DIARY

Book 474

December 17 and 18, 1941
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READING COPY
OF
SECRETARY'S SPEECH
TO THE DEFENSE SAVINGS ORGANIZATION, CHICAGO

December 17, 1942
This nation of ours has had a shock, but it is wiser and stronger for having had it. Every one of us must be conscious today of a clearer vision and a deeper understanding than we had two weeks ago. The bombs on Pearl Harbor have destroyed much more than what the censors would call "military objectives". They have ripped our complacency to shreds. They have blasted the old comfortable belief that the wide oceans could save us from harm. They have blown away the notion that brutality and deceit and murder in another part of the world could never touch us in ours.
We now know, or ought to know, that this whole world struggle is our war, just as much as it was to the people of Chungking or Warsaw in 1939, or to the people of Rotterdam or London in 1940, or to the people of Athens and Moscow in 1941. We now know, or ought to know, that there can be no half way method of fighting an attempt to dominate the entire earth. We now know, or ought to know, that this total war will require total effort on our part, with everything we have and everything we are, with all our resources pledged to final and decisive victory.
We in this room, the men and women who direct the Defense Savings Organization in the 48 States, have been working hard for many months to mobilize our financial resources in the form of the people's savings. But we have, I think, done more than that.

Since the very inception of the Defense Savings program, it has been one of our major objectives to give the American people a sense of their own direct and inescapable involvement in this great battle for our way of life. We have tried to make them realize that they were not isolated and could not be isolated from a struggle that would shape the future of everyone on this planet.
We have tried to give the American people a greater pride in their own country and a greater awareness of the dangers that face them. We have tried to give every man, woman and child in this country a sense of direct participation in its defense, a feeling that there is something for everyone to do in a great effort from which everyone will benefit in the end.

Looking back over the past eight months, I think we can all be proud of what has been accomplished. I believe in all sincerity that the devoted work of the Defense Savings staff and all our thousands of volunteer workers throughout the country has helped greatly to crystallize American opinion.
I believe that the response to the bombs at Pearl Harbor was deep and wide and immediate partly because of our groundwork in the Defense Savings program.

We have given to millions a new sense of being partners of their Government, of having a direct share in America and in American freedoms. To me, it is an achievement of far greater proportions than the raising of the more than 2 billion dollars which have rolled into the Treasury since the Defense Bonds first went on sale in May.
Now that we have cleared the decks for action, it is up to us to follow through, and that is the main purpose of my being here with you today. We must follow through, not only in terms of a few million individuals or a couple of billion dollars, but by a determined effort to reach every individual in this country.

For total wars are peoples' wars; and in this total war that has spread around the globe, the battlefront now reaches into every factory and every home.

There is no exemption for any group or any section. The Nazis and the Japanese make no exceptions in their conquests.
The bombs that fell at Pearl Harbor were aimed straight at every one of us, and whatever the Nazis may attempt in the Atlantic will be aimed at every one of us. We are all in this war together.

Not all of us can pilot a bombing plane or fire a gun from the deck of a battleship. Those of us who are too old or too young to get into uniform will be asked to work longer hours and pay heavier taxes and do without many of our accustomed comforts; but in this Defense Savings effort we are not even being asked to give our money. We are just being asked to lend our money to the Government, to invest our savings for victory.
That, it seems to me, is a call to which everyone will want to respond. We will want to do it to the very limit of our ability. We, the people, want to show that we are ready and eager to be of some service to our country.

It has given me real encouragement to be told that you of the Defense Savings Organization have been discussing detailed plans for intensifying and widening our effort, and that you have shown so much enthusiasm in these meetings. Our problem, as you all know, is one of financing the enormously expanding cost of the war while avoiding the immense and dangerous evils of inflation.
I have said right here in Chicago, in a talk to the American Bankers Association, that we are in reality fighting two wars -- one, the great struggle on all the continents and all the oceans, and the other the war against an insidious enemy here at home. That enemy is inflation. It creeps up on us as stealthily as a thief in the dark.

As the President has said, inflation is a form of taxation that takes no account of the ability to pay and strikes directly at the American standard of life. Our job, therefore, is a double one, and in this renewed effort to which we of the Defense Savings staff must now dedicate ourselves, we must make sure that we deal effectively with both enemies.
For that reason, it seems to me, our major effort now must be directed particularly at those in all walks of life who receive regular pay from wages and salaries. Inflation feeds on current income, rather than on the money that now rests in the vaults of savings banks. It may seem heartless to speak of excess spending on the part of millions of people in the middle and low income groups; but in wartime, in the face of a limited and dwindling supply of civilian goods, there is such a thing. In wartime, excess spending means the buying of any commodity that we can safely do without.
Therefore, the most effective course for us, as we have known from the very beginning, has been to enlist current income and to divert excess spending, to persuade our people to set aside a part of their pay every pay day in Defense Bonds and Stamps.

Let's now make every pay day Bond Day. And when I speak of regular investment every pay day, I am speaking not only of the millions of factory workers, not only of the teachers and accountants, the clerks and civic employees who live on regular salaries, but also of farmers who are earning solid incomes for the first time in many years and who will be the first to suffer if we allow inflation to get out of hand.
All these are the people we must reach, with a determined effort that will have an impact in Berlin and Rome and Tokyo, an effort that will give new heart and courage to the free peoples who are fighting on our side everywhere. I have been asked many times whether we have a goal, a quota for the United States. I have always avoided answering with a money figure because I have been much more interested, firstly, in reaching vast numbers of individuals, and secondly, in absorbing current income rather than accumulated savings in the banks. But I will tell you now what my goal is, what our goal shall be and must be.
It is to reach quickly, within the next few months, every single recipient of regular current income in the United States, and to have every one of these 35 million people setting aside some part of their pay regularly within the shortest possible time. And when I say "some part of their pay," I am not thinking merely of a token contribution. I mean a real investment, the very limit that each person can afford without actually taking food and other necessities from himself and his family.
When this meeting ends, I hope that this organization will set to work in every State and every community, throughout this great front line of freedom that is the United States, with the same devotion and determination that is now being shown by the men in our fighting forces.

I have complete confidence in the ability of this great group to reach the goal I have set for you today. We have been more than fortunate in the men and women who have rallied to our help since the first of May in all parts of the country.
It has been a truly thrilling experience for me as Secretary of the Treasury to see the superb cooperation we have had from labor and industry, from Republicans and Democrats, from foreign-born and American-born, from all the assorted groups and nationalities of which this united American people is composed.

I am genuinely glad to see all our State leaders assembled here in one room, and to thank them and their volunteer helpers on behalf of their Government for the work they have already done.
Now that the greater and more insistent call has come, we are ready to meet it. Our organization has been set up, our people are hard at work, our country knows what Defense Bonds are and what they do. It is up to each and every one of us to do our part.

Our fighting men in the Philippines and Iceland, in Hawaii and Wake and Midway, in all the posts of danger on all the seven seas, are looking to us to supply them with the planes and guns they need. The whole country is looking to us, right here in this room, to raise billions of dollars to win this war -- and let none of our enemies make any mistake about it, we are going to win it.
Our allies in all continents, who have been fighting our battle with our common enemy for long, hard years, are looking to us, and also the oppressed peoples in the conquered lands who are now living in darkness -- they, too, are looking to us to sweep that darkness away.

It is by far the greatest test and the grandest opportunity that has ever come to our country. We in this room must prove ourselves worthy of that challenge. The words that Winston Churchill addressed to his own people a year ago can now be applied to ours: let us so bear ourselves that if these United States should last for a thousand years, men will still say, "This was their finest hour."
December 17, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES:

Miss Chauncey informed Mr. White that the Secretary telephoned her this morning, instructing Mr. White to forward to London by cable the speech he was making today in Chicago.

The material was sent to Mr. Dietrich for transmittal on December 17th, at four o'clock. Mr. Dietrich said he would see that the cable went forward immediately.

H.D.W.
AMBASSADOR,
LONDON, (ENGLAND)

5920, seventeenth.

FOR SUNDAY FROM THE SECRETARY OF THE TREASURY.
Text of Secretary Morgenthau’s speech before first national meeting of Defense Savings Organization in Chicago December 17, 1941:

QUOTE This nation of ours has had a shock, but it is wiser and stronger for having had it. Every one of us must be conscious today of a clearer vision and a deeper understanding than we had two weeks ago. The bombs on Pearl Harbor have destroyed much more than what the censors would call ‘military objectives’. They have ripped our complacency to shreds. They have blasted the old comfortable belief that the wide oceans could save us from harm. They have blown away the notion that brutality and deceit and murder in another part of the world could never touch us in ours.

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-10-#5920, December 17, to London (England).

