P. M. (EST)
 NBC Blue Network

GUEST STARS: Robert Feeda and Helen Jepson.

Tuesday, November 18 **"MILLIONS FOR DEFENSE"** 8:00-9:00 P. M. (EST)
 (The Treasury Hour) NBC Blue Network

Thursday, November 20 **"AMERICA PREFERRED"** 9:00-10:00 P. M. (EST)
 Mutual Network

GUEST STAR: Grate Stueckgold, Metropolitan soprano.

"DEFENSE VARIETIES" NOW A NETWORK SHOW

"DEFENSE VARIETIES," a series of programs devoted entirely to Defense Savings, which has been on the air for several months over Boston's Station WJZL, has been moved to WAAS and the Colonial Network. Henceforth, this program will be heard throughout New England each Sunday afternoon from 4:30 to 5:00 P. M.

The broadcasts are under the general supervision of Thomas B. Russell, Collector of Internal Revenue in Boston. They include pick-ups of well-known bands from Boston's leading hotels, and entertainment by stage and radio personalities who contribute their services.

Boston's own "Millions for Defense" radio show continues over Station WJZL, but is now heard at a new time--4:00 to 4:30 P. M. on Sundays. This program, like "Defense Varieties," is produced under the supervision of Collector Russell.

DAYTIME BROADCASTS CONTINUE TO GIVE PROGRAM EFFECTIVE SUPPORT

Representatives of five of the leading daytime radio sponsors--Colgate-Palmolive-Peet, General Foods, General Mills, Lever Brothers, and Proctor and Gamble--met at the Treasury Department in Washington on October 30 to determine how they could better cooperate with the Defense Savings Program.

These five companies, which sponsor almost fifty programs on the major networks during the daytime hours, have been giving the Program magnificent cooperation since it began on May 1. The purpose of the recent meeting was to coordinate plans for giving the Program further support.

THREE BIRDS WITH ONE STONE

Pupils of the Sheboygan Christian School, Sheboygan, Wisconsin, have found a way to hit three birds with one stone.



A few weeks ago, they started a waste paper drive in an effort to do their bit towards relieving the paper shortage. During one week they collected more than two tons of paper.

With the money received from sale of this paper, they bought a Defense Bond and Defense Stamps to help the Government finance the defense program. Pictured to the right is Postmaster Louis Albrecht delivering a bond to little Sandra Winkelhorst, a kindergarten pupil. The other children in the picture, a delegation of the student body of the school, are, left to right: Mary and Lois Wendergen, Donald Boyse, Beatrice Buteyn, and Jacob Dekker.

Objective of the savings program is the purchase of a new lighting system for the school. To this end, each class room in the school has a savings bank where the children deposit the pennies they earn or receive, to help swell the fund. As soon as they have enough money, they plan to buy another bond. Pupils of this school have also made large contributions to the Red Cross and to Finnish relief. Henry Kuiper is principal.

**BOWLING TOURNAMENTS TO FEATURE AWARDS
 IN DEFENSE BONDS AND STAMPS**

Keep 'em rollin'!



**NATIONAL DEFENSE BOND
 Bowling Tournament**



The illustration at the left does scant justice to the "Keep 'em rollin'!" tournament poster designed by Gibson Crockett of the Washington Evening Star staff for use in the bowling tournament which opens in the Capital on December 8.

However, many of the readers of this NEWS LETTER will soon have a chance to see it in full size (28" x 42") and full color. Copies have been sent to newspapers which sponsor bowling tournaments and it is hoped that this year, in many of these tournaments, Defense Bonds will be awarded as prizes and the "Keep 'em rollin'!" poster used.