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Please show to the Ambassador and others interested,

HULL
(FL)

FD:FL:ME
There will be a meeting of the Joint Committee in Room House Ways and Means Com. in Capitol on Wednesday, Dec. 17, at 10:00 a.m.

HARRY FLOOD BYRD, Chairman.
MEMORANDUM ON MEETING OF THE JOINT
COMMITTEE ON REDUCTION OF NON-DEFENSE EXPENDITURES

A meeting was called for 10:00 A. M., Wednesday, December 17, in the House Ways and Means Committee Room in the Capitol. There were present

Senators:  
Byrd  
McKellar  
LaFollette  
Nye  

Congressmen:  
Doughton  
Ollman  
Treadway  
Cannon  

Treasury:  
Under Secretary Bell  
Mr. Raffelfinger  
Budget Bureau:  
Mr. Lawton  
General Accounting Office:  
Mr. Tyler  
Mr. Barger  

Congressman Cannon left the meeting before it got under way but returned for a short time before the Committee adjourned.

Senator Byrd explained that he had telephoned to the Secretary of Agriculture yesterday asking whether he would appear before the Committee today to give his views concerning the suggestion contained in Senator Nye's motion, made just before adjournment on Tuesday, as to what the Secretary of Agriculture would recommend if the appropriations for his Department were cut $300 - $400 - $500 - $600 million or $1,000,000,000 during the next fiscal year. Shortly before the Committee convened Senator Byrd was notified by the Office of the Secretary of Agriculture that the Secretary had to appear before the House Committee on Agriculture and would be unable to appear before the Joint Committee today.

Senator Byrd read from a memorandum furnished by the Bureau of the Budget in connection with public works. He understood the memorandum related to a list of non-defense public works projects although subsequently during a discussion it appeared that the list contained all classes of public works, including those which might be considered necessary from the standpoint of national defense.
After a short discussion of certain items appearing in the list Senator Byrd requested Mr. Lawton of the Budget Bureau to submit at the next meeting of the Committee on Thursday morning a list of public works projects which are not necessary from the standpoint of national defence, showing the amounts appropriated for such projects in 1942. It appeared from the statement which Senator Byrd was reading that $1,315,000,000 will be required to complete projects already authorized under the present program and that apparently it was estimated that $650,000,000 would be needed to carry on such projects during 1943.

Congressman Treadway inquired whether reclamation projects were classified as defense projects and Mr. Lawton replied that all reclamation projects involving the generation of power were included in the category of defense projects. Mr. Lawton pointed out that the Budget Bureau recently submitted supplemental estimates to accelerate construction on projects of this character. Mr. Lawton also pointed out that in consideration of the 1943 Budget the Budget Bureau was requiring all new or expanded public works projects to be justified in the light of their need from the standpoint of national defense and that appropriations for projects not in this category but already under way were being held to the minimum for the next year.

There was a general discussion among the Committee members with respect to the appropriations for the Farm program under the Department of Agriculture. Senator Byrd read from a list which itemized various appropriations under the Department of Agriculture totaling $1,244,000,000 in all. The Committee members asked the views of Congressman Cannon with respect to his recommendations for reductions in agricultural expenditures. Congressman Cannon pointed out certain agricultural appropriations, such as for the acquisition of forest lands, forest roads and trails, crop insurance, farm tenancy, land utilization, etc., which, in his opinion, could be cut. He reiterated, however, his views that no cuts should be made in the appropriations for parity payments and for soil conservation.

Congressman Doughton was in general agreement with Congressman Cannon's views, but asked whether in view of the fact that the soil conservation appropriations made during the past years had improved soil conditions of the farms, whether there could not be some cut in the $500,000,000 appropriation for this purpose since there were being general cuts recommended in other lines of activity. Congressman Cannon said that the $500,000,000 appropriated for this program was the minimum necessary for this purpose.

Senator McElligott stated that he was in agreement that there should be no cut in the farm appropriations which were of direct benefit to the farmer in supporting prices for farm products, but that
other Department of Agriculture activities which have been added from
time to time were of no substantial benefit to the farmers and should
be cut. This point of view seemed to be generally agreed to by
members of the Committee. It was pointed out that the farm appro-
priations, aside from those for parity payments and soil conservation,
amounted to about $500,000,000.

Congressman Doughton suggested that a subcommittee be
appointed to prepare a report embodying the tentative items which
the Committee had already agreed upon. There was no objection to
this suggestion although Congressman Cannon stated it would be
understood nothing would be given out until the entire Committee had
an opportunity to review it.

It was decided that the Secretary of Agriculture would be
asked to appear before the Committee tomorrow, Thursday, December 18,
at 10:00 A. M. Thereupon the Committee adjourned at about 11:15 A. M.
### Estimated Defense Expenditures Compared with Estimated National Income, Calendar years 1941-43

(In December 1941 Prices)

<table>
<thead>
<tr>
<th>Calendar year</th>
<th>Estimated defense expenditure (In billions of dollars)</th>
<th>Estimated national income</th>
<th>Defense expenditures as percent of national income</th>
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<td>1941</td>
<td>153/8</td>
<td>92</td>
<td>17</td>
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<td>45</td>
<td>105-110</td>
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<td>1943</td>
<td>65</td>
<td>120-125</td>
<td>52-54</td>
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Office of the Secretary of the Treasury, Division of Research and Statistics.

Source: Office of Production Management, Bureau of Research and Statistics.

December 17, 1941
On November 3, 1941, the Secretary asked that we give him as soon as possible charts which would show the appropriations available under the Defense Program, how much of the appropriations were now under contract, and how much money had actually been disbursed under the appropriations. He indicated that he wished to have each Defense appropriation considered separately.

After investigation we found that the only place the data were available was in the Departments themselves. Accordingly, letters were prepared for the Secretary's signature and sent to the Secretary of War and the Secretary of Navy on November 5, and to the Chairman of the Maritime Commission on November 10, asking for the following information for each appropriation act and contract authorization act, approved since January 1, 1940, providing for their departments and defense aid purchases of equipment for national defense:

1. Name of Act
2. Date approved
3. Amount appropriated or authorized for purchases of military equipment (and excluding payrolls, subsistence, travel, etc.)
4. Value of contracts let to date
5. Disbursements made to date
6. Deliveries received to date, expressed as a percentage of the total value of contracts let.

It happened that in the case of the Lend-Lease appropriation, the material was readily available. A sample chart was therefore prepared, covering that appropriation, and was submitted to the Secretary on November 7. The Secretary asked that additional copies be immediately prepared so that they could be shown to the other departments as being the type of thing he was looking for.

The Secretary instructed Mr. D. V. Bell and myself to see Secretary Stimson and give him a copy of the Lend-Lease chart. On November 7, Mr. Bell and I called on Secretary Stimson (Assistant Secretary Lovett was with him) and Mr. Bell explained the chart. Secretary Stimson examined the chart and indicated considerable interest in it. On November 8, at the Secretary's instructions, I saw Secretary Knox and handed him a copy of the chart, and he was particularly interested in the items of ship repair, etc., shown on the chart. He later thanked the Secretary, by letter, for the chart and asked that he be given copies of other charts as they were prepared.
The Secretary also asked that copies of the Lend-Lease chart be given to Mr. Stettinius and Dr. Lubin. On November 10 I personally delivered a copy of the chart to Mr. Stettinius who was very pleased to receive it, and on the same day telephoned Dr. Lubin who said he should appreciate having the chart. Accordingly I sent a copy of the chart to Dr. Lubin at the White House by special messenger.

The Lend-Lease chart was later revised to include the figures to November 1, 1941, and copy of the revised chart was given to the Secretary on November 26.

The data on the Army Air Corps appropriations were secured and presented in chart form to the Secretary on November 24. At the Secretary's request Assistant Secretary Lovett was handed a copy of the chart on the same day, and on December 5 the Secretary signed a letter to the Secretary of War enclosing a copy of the chart.

The data on the Navy Department appropriations were secured and presented in chart form to the Secretary on December 3. The Secretary signed letters to Secretary Knox on December 4 and to Admiral Stark, Assistant Secretary Forrestal, and Colonel Donovan on December 5 enclosing copies of the chart.

The data on the Maritime Commission appropriations were secured and presented in chart form to the Secretary on December 5, and the same day the Secretary signed a letter to Admiral Land enclosing a copy of the chart.

On December 5 the Secretary signed a letter to the Director of the Budget enclosing a copy of each of the charts (Lend-Lease, Army Air Corps, Navy, and Maritime Commission).

To date the necessary information has not as yet been secured from the War Department (other than the Army Air Corps). The Secretary addressed a letter to Secretary Stimson on December 3, asking when the information might be expected, and Secretary Stimson replied on December 10 stating that the information would be furnished us as soon as it could be compiled.

The Secretary has by letter asked the various departments concerned to furnish us with this information on a monthly basis hereafter, and charts will be prepared in this Division accordingly.
December 18, 1941.

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Mr. White's Office
December 17, 1941
3:00 P. M.

Present: Mr. White
Mr. Winant, State Department

Mr. Winant called at his request. Mr. Winant told Mr. White that he was writing up the Lend-Lease arrangements with Norway and was seeking some economic information with respect to the Norwegian capacity to pay after the war. Some of the items in the Lend-Lease arrangement called for repayment to the United States in dollars, and Mr. Winant wanted an opinion of the circumstances in which Norway would be likely to find itself after the war from a balance of payments point of view. Mr. White described what he thought the Norwegian balance of payments situation would likely be. He suggested that it would be very helpful to Norway if the period of repayment would be long-term rather than short-term, so as to enable Norway to adjust its balance of payments, in the event any substantial cash payments were called for, without loss of too much gold. Mr. White ventured the opinion that we would probably be eager to help Norway get on its feet economically after the war and therefore the smaller the burden that could be imposed on her during the earlier years, the more quickly could she resume economic health. Mr. White told Mr. Winant that if he felt he wanted more information on the subject, we would be glad to send him a memorandum on it.
Washington, D.C., December 17, 1941.

To All Collectors of Customs

220-T. Please refer to Circular Telegram 214-T dated December 12, 1941. All aircraft not exceeding 600 horsepower may be considered training-type aircraft. Accordingly, you may permit the exportation of all aircraft not exceeding 600 horsepower, and spare parts and accessories for such aircraft, without regard to Circular Telegram 210-T dated December 9, 1941, provided export licenses, where necessary, are presented. In cases of doubt whether aircraft described in specific shipments should be considered training-type, you should obtain a decision from the Department of State.

Kerr - Chief, Office of Export Control
Washington, D.C., December 17, 1941.

To

All Collectors of Customs

221-T. You are hereby authorised to permit the exportation of aircraft, aircraft parts, accessories, or equipment, without regard to Circular Telegram 210-T dated December 9, 1941, provided export licenses issued on or after December 15, are presented with each shipment.

Kerr - Chief, Office of Export Control
December 17, 1941.

Dear Mr. Chairman:

I am enclosing an unsigned letter which I have received in regard to sales of Transamerica stock by the brokerage firm of Walston & Company.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Hon. Edward C. Eicher, Chairman,
Securities and Exchange Commission,
Washington, D. C.

Enclosure
December 8, 1941
San Francisco, California

Mr. Henry Morgenthau Jr.
Secretary of the Treasury
2211 Thirtieth Street
Washington, D. C.

Dear Mr. Morgenthau:

I am indeed sorry that I did not write this letter to you long before this. Fear of personal harm and economic destruction by the Pacific Coast's most powerful and sinister organization has prevented it until now. I hope that the facts, which I shall relate will enable the Federal Government to prosecute and convict those guilty of criminal action.

For many years I had been a loyal, unsuspecting and gullible, employee of the dishonorable stock brokerage firm called, Walston & Company, 265 Montgomery Street, San Francisco. This brokerage firm, after an investigation in 1939 by the Securities and Exchange Commission, was suspended for one month, during August 1941, from the New York and San Francisco Stock Exchanges.

During the hearings of S. E. C. against the brokerage firm of Walston & Company it was established by evidence and fact that 90% of the firm's capital was provided in a most circuitous and suspicious manner by the powerful A. P. Giannini and family.

The S. E. C., unfortunately, lacked the evidence to establish that Mr. Vernon C. Walston, and his brokerage firm manipulated the price of Transamerica Corporation stock and urged the unsuspecting salesmen of Walston & Company to unload on the clients of Walston & Company at too prices, said Transamerica stock in April 1937.

Had the Securities and Exchange Commission investigators, examined the records of Walston & Company, especially for the month of April 1937, they would have discovered that Mr. Vernon C. Walston and his firm were selling Transamerica stock which belonged to A. P. Giannini, L. M. Giannini, Clarence Cuneo, and the Pacific Coast Mortgage, and the Associated Distributors, (both Giannini diabolical subsidiaries) to the clients of Walston & Company at the top of the market.

Mr. Vernon C. Walston in April 1937, on orders from A. P. Giannini, L. M. Giannini, and the Pacific Coast Mortgage
Company, which has a permanent representative within the firm of Walston and Company, called into said Walston's office the salesman of the firm. Mr. Walston told each salesman, privately and individually, to go out and sell all the Transamerica stock possible, that the stock which was then selling at $16 per share would within thirty to sixty days be put up to $25 per share by the 'insiders'. The salesmen, believing the advice of their employer, Mr. Walston, sold thousands of shares of Transamerica during April 1937 to their clients. Each salesman urged his clients to buy Transamerica stock at $16 to $17 per share because, Mr. Walston and Mr. Giannini promised it would be $25 per share in thirty to sixty days. As rapidly as clients of the salesmen of Walston & Company would buy Transamerica Stock, A. P. Giannini, L. M. Giannini, Clarence Cuneo, and the Pacific Coast Mortgage Company would sell it either through Walston & Company or through other San Francisco brokers. As much Transamerica stock was sold to clients of Walston & Company as could be unloaded by the Gianninis without causing undue suspicion. Of course, with the insiders unloading, Transamerica collapsed in price as soon as the buying power of the clients of Walston & Company was saturated. The records of Walston & Company will show that this subsidiary of the Gianninis made its biggest profit in brokerage commissions in April 1937 of any month in this institution's history.

If the investigators of the Securities and Exchange Commission would examine the records of Walston & Company for the month of April 1937; if they would question the clients of Walston & Company, who were urged to buy Transamerica stock in April 1937; if they would examine the buy and sell side of every Transamerica transaction in April 1937, they would prove beyond any doubt that Mr. Vernon C. Walston, and his firm, are the brokerage front of the Giannini family and interests; that by criminal violation of brokerage trust, said Walston urged his salesmen to urge their clients to purchase Transamerica stock; in order that the Gianninis' and the Pacific Coast Mortgage could unload at a handsome profit their holdings of Transamerica.

If the Securities & Exchange Commission would place the salesmen of Walston & Company on the stand, these facts would be revealed. If the clients of Walston & Company were given the opportunity to testify, they would declare that they purchased Transamerica stock at the insistence of said salesmen.

The chief executive of the Pacific Coast Mortgage maintains his headquarters in the private offices of the brokerage firm of Walston & Company. No employee of Walston & Company is allowed to question the right of the Pacific Coast Mortgage executive's access to all the secret and private records of the brokerage firm of Walston & Company.
If the Federal Government is sincerely desirous of removing a most dangerous financial malignant growth on the Pacific Coast here is the opportunity. It is the avowed ambition of A. P. Giannini and L. M. Giannini; heads of the Bank of America, and their insufferable subsidiaries, the Transamerica Corporation, The Capital Company, the California Lands Company, the Pacific Coast Mortgage Company, the brokerage firm of Walston & Company, and many others, to eventually have complete control over the financial, economic, and even the political life of the entire Pacific Coast. It is their ambition to control all economic and financial life in the West, and to crush all opposition through their tremendous financial power. It is their desire to have a Giannini Financial Empire second to none in the United States. It is with this purpose that the Gianninis have established so many subsidiaries throughout the Pacific Coast.

As a result of the Federal Government's recent attack on the Bank of America, which was settled; and the pending trial on Transamerica Corporation, this Giannini ambition is now biding its time. However, as soon as the present Roosevelt Administration is no longer in office, nothing will stop the Gianninis from becoming the country's leading Financial Dictators with complete economic and financial control over the entire West Coast.

I trust and hope the Securities and Exchange Commission and the Federal Authorities will efficiently and completely prosecute the criminal actions of the brokerage firm of Walston and Company, V. C. Walston, A. P. Giannini, and all others associated with this most dangerous and nefarious organization.