LEGION POST PRESENTS FLAG TO ILLINOIS DEFENSE SAVINGS STAFF



Scene in the office of the Illinois Division when the Advertising Post Number 38 of the American Legion presented a United States flag to the Defense Savings Staff. From left to right; Mr. Clifford S. Young, President, Federal Reserve Bank of Chicago; Commander W. G. Veach, USNR, aide-de-camp; Major General Joseph M. Cummins, Commanding Officer, 6th Corps Area; Major Clyde D. Eddleman, aide-de-camp; Commander Newton Rogers of Advertising Post No. 38, who made the presentation; Lew Tentler, Color Guard; Vice-Commander Don D. McKiernan of Advertising Post No. 38; Evar Holson, Color Guard; Mr. Norman B. Collins, State Administrator; Captain Thomas Shanley, Commanding Officer, Chicago District, United States Coast Guard; Rear Admiral Edward A. Evers, USNR, Commanding Officer, Illinois Area; Mr. John G. Gallaher, First Deputy Administrator; Colonel Robert M. Montague, United States Marine Corps; and Mr. George A. Trapp, President of the Kiwanis Club of Chicago.

WINDOW DISPLAY ON CHICAGO'S STATE STREET



Defense Savings Window of The Fair, big Chicago Department Store.

CREDIT UNION INVESTS



Officers of the oldest credit union in Illinois - composed of employees of the Belden Manufacturing Company of Chicago - visit the offices of the Defense Savings Staff and are photographed with President Young of the Federal Reserve Bank of Chicago, as they invested \$10,000 of credit union funds in Defense Bonds.

HARRY FLOOD BYRD, VA., CHAIRMAN
KENNETH McRELLAR, TENN.
ALVA S. ADAMS, CALIF.
ROY W. COLLETTE, IOWA
THOMAS D. ANDREWS, FLA.
JOYNT W. LUCAS, ILL.
JOHN H. BARNWELL, ALA.
LEWIS SPENCER, ARK.

ARTHUR H. VANDENBERG, MICH.
W. WARREN BARBOUR, N. J.
CHARLES W. TOBET, N. H.
WALLACE H. WHITE, JR., MAINE

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United States Senate

COMMITTEE ON RULES

M. A. HENEFER, CLERK

November 15, 1941. H

Honorable Henry Morgenthau, Jr.

The Secretary of the Treasury

My dear Mr. Secretary:

The next meeting of the Committee to Investigate Non-Essential Federal Expenditures will be held on Tuesday, November 18th, at 10 A.M., in the Senate Finance Committee Room, Room 314 Senate Office Building.

I hope very much that it will be possible for you to attend this meeting.

With best wishes, I am

Faithfully yours,

Harry F. Byrd

Meeting postponed
to Nov. 25

**MEMBERS OF THE JOINT COMMITTEE ON REDUCTION OF
NON-DEFENSE EXPENDITURES**

Senate Appropriations Committee: Carter Glass, of Virginia
Kenneth McKellar, of Tennessee
Gerald P. Eys, of North Dakota

Senate Finance Committee: Walter F. George, of Georgia
Robert M. LaFollette, Jr., of Wisconsin
Harry Floyd Byrd, of Virginia

House Ways and Means Committee: Robert L. Doughton, of North Carolina
Thomas H. Cullen, of New York
Allen T. Freadway, of Massachusetts

House Appropriations Committee: Clarence Cannon, of Missouri
Clifton A. Woodrum, of Virginia
John Taber, of New York

Secretary of the Treasury: Henry Morgenthau, Jr.

Director of the Budget: Harold D. Smith

Chairman of Committee: Harry Floyd Byrd

Vice Chairman of Committee: Robert L. Doughton

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Eleven Business Days of September, October, and November, 1941
 (September 1-13, October 1-13, November 1-14)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	November	October	September	November over October	October over September	November over October	October over September
Series E - Post Offices	\$ 18,683	\$ 19,712	\$ 17,660	-\$ 1,029	\$ 2,052	- 5.2%	11.6%
Series E - Banks	<u>33,654</u>	<u>35,822</u>	<u>30,277</u>	- <u>2,168</u>	<u>5,545</u>	- <u>6.1</u>	<u>18.3</u>
Series E - Total	52,337	55,534	47,937	- 3,197	7,597	- 5.8	15.6
Series F - Banks	9,168	10,355	7,723	- 1,187	2,632	- 11.5	34.1
Series G - Banks	<u>58,013</u>	<u>59,141</u>	<u>50,558</u>	- <u>1,128</u>	<u>8,583</u>	- <u>1.9</u>	<u>17.0</u>
Total	<u>\$119,519</u>	<u>\$125,030</u>	<u>\$106,218</u>	-\$ <u>5,511</u>	<u>\$18,812</u>	- <u>4.4%</u>	<u>17.7%</u>