Sincerely yours,

an American Citizen who prays for the elimination of both World and Domestic sources of evil.
Official sales of British-owned dollar securities under the vesting order effective February 19, 1940:

<table>
<thead>
<tr>
<th></th>
<th>No. of Shares Sold</th>
<th>$ Proceeds of Shares Sold</th>
<th>Nominal Value of Bonds Sold</th>
<th>$ Proceeds of Bonds Sold</th>
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<tr>
<td>Dec. 3</td>
<td>Nil</td>
<td>Nil</td>
<td>5,500</td>
<td>3,860</td>
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<tr>
<td>Dec. 6</td>
<td>Nil</td>
<td>Nil</td>
<td>5,500</td>
<td>3,860</td>
</tr>
<tr>
<td>Dec. 11</td>
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<tr>
<td>Dec. 12</td>
<td>Nil</td>
<td>Nil</td>
<td>5,500</td>
<td>3,860</td>
</tr>
<tr>
<td>Dec. 13</td>
<td>Nil</td>
<td>Nil</td>
<td>5,500</td>
<td>3,860</td>
</tr>
<tr>
<td>Sales from</td>
<td></td>
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</tr>
<tr>
<td>Feb. 22, 1940 to Dec. 6, 1941</td>
<td>9,847,580-1/2</td>
<td>231,856,881</td>
<td>45,604,516</td>
<td>37,433,785</td>
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<tr>
<td>Sales from</td>
<td></td>
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</tr>
<tr>
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<td>9,847,580-1/2</td>
<td>231,856,881</td>
<td>45,610,016</td>
<td>37,437,648</td>
</tr>
</tbody>
</table>
TO Secretary Morgenthau
FROM Mr. Dietrich

STRICTLY CONFIDENTIAL

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

<table>
<thead>
<tr>
<th>Date</th>
<th>$ Proceeds of Shares Sold</th>
<th>$ Proceeds of Bonds Sold</th>
<th>Total</th>
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<td>Dec. 2</td>
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<td>Dec. 12</td>
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</tr>
<tr>
<td>Dec. 13</td>
<td>$11</td>
<td>$3,860</td>
<td>$3,860</td>
</tr>
</tbody>
</table>

Sales from Feb. 22, 1940 to Dec. 6, 1941:
- $281,856,881
- $37,433,788
- $319,290,669

Sales from Feb. 22, 1940 to Dec. 12, 1941:
- $281,856,881
- $37,437,548
- $319,294,429

$ Proceeds of non-vested securities sold:
- Dec. 1, 1941 - Dec. 6, 1941: $200,000
- Sept. 1, 1939 - Nov. 29, 1941: $239,100,000
- Sept. 1, 1939 - Dec. 6, 1941: $239,300,000

Grand Total: $558,594,529

9 Units sold from Aug. 13, 1941 - Dec. 13, 1941 for $42
11 Shares Stock Dividend sold Aug. 13, 1941 - Dec. 13, 1941 for $123
50 Rights sold on Dec. 12, 1941 for $68
55,772 Rights sold from July 24, 1941 - Dec. 6, 1941 for $102,853
55,822 Rights sold from July 24, 1941 - Dec. 13, 1941 for $102,921

Regraded Unclassified
MILITARY INTELLIGENCE DIVISION W. D. G. S.
MILITARY ATTACHÉ REPORT - CANADA

Subject: Who's Who - Donald Gordon

From: M. A. Ottawa, Can. Report No. 229 Date: December 17, 1941

Source and degree of reliability:

The Wartime Prices and Trade Board

Summary: A brief biographical sketch of Donald Gordon, Deputy Governor of the Bank of Canada and Chairman of the Wartime Prices and Trade Board, charged with the task of controlling prices for the Dominion.

Distribution by originator

Routing space below for use in M. I. D. The section indicating the distribution will place a check mark in the lower part of the recipients' box in case one copy only is to go to him, or will indicate the number of copies in case more than one should be sent. The message center of the Intelligence Branch will draw a circle around the box of the recipient to which the particular copy is to go.

Chief of Arms and Services

Enclosures:
On December 1, 1941, Donald Gordon, Deputy Governor of the Bank of Canada assumed the job of price control and became Chairman of The Wartime Prices and Trade Board.

The new Chairman of this important Government agency is 40 years old. He was born in Oldmeldrum, a village near Aberdeen, Scotland, and came to Canada when he was 13 with other members of his family and settled in Toronto. His schooling consisted of attendance at the Manning Avenue Public School in Toronto and some study at night school. At the age of 15 Donald Gordon went to work as a junior clerk at the Bank of Nova Scotia. Within ten years, at 26, he was assistant chief accountant. At the age of 29 he was assistant manager of the bank’s main office in Toronto and at 31 Mr. Gordon was appointed first secretary of the newly formed Bank of Canada, the Dominion’s central bank in Ottawa. When only 37 Mr. Gordon was made Deputy Governor of the Bank of Canada and as such became the right hand man of Graham Towers, the bank’s Governor.

When the war broke out in September, 1939, and Canada had to set up a Foreign Exchange Control Board to conserve foreign money and preserve the nation’s international balance, Messrs. Towers and Gordon gave an excellent account of themselves.

Mr. Gordon is a hard worker and has made considerable progress in his present assignment. He appears to have the faculty of surrounding himself with the right men to assist him in the important task of price control for Canada.

Mr. Gordon is one of the hardest working men in the Dominion and has little leisure but last year he did accept the presidency of the Ottawa Canadian Club.

From M.A. Ottawa, Can. Report No. 929 December 17, 1941

John S. Culliton
Lt. Col., Air Corps
Military Attaché
December 17, 1941

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

Dear Henry:

Thank you very much for your letter of the 16th, enclosing a memorandum of data and suggestions on steps that might be taken in connection with Eire.

Sincerely,

William J. Donovan
San Francisco, California
December 17, 1941

Mr. D. W. Bell

I have today delivered to the Federal Reserve Bank of San Francisco check for $6,813,442.13 for credit of Secretary's special accounts

Haggerty
Superintendent
The information requested on page 2 of the attached dispatch will be obtained from the Federal Reserve Bank of New York by Mr. Dietrich.
DEPARTMENT OF STATE
Washington

In reply refer to
PD 551.515/190

December 17, 1941

The Secretary of State presents his compliments to the
Honorable the Secretary of the Treasury and encloses a copy of despatch
no. 135, dated December 5, 1941, from the American Consulate, Martinique,
French West Indies, concerning the verification of the presence of French
gold at Martinique.

The Secretary of State requests the advice of the Treasury Department
as to the reply to be made to the despatch under reference.

Enclosure:

From Consulate, Martinique,
no. 136, December 5, 1941.
Verification of Presence of French Gold at Martinique.

I have the honor to report the receipt yesterday of a British Intelligence report from Trinidad that the gold stored here had been secretly removed on November 13th to Porteau, the farthest point attainable by the coastal road north of Fort-de-France, and there transferred to a French naval vessel.

It was possible for me to arrange a visit a few hours later to the vaults in Fort Dessix where, on a height rising abruptly 450 feet above the city, the gold was transferred last year from the cruiser Emile Bertin. I went in company with Admiral Robert’s Chief of Staff, Captain Benech, and the Bank of France official, Mr. de Katow, who has remained in personal charge of the gold ever since it left Brest in June of 1940. The structure in which the gold was placed (see enclosed sketch) is near the main entrance to the Fort, and a squad of negro soldiers was on guard at each of three points along the short distance to the vaults, all under the command of a white officer.

There are four vaults, of which the first contains several hundred cases of Hotchkiss ammunition. In the other three, I saw several stacks of boxes numbered up to approximately 8,000, which Mr. de Katow said had been made here and the contents of 4,000 sacks of gold coin transferred thereto, each sack containing 52-1/2 kilograms. Another large stack of boxes, Mr. de Katow said, numbered 1,000 and contained gold coin that had been brought from Brest as packed. The locally-made boxes were duplicates of those made in France, the external dimensions being approximately as follows: Length 12 or 13 inches, width 9 or 10 inches, depth 7 or 8 inches. The material was about an inch thick, thus allowing a net capacity of between 500 and 750 cubic inches. Each box was heavily nailed and bound with a steel strip about one-half inch wide.

Admiral Robert, Captain Benech and Mr. de Katow have assured me from time to time that all of the gold brought here on the Emile Bertin was still here. The latter two now told me that every one of the approximately 9,000 boxes contained gold coin weighing 31-1/4 kilograms. The contents of each of the boxes I lifted undoubtedly weighed that much; whether they, or any of the others, actually contained gold, I do not know since the circumstances were not propitious for a request that any be opened for my inspection. In other words, my inspection was equivalent to that of Rear-Admiral Greenslade in November of 1940. He and I are the only officials other than French who have ever been permitted to enter the vaults.

It is probable that French gold brought to the United States arrived there packed in a manner identical with that stored here, thus providing an easy means of checking various aspects of the latter in the light of my observations yesterday. Accordingly, it would be appreciated if the Department would ascertain and inform me
1. Whether the gold in the United States is in the form of coin, the form in which I am told the Bank of France keeps its reserve.

2. The exact capacity in cubic inches of the standard container in which the gold arrived, and a description thereof.

3. The exact weight of the gold in each box.

4. A description of the manner in which the gold contents were packed.

The specific gravity of pure gold is such as to cause 31-1/4 kilograms of it to occupy a space of about 100 cubic inches. The resulting implications in this case are (1) that each box at Fort Deseax could contain several times the amount of gold coin said to be therein, (2) that most of the space in each box may be devoted to packing material, or (3) that the boxes may contain a material other than gold. The information requested above is intended to clarify these points, but equally helpful would be the comments of experts in the Federal Reserve who are experienced in the handling of French gold.

As far as the British Intelligence report is concerned, it reached me owing to my efforts to concentrate at this point all information regarding the French West Indies and French Guiana circulating outside those possessions, for evaluation and reference to the Department whenever justified. The British Intelligence officer in St. Lucia pays Martinique negro fishermen to bring him information, and much of it now returns to me from either St. Lucia or Trinidad. It has been uniformly unreliable, and at times so imaginative as to lead to the belief that the negroes have manufactured it for sale to the British.

In this case, it is true that a French naval vessel, the auxiliary cruiser Harfleur, was in the vicinity of Frecheur on November 18th. It is highly improbable, however, that 350 tons of gold, or any substantial part of it, could have been transported there and loaded on the vessel without some inkling of it reaching this office through the contacts established in view of an attempt of precisely this nature.

Respectfully yours,

Marcel E. Malige
American Consul

Enclosure:

Sketch of Ft. Deseax and vicinity (single copy).

853,4
R.S. 1als

A true copy of the signed orig.

eh: copy 12-18-41

Regraded Unclassified
In reply refer to

DEPARTMENT OF STATE
Washington

December 17, 1941

The Secretary of State presents his compliments to
the Honorable the Secretary of the Treasury and encloses
copies of the paraphrase of telegram No. 2064, dated
December 16, 1941, from the American Embassy, Rio de Janeiro,
Brazil, concerning the situation of Axis banks.

Enclosure:

From Embassy, Rio de Janeiro,
No. 2064, December 16, 1941.
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil.
DATE: December 16, 1941, 4 p.m.
NO.: 2064.

The Axis bank situation is becoming very serious here. Withdrawals for general expenses are authorized by the Bank of Brazil. New deposits are of little account.

Applications of Italian, Japanese and German Embassies for withdrawal of funds exceeding the estimated normal requirements continue to be rejected by the Bank of Brazil.

CAFFERY

eh: copy 12-17-41
CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £66,000
Purchased from commercial concerns £21,000

Open market sterling remained at 4.03-3/4. There were no reported transactions.

The Canadian dollar moved off to a closing discount of 12-5/8%, as against 12-1/4% yesterday and 11-3/4% a week ago.

The Cuban peso was offered at a premium of 1/4%, representing the best rate in many years.

The Venezuelan bolivar improved 30 points to close at .2700.

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

<table>
<thead>
<tr>
<th>Currency</th>
<th>Quotation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentine peso</td>
<td>.2390</td>
</tr>
<tr>
<td>Brazilian milreis</td>
<td>.0516</td>
</tr>
<tr>
<td>Colombian peso</td>
<td>.5775</td>
</tr>
<tr>
<td>Mexican peso</td>
<td>.2065</td>
</tr>
<tr>
<td>Uruguayan peso</td>
<td>.5310</td>
</tr>
</tbody>
</table>

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

The Treasury was advised that, on December 10, the Government of the U. S. S. R. deposited about 36,800,000 in gold at the San Francisco Mint for account of the Secretary of the Treasury. This gold was shipped from Russia to San Francisco on the SS "Transbalt". It will be applied against our gold purchase agreement of October 10 with the Russian Government.

The State Department forwarded a cable to us reporting that the Bank of New South Wales, Sydney, shipped $165,000 in gold from Australia to the American Trust Company, San Francisco, for sale to the San Francisco Mint.

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 35-1/8¢.

We made no purchases of silver today.
BRITISH EMBASSY,
WASHINGTON.

December 17, 1941.

Personal and Secret

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

[Signature]

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
Washington, D.C.
Following is supplementary resume of operational events covering the period 4th to 11th December, 1941.

(1) NAVAL

Our submarines, operating against the Axis sea supply route to AFRICA, made a number of successful attacks on shipping. Light naval forces continued to support our military operations in LIBYA. Operations in far eastern waters since the outbreak of war with JAPAN have been fully recorded in the daily summaries. The German main units in the BALTIK were engaged in intensive exercises during the week.

Submarines. There was a concentration of U-boats in the GIBRALTAR area throughout the week and a smaller number were working in the North-Western approaches, but otherwise there was little activity either in the North or South Atlantic. 15 or 16 U-boats are believed to be operating in the MEDITERRANEAN. Our shipping casualties were light, apart from 2 probably 3 ships torpedoed in convoy west of IRELAND, all were due to mines. Shipping losses for November amounted to 100,491 tons, 88,003 tons being British. This total is nearly 100,000 lower than the previous month, and, except for March, 1940, represents the smallest monthly total since the beginning of the war.

Trade. During the week ending 10th December, 973 ships were convoyed. Imports into the United Kingdom from ships in convey for the week ending 6th December were 973,000 tons, including 276,705 tons of oil imports. Enemy mine-laying by E-boats and aircraft took place off the east coast. 49 mines were accounted for during the period.

(II) MILITARY

LIBYA. The British forces have now regained the tactical initiative. Except for small parties at HALIFAYA and BARDIA, who must sooner or later surrender, the enemy forces are now concentrated west of the line GAZALA-BIR BAKKIM, fighting a rearguard action in the hope of being able to stand on a defensive line further west. The object of the remnants of the 3 enemy armoured divisions, who are now probably grouped as one formation, must be to retain sufficient mobility and striking power to inflict casualties as they withdraw. The task of the British forces is to maintain such pressure on the retreating enemy that he cannot reorganise sufficiently to fight effectively.
RUSSIA. The German General Staff having decided to try to stabilize their Russian front, the danger which threatened MOSCOW is probably removed at least till the Spring. The German troops are on the defensive along most of the line and are even under such pressure in some sectors that the withdrawal of divisions to refit may not be easy. In the southern sector, it is of particular importance for the Germans to resume their advance, but weeks and possibly months might now elapse before they recapture MOSCOW with corresponding postponement of their time-table for CAUCASIA. Finally, the air situation is encouraging, for it appears that the Russian Air Force at present holds superiority on the most of the front, particularly in the MOSCOW sector.

JAPAN. It appears probable that the primary Japanese objectives are SINGAPORE and the PHILIPPINES. Operations against KONSON and the Pacific Islands are subsidiary to these principal aims, the threat to BURMA and BORNEO being intended to develop subsequently. At KONSON, our troops have now acted on their standing orders to evacuate the mainland when attacked in overwhelming strength. Their retirement has been successful in so far as they have fought off enemy attempts to interfere with its orderly execution. Guerrilla activity by the Chinese may develop later in the rear of the Japanese attacking force. In MALAYA, our naval and air losses have compelled our land forces to face a situation which had not been contemplated, in as much as they must now bear the brunt of an attack by Japanese forces enjoying sea and air superiority, enabling them to reinforce with little British interference. The demolition of railway bridges, etc., which our troops are effecting as they retire should impede the enemy's advance. Further north, the occupation of SIAM gives the enemy an important base for operations against either MALAYA or BURMA, and even against our sea communications in the BAY OF BENGAL. The Japanese have some ten divisions already in MALAYA, SIAM and Southern INDO-CHINA, and a further 12 or so, including most of the seven in JAPAN, might be made available immediately or at short notice for other operations. The limiting factor, however, would be shipping and air support.

WESTERN PACIFIC. The phosphate plants in OCEAN and NAURU Islands have been demolished according to previously prepared plans.

BURMA. The second flight of an Indian infantry brigade has left INDIA for RANGOON.

BULGARIA. The number of Hungarian troops on the Russian front has been reduced to about 30,000.

ROMANIA. The Russian contingent in RUSSIA, though being reduced, still amounts to the equivalent of about two divisions in action in the CRIMEA.
YUGOSLAVIA. The Serbian Patriots, under Colonel Mihailovich, are being harried in the mountains, but are still capable of causing the Germans considerable trouble.

BULGARIA. There are some indications of the beginning of German troop concentrations in BULGARIA.

(III) AIR OPERATIONS

UNITED KINGDOM. Operations were severely restricted by bad weather, bomber command only being able to carry out their programme on one night. Several successful attacks were made on enemy shipping, it is estimated that 37,000 tons were sunk or damaged by our aircraft. The G.A.F. activity was negligible.

CENTRAL MEDITERRANEAN. A total of nearly 40 tons of H.E. and incendiaries were dropped on NAPLES in the course of two attacks.

LIBYA. Day and night bombers and hurricane bombers directed heavy attacks chiefly against enemy armoured vehicles, H.T., and aerodromes. Naval aircraft joined in by bombing BARDIA docks and Wellingtons raided TRIPOLI. Our fighters patrolled the battle area and accounted for several dive bombers. They also harassed the enemy and took heavy toll of his mechanical vehicles in low-flying attacks. The Axis air forces kept up a high scale of operations with their dive bombers and single engined fighters.