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

November 15, 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 - November 1941
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
November 1941									
1	\$ 1,017	\$ 1,750	\$ 567	\$ 4,201	\$ 6,518	\$ 2,767	\$ 567	\$ 4,201	\$ 7,535
3	3,377	3,421	1,442	9,092	13,954	6,798	1,442	9,092	17,332
4	1,061	2,818	738	7,205	10,761	3,879	738	7,205	11,822
5	1,175	1,694	744	3,794	6,232	2,869	744	3,794	7,407
6	1,968	3,899	988	6,962	11,850	5,867	988	6,962	13,818
7	2,062	4,278	1,258	9,280	14,816	6,340	1,258	9,280	16,878
8	1,289	3,113	352	1,457	4,922	4,402	352	1,457	6,211
10	2,452	3,383	994	3,459	7,836	5,835	994	3,459	10,288
12	2,181	3,321	936	5,312	9,569	5,502	936	5,312	11,750
13	852	2,115	602	4,145	6,862	2,967	602	4,145	7,714
14	1,249	3,862	547	3,107	7,515	5,110	547	3,107	8,764
Total	\$ 18,683	\$ 33,654	\$ 9,168	\$ 58,013	\$100,836	\$ 52,337	\$ 9,168	\$ 58,013	\$119,519

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

November 15, 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.

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF

November 15, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram No. 1734, dated November 14, 1941, from the American Embassy, Rio de Janeiro, Brazil, concerning the Bank of Brazil opening new credits with New York banks for the purchase of equipment for the steel plant.

Enclosure:

From Embassy, Rio de Janeiro,
No. 1734, November 14, 1941.

Copy:vw;11-15-41

C
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P
Y

AP
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (br)

Rio de Janeiro

Dated November 14, 1941

Rec'd 11:41 a.m.

Secretary of State,

Washington.

1734, November 14, 1 p.m.

The Bank of Brazil is opening new credits with
New York banks totaling \$4,000,000 for the purchase
of equipment for the steel plant. The bank will
if necessary draw on the \$25,000,000 revolving credit
for this purpose.

CAFFERY

RR

COPY:hmd:11/15/41

C
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DEPARTMENT OF STATE

Washington

In reply refer to
FF

November 15, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of telegram No. 1734, dated November 14, 1941, from the American Embassy, Rio de Janeiro, Brazil, concerning the Bank of Brazil opening new credits with New York banks for the purchase of equipment for the steel plant.

Enclosure:

From Embassy, Rio de Janeiro.
No. 1734, November 14, 1941.

eh: copy
11-19-41

C
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P
Y

PARAPHRASE OF TELEGRAM RECEIVED

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FROM: American Embassy, Rio de Janeiro, Brazil.
DATE: November 14, 1941, 1 p.m.
NO. : 1734.

A total of \$4,000,000 in new credits is being opened in New York banks by the Bank of Brazil. These new credits will be used for the steel plant equipment purchases. If necessary, the Bank of Brazil will draw on the \$25,000,000 revolving credit for the purpose of purchasing equipment for the steel plant.

CAFFERY

sh: copy
11-19-41

RESTRICTED

7-2/2657-220; No. 545 M.I.D., W.D. 11:00 A.M., November 15, 1941

SITUATION REPORTI. Eastern Theater.

Ground: The Russians continue their attempts to break out of Leningrad.

Strong isolated Russian counterattacks are reported along the Moscow front.

German operations in the Crimea continue with strong attacks against Kerch.

Italians report heavy Russian counterattacks against their troops on the Donets front.

II. Western Theater.

Air: A single German raider bombed an area in the north-east of England. The R.A.F. was apparently still grounded by the weather.

III. Middle Eastern Theater.

Ground: Fighting on the Gondar front in Ethiopia was said to have been quite heavy.