FAR EAST. Owing to heavy enemy attacks by superior forces, we were obliged to evacuate the aerodromes in Northern MALAYA after losing some of our fighters destroyed on the ground. PENANG has been bombed several times with fairly heavy casualties among the civilian Asiatic population.

RUSSIA. Intensive operations by the Russian Air Force in conjunction with their recent counter-attacks provide further evidence of the present German weakness in fighters, due to withdrawal of units for refit or employment elsewhere. The service ability of German aircraft has probably been reduced by the intense cold to a greater extent than those of the Russian Air Force whose ground staffs are more familiar with such conditions and whose aerodromes have not been within the battle zone.

(IV) EXTRACTS FROM PHOTOGRAPHIC AND INTELLIGENCE REPORTS ON RESULTS OF R.A.F.

AIR ATTACKS ON ENEMY TERRITORY IN EUROPE

NAPLES. Casualties and damage on 27th/28th November were the heaviest so far. Photographs in September and October show severe damage to railway sidings at the central junction and confirm reports that a munition train was destroyed causing widespread damage from explosion and blast. One part of the arsenal has been badly damaged, two large cisterns wrecked at an oil refinery and a large gas holder destroyed at the gas works.
Information received up to 7 a.m., 16th December, 1941.

(1) NAVAL

MEDITERRANEAN. A 6,000 ton Italian merchant vessel is beached near CAPE HETDRONI (South West GREECE) after being torpedoed by a British submarine. There are about 150 survivors from the British cruiser sunk off ALEXANDRIA.

CHINA. A Dutch submarine sank one enemy merchant ship on the 12th and one oiler on the 13th off KOTA BAHU.

(II) MILITARY

LIBYA. 14th. Our troops attacked all along the line and by 11 a.m. had forced a gap in enemy centre. By 2.30 p.m. enemy were still holding position to East of GAZALA BAY and astride main road, and also further to South astride TEHIN EL ABD. In afternoon, enemy counter attacked in latter area employing 21 tanks. Attack continued until the evening but enemy failed to press attack home. Three enemy tanks destroyed.

MALAYA. 15th. In South KEDAH, enemy resumed his attack at dawn and succeeded in isolating our left brigade. Touch has not yet been restored in spite of counter attack. Our forces operating in the KROH area have been reinforced by two further two battalions and are at present holding their ground without difficulty. Enemy's main objective appears to be to penetrate between our two forces in this area. He is pressing home his attacks with fanatical courage in spite of very heavy losses.

MALACAUT. No change.

BURMA. A small reconnaissance patrol, operating in the area of MOEBO (170 miles East of RANGOON), was fired on by Siamese Grenadiers.

IND-KORA. The withdrawal from the mainland to the island was completed by morning 13th December. The three 6th coast defence guns on STONECUTTERS Island have been destroyed by us and the garrison evacuated. Heavy and accurate Japanese artillery fire continues against our defences in the Northern part of the Island. The Japanese are concentrating ferry craft on the KOWLOON side, and it is thought they may soon attempt a direct assault on the island.

BULGARIA. The Russian forces are continuing their counter offensive. They have captured CREMENOV (North West of YELETS) and are advancing on ORES.

(III) AIR OPERATIONS

15th/16th. 47 aircraft despatched to IRISH 17, OSTEND 25, sea mining 5. One bomber is missing.
LIBYA. 13th/14th. 15 Wallingtons bombed DERIA town and aerodrome. Hits were made on the barracks, on a mechanical transport depot and on a concentration of vehicles. Two large fires were started.

14th. Our fighters attacked a convoy of 40 South bound lorries on the EL AGHEILA - BENHAZI road, inflicting heavy casualties on troops, destroying two lorries and damaging 35, during the day, our fighters shot down four enemy aircraft. We lost four fighters.

14th/15th. 10 Wallingtons dropped 16 tons of bombs on BENHAZI Harbour, all of which fell in the target area.

(IV) ENEMY ACTIVITY

15th/16th. 37 aircraft operated against the United Kingdom of which ten made landfall.

MALTA. 14th/15th. Eight aircraft raided the Island. Slight damage was caused to civilian property.

MALAYA. 15th. IPOHTOWN in PERAK STATE was bombed by 20 enemy aircraft. The aerodrome and a petrol dump hit.

(V) AIRCRAFT CASUALTIES IN OPERATIONS OVER AND FROM THE BRITISH ISLES

British = 1 bomber missing.

(VI) HOME SECURITY

15th p.m. 20 shells fell in the DOVER area, causing some damage to houses and slight damage to military property. One fatal service casualty and several people injured.
SITUATION REPORT

I. Pacific Theater.

Philippines: American forces had situation well in hand yesterday. There were no new developments. Small Japanese forces at Aparri, Vigan and Legaspi still under attack. Hostile ships off the coast under air attack. Hawaii: Submarines reported off Oahu but no attacks made. Lual Island was shelled by a submarine on the 15th with no apparent damage. No further activity has been reported. Wake Island: Japanese submarine reported at Wake. The island received hostile air raid last night and at noon the 16th. Results unknown. Johnston Island: Two hostile ships raided Johnston after sunset yesterday. Malaya: Heavy fighting continued in Kedah area in northwestern Malaya, according to the press, with Japanese making slight advances. Hong Kong: Confused reports. Apparently the island is still under heavy Japanese attacks. West Coast: No further reports of hostile activities have been received.

II. Eastern Theater.

There is no change in the situation at Leningrad. The Finns report Russian activity along the Svir river, especially at Osta (near Lake Onega).

The Germans are continuing their withdrawal from the salients north and south of Moscow. The Russians claim the capture of Kalinin (north of Moscow) and Volo (north of Yefremov).

III. Western Theater.

Air: British Air Ministry announced that the R.A.F. last night attacked the German naval base at Wilhelmshaven, Bremen and other cities in northwestern Germany. Further attacks were made on Ostend, Dunkirk and Brest.

According to the German High Command, German planes bombed British ports of Plymouth and Dover last night and damaged a supply ship in British coastal waters.

IV. Middle Eastern Theater.

Air: The Italian High Command admitted R.A.F. attacks at Brindisi, Italy, and at Catania on the Island of Sicily.

Ground: Bad weather has hampered British operations in the Gazala area. Axis rear guards are still holding with apparent difficulty.
December 18, 1941
9:45 a.m.

GROUP MEETING

Present:
Mr. Paul
Mr. Blough
Mr. Thompson
Mr. Buffington
Mr. Sullivan
Mr. Haas
Mr. Morris
Mr. Gaston
Mr. Kuhn
Mr. White
Mr. Schwarz
Mr. Foley
Mrs. Klotz

H.M.Jr: Good morning, everybody. What have you got?

Gaston: I have nothing.

H.M.Jr: You haven't got a thing?

Gaston: I have nothing this morning.

H.M.Jr: They gave me this, Herbert, and I think - I don't know whether you have a copy, but --

Gaston: I have a copy, yes. I think that is the same one they handed me yesterday.

H.M.Jr: Ed?

Gaston: I am sorry, there is just this one thing that Campbell asked you to see from Hongkong. It is just what you would expect as to the situation
there, from what you already know from
dispatches.

Sulli

Harold Graves ran a wonderful show out there
in Chicago and it really was inspirational
and done on a very high plane. They really
went to town.

Jr.

Sulli

When is Harold coming back, Mr. Secretary?

Jr.

Not until tomorrow, maybe. Not before
tomorrow. It really was good.

Edward?

Foley

The legislation, the omnibus legislation, is
completed except for the President's signature.
We have been working with Ben on an Executive
Order. Leo was up in New York all day
yesterday. We are having a lot of difficulty.
I don't think we are ever going to be able to
settle it satisfactory without bringing it
back to you.

H.H. Jr.

That is all right.

Foley

Well --

H.H. Jr.

We will have another luncheon. Isn't Leo
being good?

Foley

Well, Leo backed off the formula we talked
about at lunch. He wants it to be more specific
and give him the things in the order rather
than give it to the Committee and allow the
Committee to decide.

H.H. Jr.

Wants to do it in the order?

Foley

Yes.

H.H. Jr.

Well, keep fighting and when you need help, don't
let it get too far, let me know and we will
have another luncheon. You are not discouraged, are you? I warned you.

Foley: I know.

H.M.Jr: How long have you been around Washington? You ought to know that.

Foley: And Ben is looking for a way - Ben wants to run.

H.M.Jr: Why?

Foley: Well, he doesn't want to get in the middle.

H.M.Jr: Well, anyway, it is --

Foley: Apparently Jimmie Byrnes is going to have an awful lot to do with the final disposition of this.

H.M.Jr: Jimmie Byrnes?