Air: Italian communique reported British planes attacking Catania and Brindisi, as well as Derna and Barce, in North Africa.

Italian torpedo planes were reported to have sunk a large British freighter. German planes attacked Tobruk and Marsa Matruh, the communique said.

RESTRICTED

November 17, 1941
11:22 a.m.

Mr. Carwell: Mr. Morgenthau.

Mr. J: Yes.

Mr. J: This is J. B. Carwell speaking.

Mr. J: Yes.

Mr. J: I talked to Mr. Howe a few minutes ago in Ottawa and he mentioned the fact that he would like to come down very soon to Ottawa - to Washington.....

Mr. J: Yes.

Mr. J:and suggested Friday.

Mr. J: This week?

Mr. J: I pointed out that Thursday was a holiday.

Mr. J: That's right.

Mr. J: The reason I was calling you.....

Mr. J: I won't be here Friday.

Mr. J: Well, I was just a little afraid of that, and I told him so. Would - could Monday - could we working in something on Monday?

Mr. J: Oh, surely.

Mr. J: He suggested either Friday or Monday.

Mr. J: Well, I'd love to have him have lunch with me Monday.

Mr. J: All right. I think that can be arranged.

Mr. J: Well, would you extend the invitation to him?

Mr. J: I will, sir. And he told me to say to you that he would come down either Friday or Monday, whichever suited your convenience.

- 2 -

HMJr: Now, this is what I'd like to talk about, Mr. Carswell, he may want to bring some things down. I'd like to get details on the set-up that they have in Canada for purchasing and production, you see?

C: Yes.

HMJr: Under Mr. Howe.

C: Uh huh.

HMJr: I'd like to know how they do it.

C: Yes.

HMJr: That's what I have in mind.

C: Yes.

HMJr: So he may want to have somebody prepare something for me.

C: Yes.

HMJr: Because it's quite different from what we have.

C: Uh huh.

HMJr: And the little I know of it, I think the Canadian thing is much better.

C: Well, I think it has less red tape to it. It can go a little quicker, that's my experience over the last two years.

HMJr: Well, that's what I'd like to get from him, so.....

C: Well, I'm going to call him back on the phone and I'll tell him that.

HMJr: And if I don't hear from him again, I'll expect him Monday for lunch.

C: Monday for lunch. Well, we'll call this an appointment.

HMJr: Thank you.

C: Thank you very much.

November 17, 1941
11:50 a.m.

HMJr: I've been meaning to talk to you about this for some time, and now in comes a letter from Averill Harriman.

Herbert
Gaston: Yes.

HMJr: There are people coming in and out of this country in bombers all of the time, and Customs doesn't do a damn thing about it. Now Harriman tells us about how he brought stuff in. I think it's terrible that I have all the time got to keep after Customs. Now, he said he brought in seven hundred dollars worth of furs and he's honest enough he reported it. But there are people coming in at the Army Air Port from England all the time and never declare a thing.

G: Is that the Army Air Port here in.....

HMJr: Here in Washington.

G: Here in Washington.

HMJr: Sure. And every other place. I mean, Customs just doesn't do anything about it. I think that certainly when the Army brings - or Navy - brings in anybody to the United States, that they should make a report to you and ask for Customs' clearance.

G: They certainly should, yes.

HMJr: Well, I mean it's - all you've got to do is pick up the paper and you can see people coming in all the time. Well, anyway, this Harriman's letter is an example. I've been meaning to talk to you about it for a long time, because I know it's going on and I was fairly sure Customs wasn't doing anything. Will you get on it, please?

G: You bet I will. I'll get on it right away.

November 17, 1941

My dear Mr. Hoover:

Thank you for your letter of November 14th with which was enclosed a memorandum entitled "Carrying of Passengers' Baggage".

Yours sincerely,

(Signed) H. Morgenthau, JWC

Mr. J. Edgar Hoover,
Federal Bureau of Investigation,
Department of Justice,
Washington, D. C.

n.m.c.

Noted
JWC

JOHN EDGAR HOOVER
DIRECTOR

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**Federal Bureau of Investigation
United States Department of Justice
Washington, D. C.**

November 14, 1941

PERSONAL AND CONFIDENTIAL
BY SPECIAL MESSENGER

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

My dear Mr. Secretary:

As of possible interest to you, there is enclosed herewith a copy of a memorandum dated September 11, 1941, entitled "Carrying of Passengers' Baggage" which was prepared by the Commander of the British Contraband Control Service of Hamilton, Bermuda.

Sincerely yours,

Enclosure

J. E. Hoover

CARRYING OF PASSENGERS' BAGGAGE

September 11, 1941

1. (a) The Colonial Customs authorities are responsible for the examination of Transit passengers, and they also examine any items of accompanied baggage they consider necessary.
- (b) In vessels of the Export Line, accompanied baggage is carried in the Baggage Room, but not in alphabetical order so that it is sometimes difficult to locate any particular item.

Unaccompanied manifested baggage is stowed in one of the holds and usually mail bags are placed on top.

This type of baggage is being carried in increasing quantities and consists of anything from small packages to lift-vans; it is generally described on the manifest as containing "personal effects" or "household effects". These items are almost invariably covered by Export Passes and therefore controlled at source.

2. If it is considered advisable to check this baggage a full inventory of the contents should be attached to the covering document and a definite indication from Lisbon given of any particular item it was considered necessary to examine. In our opinion, however, a more likely method of evading control would be for unscrupulous passengers to declare items of baggage to be their personal property whereas in fact they belong to persons not on the ship.

3. Customs always ask the Purser to disclose any packages he may have in his care.

4. East-bound ships always have cargo for Bermuda and therefore are berthed alongside at Hamilton. West-bound ships, however, do not come alongside but usually anchor in Grassy Bay (off the Dockyard). It has been repeatedly impressed on us that their ships must not be delayed and their sojourn here is therefore chiefly governed by the length of time it takes to handle the mail-usually from 6-8 hours. Bearing in mind such practical difficulties as working at night, bad weather, small working space, etc., only a very limited examination is possible in the time available.

5. Following suggestions are made with a view to tightening the control in the order of their importance:-

(a) Export Line should be instructed to have "Baggage Declaration Forms" for every passenger completed before arrival at Bermuda. After being dealt with here they should be placed in an envelope sealed by the Bermuda Customs and handed by the Master to the Customs in New York with seal unbroken. This would insure that no false or duplicate declarations are made and in cases

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where a passenger has no baggage he should sign a blank or "nil" statement to this effect.

- (b) Export Line should be informed that it is a breach of the terms of their Navicert to carry any un-manifested items other than passenger's and crew's private effects.
- (c) Both accompanied and un-accompanied baggage should be stowed in alphabetical order so as to be accessible at all times.
- (d) It would undoubtedly save a great deal of time and money and facilitate the examination of baggage if the West bound ships were also berthed alongside at Hamilton.

November 17, 1941

My dear Mr. President:

I am sending you enclosed with this letter a copy of my suggestions which I submitted, on Friday, to the Joint Committee on Reduction of Non-Defense Expenditures.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,
The White House.

By King 4:30

November 17, 1941

Identical letters mailed to the following:

Sen. Frances Perkins	(Signed)	Henry
Sen. Frank J. Walker	(Signed)	Henry
Sen. Francis Biddle	(Signed)	Henry
Sen. Jesse Jones	(Signed)	Henry
Sen. Claude R. Dickard	(Signed)	Henry
Sen. Frank Knox	(Signed)	Henry
Sen. Cordell Hull	(Signed)	Henry
Sen. Henry A. Wallace	(Signed)	Henry
Sen. Henry L. Stimson	(Signed)	Henry
Sen. Paul V. McNutt	(Signed)	H.Jr.
The President	(Signed)	H.Jr.

Economy Suggestions Submitted by Secretary Morgenthau
to the Joint Committee on Reduction
of Non-Defense Expenditures

Friday, November 14, 1941.

There are certain classes of non-defense expenditures which consist in large part of construction projects, such as reclamation work, river and harbor work, road building, etc. Reductions in activities for these purposes will have multiple advantages, as follows:

- (1) Reducing non-defense expenditures.
- (2) Releasing man power needed for defense plants.
- (3) Increasing the supplies of materials and equipment which can be devoted to defense efforts.
- (4) Building up a backlog of projects for continued employment in the postwar period.