Foley: Yes. I understand that he is going to take some kind of a leave of absence from the Court and help the President on the reorganization powers of this omnibus bill. You see, this gives the President complete power now to switch anything from one department to another and reorganize the defense agencies and reshuffle the whole works; the story is that he is going to devote his time to that and both Byrnes and Oscar, who are working together - they worked together on the legislation - seem to think that this all ought to be in one place, and the place for it would be over here.

H.M.Jr: Does Byrnes think that?

Foley: That is what Oscar says.

H.M.Jr: Well, don't let's take up too much time now.

Foley: Yes. I think we had better talk about it a
little later on.

H.M.Jr: Yes, let me know.
Foley: You asked for a report on Mowrer. The account should have been blocked when he went abroad.

H.M.Jr: Yes.
Foley: Well, all Americans, American citizens, when they go abroad, have their accounts blocked so they can only get five hundred dollars a month remittances. The thing automatically becomes unblocked when they come back into the country. The Chicago bank didn’t release Mowrer’s account when he came back and it wasn’t until Ferdie brought it to our attention that Bernie took it up with the bank out there and got it released.

H.M.Jr: Are you sure that all these correspondents who return, that their accounts are unblocked?
Foley: Automatically unblocked when they come back.
H.M.Jr: How does it work automatically? What is the automatic? How do you know when they come back?
Foley: When they come back?
H.M.Jr: Yes.
Foley: Well, when they get back in the country, as soon as we find out that they are back in the country their funds are released.

H.M.Jr: How do you find out?
Foley: Well, they should let us know.
H.M.Jr: Well, that isn’t automatic.
Foley: Well, as soon as we know they are back --
H.M.Jr.: You had better take a look at it. It doesn't sound very automatic with me. If you had some arrangement when they came in through Customs to notify you of the list, that would be automatic, as the people return, Ed.

Foley: Yes.

H.M.Jr.: That would be automatic. Will you take a look at it?

Foley: Yes.

H.M.Jr.: Anything else?

Foley: I haven't been able to get Dr. Kline on the telephone as yet. Mrs. Klotz said you wanted an opinion about purchasing --

H.M.Jr.: That is personal.

Foley: All right.

H.M.Jr.: You can tell me about it afterward. Go ahead, John.

Sullivan: There is a new development in the --

H.M.Jr.: I think I will send Ed out on the next convention. My God, he seems low. I will send you out to the next convention, Ed. Cheer up. I spent two nights on the train and my chin is up.

Sullivan: There is some feeling on the Hill now that the effective date of the use tax might be postponed from February first until July first. That would give us a chance to work out some other things. It is a pretty bad situation. I don't know whether it can be done or not, but I just wanted to let you know we are working on it. I don't think we should say anything to the press at all.
H.M.Jr: I send them to you and I will keep sending them there.

Sullivan: That is fine. I took up that matter with Congressman Somers that he has been calling you about. That is all taken care of. I think George and I should see you sometime before the luncheon.

H.M.Jr: What luncheon?

Sullivan: This noon.

H.M.Jr: Oh. Well, if we have time after this meeting.

Sullivan: O.K.

H.M.Jr: Randolph?

Paul: I have just a report that I am here, that is all.

H.M.Jr: You and Lafayette. (Laughter)

Paul: We will put it his way. We will say I am with you.

H.M.Jr: You all know the story they told about Jesse Straus?

Paul: No, I don't.

H.M.Jr: Let's see if I have got this thing straight. Oh yes, when he arrived as Ambassador to France, he said, "Galeries Lafayette, I am here," and the Frenchman answered, "Merci beaucoup." (Laughter)

Klotz: That is marvelous.

H.M.Jr: Had you heard that, Ferdie?

Kuhn: Yes.

H.M.Jr: Is that about correct?
Kuhn: He was very proud of that himself.

White: Is it a true story?

Kuhn: He told it on himself. He never seemed embarrassed.

H.M.Jr: I gave last night, just before I went to bed at nine o'clock - I gave Ferdinand some ideas for his speech in New York December 28 or 29. When is it?

Schwarz: Twenty-eighth.

H.M.Jr: And I told him to talk to both Paul and Sullivan about it. I thought I might give them the basis of the philosophy for the next tax bill without going into any details.

Paul: It is all right. They are already after my philosophy in the Wall Street Journal this morning. (Laughter)

H.M.Jr: No, the basis of how the Treasury feels.

Paul: We will have a talk with him.

H.M.Jr: Talk with Kuhn. I mean, giving them first the Shoup stuff. Here is the situation we are facing. This is what Mr. Shoup says and this is what we have got to do. That doesn't mean we are going to go into community property or any of the other things. Based on the information which Shoup has given us, this is the situation we are facing, and what can we do about it? Here are some of the things we can do, you see, preparing the public before I go on the Hill.

Paul: It is a good idea.

H.M.Jr: John is against it already.
Sullivan: Not yet. (Laughter)
Gaston: Only in principle.
H.M.Jr: Did you hear that?
Klotz: That is wonderful.
Sullivan: I think I see a compromise coming, Herbert.
Morris: I don't know that there is anything to be done about it, but I think it is something that probably ought to be kept in mind and maybe in making statements little phrases might come out, but the president of one of the Detroit banks came in to see me Tuesday and I also heard the same thing in New York yesterday, that not only a lot of not too well educated people, but a lot of people who ought to know better, have been misconstruing the reports on frozen funds and nationals of other countries and even excess reserves, and interpreting them all that the Government is thinking of clamping down regulations on how American citizens can draw on their own checking and savings accounts, and they are really worrying about it in large measures and taking out cash.

H.M.Jr: Wasn't that the thing that Dan Bell answered to the Comptroller up in Massachusetts?
Schwarz: That is right.
Kuhn: That telegram of Dan's was published.
White: You mean that they are hoarding?
Morris: Yes, starting in to and starting in to worry very much that they are not going to be allowed to have their own accounts and run them in their own way.
White: In so far as they do that, the economic effects are probably beneficial. I don't think it is significant, in any case. I think I would ignore it. It will pass over.

Sullivan: I don't agree with Harry on that, Mr. Secretary. I think this is very definitely Nazi propaganda, because a week ago this morning the story started on the Hill, and by noontime it was all over up there that the Treasury had absolutely drafted plans to freeze every dollar that was invested in Defense Bonds and Stamps and all the provisions for redemption were going to be repealed and that we absolutely had it all drafted.

White: What follows from that? Supposing they do think that for a while?

Sullivan: That isn't going to help your sale of Stamps and Bonds, Harry.

White: I should think they would want to put their money in - it wouldn't affect them wanting to put their money in Stamps and Bonds. It might affect them wanting to keep cash in the banks, but I should think that if anything, if they had to run out of cash, they would run in to Stamps and Bonds. I think you could make a case that would help the sale of Stamps and Bonds.

Sullivan: Now I think you are arguing to the fact that we should give more publicity to the fact that Bonds could be redeemed any time.

White: Well, we will argue it out if you are going to do anything. If you are not going to do anything, it is all right.

H.M.Jr: Take a look at Bell's telegram. They asked me to say something about it at Chicago yesterday and I refused to. It was one man. We had a
good press conference, top fellows, and not a one of the press fellows asked me.

Ferdie, can you remember what the fellows said was the definition of an economist in Washington?

Kuhn: They said, "When you fellows in Washington get into trouble, you hire an economist either to find a solution or an alibi."

White: Or get you into more trouble. (Laughter)

Kuhn: No, he just said, "to find you a solution or an alibi."

White: Both ways keep you out of jail.

H.M.Jr: Anyway, talk to Bell about it; look up the telegram, will you? And did Bell tell you you are to handle Mr. Eccles for him this morning, you and George Haas?

Morris: He told me I was to try to.

H.M.Jr: You have got the assignment?

Morris: Yes.

H.M.Jr: That makes it impossible for you to go on that inspection trip. I am sorry.

Morris: All right.

H.M.Jr: I was going to take you along.

Morris: Thank you. Just in commenting on what was said, I don't know about this speech, but I think that all these tax programs are going to have a good deal of effect on the bond market from now on and I think that whatever we do on that, we want to think about it on our Government bond market and Government financing,
because I think they are thinking about that a great deal, tying them in together.

H.M.Jr: O.K.
Morris: That is all.
H.M.Jr: You and George Haas are going to take care of Eccles?
Morris: Do what we can.
H.M.Jr: George, I had just nicely got to sleep when I got on the train --
Haas: I hated to send that one.
H.M.Jr: And they woke me up with a telegram, but thank you for your efficiency.
Haas: I thought it would get there before you -- I mean, early.
H.M.Jr: I understand those figures come in around noon, don't they?
Haas: Well, I had that right after I came back from lunch.
H.M.Jr: Well, as soon as they come in today will you shoot them up, please?
Haas: Yes, sir.
H.M.Jr: Ferdie?
Kuhn: I have nothing.
Haas: I have a few things I think you can dispose of very quickly if you want to do it now.