There are other instances where there appear to be overlapping and duplication both in effort and in expenditure of funds.

In other cases, the Government undertook programs aimed at correcting or adjusting certain inequities which had grown up in our economic system. Some of these inequities have been eliminated and circumstances which made the initial program urgent have altered. Nevertheless, large sums continue to be appropriated and spent under such programs despite the greatly reduced justification for such expenditures during the period of defense expansion.

I shall refer briefly to certain specific non-defense expenditures which I recommend to the Committee for its consideration.

RECLAMATION PROJECTS

(In Millions)

Fiscal years 1932 to 1941, inclusive

Total expenditures during the 10-year
period (1932-1941) amounted to about - - - - \$880.0

This includes expenditures for irrigation and
water conservation under the Emergency Relief
Appropriation Acts.

Fiscal year 1941 - expended (checks issued)- - 86.0

Fiscal year 1942 - estimated to be spent - - - 95.0

Economy Suggestion:

It is suggested that all reclamation work be reexamined in the light of our present defense program and its anticipated acceleration. Wherever it is possible to delay existing or postpone proposed projects which are not necessary in connection with the generation of power for defense purposes, this should be done.

RIVER AND HARBOR WORK AND FLOOD CONTROL

(In Millions)

Fiscal years 1932 to 1941, inclusive	
Total expenditures during the 10-year	
period (1932-1941) amounted to - - - - -	\$1,870.0
Fiscal year 1941 - expended (checks paid) - -	219.0
Fiscal year 1942 - estimated to be spent - - -	200.0

Economy Suggestion:

It is recognized that certain river and harbor, flood control, and soil erosion work must continue in the interest of the lives and safety of our people. But all projects which are not vital from this standpoint or necessary for definite defense purposes should be re-examined. Work on all projects of this character which can be delayed or postponed should be prohibited and funds heretofore appropriated should be cancelled.

PUBLIC ROADS

(In Millions)

Fiscal years 1932 to 1941, inclusive

Total expenditures during the 10-year period (1932-1941) amounted to about - - - - - \$5,800.0

This includes expenditures for highways, roads, streets, etc., under the Emergency Relief Appropriation Acts and the Public Works Administration Act of 1938.

Fiscal year 1941 - expended (checks paid):

Regular - - - - -	\$174.1	
W.P.A., etc. - - - - -	<u>485.0</u>	659.1

Fiscal year 1942 - estimated to be spent:

Regular - - - - -		175.0
W.P.A. - - - - -		Not Available

Fiscal year 1943 - expenditures in this year were obligated on or before January 1, 1941.

Fiscal year 1944 - expenditures in this year will be obligated on or before January 1, 1942.

Fiscal year 1942: The amount appropriated and being spent in the current fiscal year covers the Federal-aid highway, grade crossing, etc., authorization of \$162,000,000 for the fiscal year 1941 and balances of prior years' authorizations. These expenditures were obligated on or before January 1, 1940.

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Fiscal year 1943: The Act of September 5, 1940, contained an authorization of \$139,000,000 for Federal-aid highways, etc., for 1942. This authorization was obligated on or before January 1, 1941, and there is an obligation on the Congress to appropriate sufficient amounts in the next fiscal year to pay these obligations. This cannot be avoided.

Fiscal year 1944: The Act of September 5, 1940, contained an authorization of \$139,000,000 for the fiscal year 1943. Under existing law this amount must be apportioned among the States not later than January 1, 1942. After such apportionment specific projects are approved. The approval of projects constitutes a contractual obligation of the Federal Government for the payment of its pro rata share of the cost of the projects approved. This can be postponed.

Economy Suggestion:

It is suggested that the Congress, by appropriate enactment rescind the 1943 highway authorization. This would result in a reduction of expenditures for public roads in the fiscal year 1944 (July 1, 1943, to June 30, 1944). Inasmuch as money spent by the Government is matched by the States, a reduction in the Federal road expenditures will most likely bring a desired reduction in highway expenditures by the States.

State and local authorities should be requested to defer undertaking new projects, even though allotments have already been made for them. Other major projects already under way which can be appropriately discontinued or curtailed should be suspended.

Any new roads or enlargement of existing road facilities required by national defense activities could be specifically authorized as defense projects.

AGENCIES ENGAGED IN VOCATIONAL ACTIVITIES

	<u>Amounts appropriated for 1942</u>			<u>Estimated Expenditures 1942</u>
	<u>Adminis- trative Expenses</u>	<u>Other Activities</u>	<u>Total</u>	
Civilian Conservation Corps - - -	\$19.2	\$227.8	\$247.0	\$200.0
National Youth Administration:				
Regular - - - - -	5.8	86.0	91.8	90.0
National Defense - - - - -	3.0	57.0	60.0	60.0
Office of Education:				
Regular - - - - -	.9	28.4	29.3	30.1
National Defense - - - - -	1.2	106.9	108.1	118.8
TOTAL	<u>\$30.1</u>	<u>\$506.1</u>	<u>\$536.2</u>	<u>\$498.9</u>

Economy Suggestion:

Each of the above agencies is under the Federal Security Agency, and its primary function is the vocational training of youth, with present emphasis on employment in defense occupations.

It would seem that the regular activities of the Civilian Conservation Corps and National Youth Administration must conflict with the more important defense program, and should be eliminated or drastically reduced.

It is suggested that all vocational training activities be consolidated in a new Bureau of Defense Training. Any overlapping functions or duplication of work could be eliminated and one comprehensive training program, integrated with the defense program, could be formulated and administered more economically than appears possible under the present organizations.

Particularly, it is suggested that grants by the Office of Education to States and educational institutions be reviewed. In making this recommendation I should like to point out that I have always been a strong advocate of measures designed to protect and further the interests and welfare of young people. However, at this time the number of young people needing assistance is being greatly reduced by the exceptional employment opportunities offered by the expansion of the Defense Program, together with the demands of our armed forces. Such young people as have not entered employment through normal channels or are not in the Army should receive vocational training designed to fit them for employment in defense.

FARM PROGRAM

Reflected in Budget

Expenditures included in the Budget under the farm program which was initiated in 1933, after the catastrophic fall in prices in 1932, were designed mainly to meet conditions involving low prices for farm products, surplus production and loss of export markets.

Present conditions are radically different from those which the farm program was designed to meet.

Major expenditures under the farm program are included under the following captions:

	<u>Expenditures (In Millions)</u>		
	<u>Estimated</u> <u>1942</u>	<u>Actual</u> <u>1941</u>	<u>Actual</u> <u>1940</u>
Surplus Marketing Administration, and Agricultural Adjustment Administration (Act of August 24, 1935)- - - - -	\$240.0	\$240.9	\$142.6
Soil Conservation and Domestic Allotment Act - - - - -	475.0	465.1	605.1
Administration of Sugar Act of 1937	48.0	50.4	48.8
Price Adjustment Act of 1938 and Parity Payments - - - - -	<u>205.0</u>	<u>198.3</u>	<u>215.0</u>
TOTAL - - - - -	<u>\$968.0</u>	<u>\$954.7</u>	<u>\$1,011.5</u>

Economy Suggestion:

I believe that the Administration has done a wonderful job for the farmer in nearly tripling his income in ten years. It is estimated that in 1941 the farmer's share of the total national income will be 20 percent greater than in 1932, notwithstanding a reduction of almost 10 percent in the proportion of the farm population to the total population of the country.

Estimated farm income and population, in relation to national totals, 1932-1942 (in millions)

Year	<u>Gross cash farm income</u>			<u>Net income from agriculture</u>		Farm population as a percentage of total population
	From farm marketings	Government payments	Total	Amount	Percent of national income	
1932	\$ 4,682	\$ 0	\$ 4,682	\$3,232	8.1	24.9
1941	10,550	650	11,200	8,600	9.7	22.8
1942	12,350	650	13,000			

Although governmental aid was necessary in order to bring the farmer's net income from three and one-quarter billion dollars in 1932 up to eight and one-half billion dollars or more in 1941, certainly after having reached this goal there does not appear to be any reason to continue spending at the same rate. This is especially important when the money we are using for this purpose is so badly needed for armaments and lend-lease aid. The farmer is getting his share of the total expenditures made by the Government, as the increase in his net income indicates. In addition, there are substantial benefits that will accrue to the farmer from the lend-lease program. About five hundred million dollars have been allocated under the lend-lease program for the purchase of agricultural

commodities. In view of all these circumstances I feel at this time that we could well afford to make drastic cuts in our agricultural expenditures.

Exception should, of course, be made for those expenditures which are for the purpose of helping the lowest income group, which suffers from wholly inadequate nutrition.

FARM PROGRAM

Not Reflected in Budget

There are other phases of the farm program involving loans for rural rehabilitation, farm tenancy and rural electrification. In 1941 and 1942 expenditures for these purposes have been shifted from the Budget and transferred to the R.F.C., which has been authorized to advance funds to the Secretary of Agriculture to enable him to make loans.

Activities of this character are as follows:

	<u>General Budget</u>	<u>R.F.C. Funds</u>
Expenditures:		
Farm Security Administration:		
Fiscal year 1940 - - - - -	\$158.5	-
Fiscal year 1941 - - - - -	62.2	\$111.3
Farm Tenant Act:		
Fiscal year 1940 - - - - -	41.8	-
Fiscal year 1941 - - - - -	27.3	29.4
Rural Electrification Administration:		
Fiscal year 1940 - - - - -	38.0	-
Fiscal year 1941 - - - - -	24.2	36.0
Estimates for 1942:		
Farm Security Administration - - - - -	60.0	134.0 ^{1/}
Farm Tenant Act - - - - -	7.0	71.0 ^{1/}
Rural Electrification Administration - - -	8.0	139.0 ^{1/}

^{1/} Unused balances of authorizations.

Commodity Credit Corporation

Inter-related with the farm program are the activities of the Commodity Credit Corporation. Expenditures have been made by this Corporation with funds received from the following sources:

From the Treasury		
Included in the Budget		
Capital and surplus:		
Fiscal year 1934	-----	\$ 3,000,000
" " 1936	-----	97,000,000
" " 1938	-----	94,000,000
" " 1940 (net)	-----	76,000,000
" " 1942	-----	<u>1,600,000</u>
		\$271,600,000
Not included in the Budget		
Purchase of notes (net to Nov. 10)	- - - - -	120,000,000
From Public Borrowing (net to Nov. 10)	- - - - -	<u>701,000,000</u>
TOTAL	-----	<u>\$1,092,600,000</u> ^{1/}

1/ In addition, receipts from repayments of loans and sale of commodities are available for expenditure.

Recent estimates furnished to the Treasury by the Commodity Credit Corporation show for the current fiscal year, the following:

Estimated disbursements	-----	\$1,100,000,000 ^{1/}
Estimated receipts	-----	<u>913,000,000</u> ^{1/}
Excess of disbursements, to be covered by borrowing funds from the Treasury	-----	<u>\$ 187,000,000</u>

1/ Include transactions under the lend-lease program.

Economy Suggestion:

It is suggested that we reexamine the need for continuing that part of the farm program which is not reflected in the annual budget and which is financed from funds obtained through corporations or borrowed from the Treasury. The Congress is apt to overlook the substantial expenditures which are not reflected in the annual budget. Eventually any losses which may be incurred through these programs will become

budget charges. Each of these items should be reexamined in the same manner that has been suggested for the farm program expenditures which are reflected in the budget proper.

I should like it understood that in making the suggestion that this class of farm expenditures should be reexamined, I do not refer to the bulk of activities undertaken by the Farm Security Administration, inasmuch as the need for much of their expenditures is, in my opinion, still urgent.

Just as I suggested earlier that there should be no reduction of expenditures for the help of the under-nourished, so I believe that there should be no reduction in our help of the share-croppers and farm tenants who are in urgent and continuing need of economic rehabilitation.

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