H.M.Jr: All right. Don't forget Roy Blough when you are talking about my speech, too. Is Carl Shoup in town?

Blough: He is here today.

H.M.Jr: Today, there you are. Before these fellows get immersed in details, Ferdie, tackle them, will you?

Paul: We are already immersed.

H.M.Jr: Immersed or --

Paul: Submersed.

Klotz: Submersed.

Haas: This letter from Knox --

H.M.Jr: Well, I will --
Haas: Here is the beginning of that job you asked us to do, expenses, you know.

H.M. Jr: I will get at that a little later today. You hang on to it.

Haas: Here is something that might interest you. These things are forty-seven percent. Here is the one on those other issues. This is the old series from forty to fifty percent. The average of those years is thirty-three.

And this thing, do you want us to continue that?

H.M. Jr: You are doing it every two weeks aren't you?

Haas: Yes.

H.M. Jr: Yes, please.

Haas: And the hearings up on the Hill, the appropriations, Keefe is going to ask you about this legislation for Federal Reserve to further increase requirements. He asked me.

H.M. Jr: Well, Norman, see that they have an answer for me, will you? I will see you, George.

Haas: O.K.

H.M. Jr: Chick?

Schwarz: Dan would like to tell the press conference that the next three issues of Treasury bills will mature during income tax week in March in order to level off the money market. If you would like, I can give you a memo.

H.M. Jr: I will let him do that tonight. Let him tell them. Let him tell that to the boys tonight.
Schwarz: O.K.
H.M.Jr: Anything else.
Schwarz: That is all.
H.M.Jr: Harry?
White: U. S. S. R. is sending another seven million dollars worth of gold yesterday, so it brings down, I think, their sum due to something in the neighborhood of seventeen million dollars.
H.M.Jr: After we get the seven, how much will it be?
White: After we get the seven, I think it will be seventeen. I don't know.
H.M.Jr: We won't say anything until it is in the bank.
White: Oh, you don't say anything until it arrives?
H.M.Jr: No.
White: I see.
H.M.Jr: I don't say anything until it is in the bank. It might get torpedoed.
White: They deposit it at the San Francisco mint.
H.M.Jr: It is already?
White: That is what the notice says. I will check on it if you want to use it in the press conference.
H.M.Jr: I won't use it. Give it to me for Monday.
White: You might be mildly interested in the fact that the Cuban peso is stronger than it has ever been. I will give you an opportunity
to check that with our visit down there.

H.M.Jr: What other country has a weak currency?

White: I haven't been to the other countries. It won't mean anything. (Laughter)

Canada is, incidentally, getting weaker, but I haven't been there.

Sullivan: Next spring, Harry.

White: Here is some interesting information I think you would be interested in and the fact that we get it is a little disturbing. If we get it, I think a lot of people get it. There is increasing talk for the use of silver, about the necessity of using silver, now that other metals are getting scarce. OPM is getting interested in it. I would merely like you to know that there are two things that are going forward. One is the substitution of silver for nickel in the five-cent pieces, and we have had a number of meetings, and we will be already to present a definite program on it this week. Secondly, we are investigating the possibility of substituting silver for copper in many uses because of the fact that they are not granting priorities in copper. We are working with OPM on it. If there seems to be any kind of a feasible program, we would want to consider the possibilities of lending silver or something of that character but we are following it in case it comes to your ears.

H.M.Jr: I don't want to - let's get the legislation changed so we can sell it.

White: That would be one of the alternatives, but
there are many disadvantages to doing that, and it probably would be very difficult to get legislation to sell silver at a much lower price than what you paid for it, but we will go into all the angles.

H.M.Jr: I wouldn't lend it to them unless I first tried to get the authority to sell it.

White: You would prefer to sell it?

H.M.Jr: I would like to get all the silver legislation struck off the books, all of it.

White: Well, the best time would be now.

H.M.Jr: That is right.

White: All right, we will have some meetings and prepare something if you are willing to go that far.

H.M.Jr: I would like all silver legislation struck off the books so we can sell or do anything and stop buying.

White: The best time is now.

H.M.Jr: Right.

White: All right, we will have something. There have been some discussions going on between Canada and the United States with respect to the liberalization of traveling and tourists as between the two countries. It has some political ramifications and it does affect their balance of payments. They have asked our opinion. We have studied it, and we don't think it would affect their balance of payments sufficiently to justify their not going forward.

H.M.Jr: You mean people travel here or ours in Canada?
White: It is both. Mostly theirs traveling here, but it is both. On the border there are a great many cases. I don't know whether the war has altered our attitude politically on it. That remains to be seen. The question I would like to raise with you is that in the event it does adversely affect them by some ten or fifteen or twenty million dollars a year, can we tell them that the Treasury stands ready to cooperate and see if we can help their exchange problem in any way that is appropriate?

H.M.Jr: Oh, I would be in favor of letting the people go back and forth.

White: The Canadians claim that they would like to, too, but it might cost them as much as twenty or thirty million a year.

H.M.Jr: Wait a minute, boy. You said ten or fifteen.

White: I said that is what the Canadians think. We think it will be less, but in the event that they are right--

H.M.Jr: Why not let them say, "We will try it up to ten million dollars worth."

White: Try it for a time.

H.M.Jr: A million dollars a month. They should ration it for a million dollars a month.

White: Well, the advantage is to liberalize it, and if they have to ration it, it won't help very much, but what we can do, following that suggestion, is, let's try a few months of liberalization and see what happens. It can't be very - but if it is much, can we tell them that the Treasury will do their best to see that they--
H.M.Jr: Well, tell them if it goes above a million dollars a month, I would be--

White: Reluctant?

H.M.Jr: ... concerned.

White: All right. That is all.

Gaston: One of the things that would help them most would be the abrogation of that forty-eight hour rule on the hundred dollar exemption.

White: I will go into that with you.

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

White: One other item of mild curiosity. We got word from the English Secret Service that the Duke of Windsor has violated our exchange provisions. I am going to take it up with Ed. Before, I gather, Ed will do anything on the committee, it will come to you.

H.M.Jr: Is that as a result of my inquiry?

White: I don't think so, but it may have - that is, there is no direct connection except that he might have known that you inquired and they thought if you are interested, they might tell you that. I don't know.

H.M.Jr: You know, I did inquire.

White: Well, you inquired from another angle, but this is - doesn't relate to the particular inquiry which you made. It relates to some other transaction. They are maintaining a chateau in France, and they are using - it isn't as bad as - if the violation proves to be accurate, then it would not be nearly as bad a violation as would have been involved
in the transaction such as you inquired about.

H.M. Jr: I see. All right.

Thompson: I wonder if you will have an opportunity to go over this statement for tomorrow?

H.M. Jr: No. I have got it here. I will take time.

Thompson: The moving picture for today is "Back in the Saddle."

H.M. Jr: Good.

Thompson: These boys who were down south for quite a while haven't seen any movies, so anything is current with them. They are very happy.

H.M. Jr: Our movie man is coming back today, what is his name?

Thompson: I couldn't get any news reels, so I thought--

H.M. Jr: Duffus. I told Duffus to see that they get news reels and cartoons. He said he would see that they got them.

Thompson: We couldn't get them, so I thought when he got back he could get them.

H.M. Jr: They haven't seen any movies - no movies on Sundays, to give the operator a day off.

Thompson: That is right. The boys tell me downstairs that the Treasury is giving them such a good show and treating them so nicely that all the boys in Fort Meyer want to be put on Treasury.

H.M. Jr: All I can say is, if it is a criterion of the conditions under which they live, if that is so good, then the other places they must live are terrible, because the little that

Regraded Unclassified
we have done, the little Mrs. Bell has done, all of that is little enough.

Thompson: They have wrecked the Maintenance Department. They have taken over the whole business. We have got ninety-two men in here now, two medical officers and four commissioned officers.

H.M.Jr: There is too much paper storing in the hallways, Norman.

Thompson: I have to take all of that out of the rooms, and I haven't found a place to put it yet.

H.M.Jr: You have got to find a place.

Thompson: Yes, I realize.

H.M.Jr: What is in the basement of the Treasury Annex?

Thompson: Practically everything we have moved out of this building. It is worse than this.

H.M.Jr: Clean up those alleyways.

Thompson: We are working on it.

H.M.Jr: Clean up the alleyways even if you have to - what is in the Treasury garage?

Thompson: I don't know that we could do much down there.

H.M.Jr: The White House has a garage.

Thompson: Yes. There is nothing we could do over there, but we will get this cleaned up.

H.M.Jr: Well, couldn't you give orders to get that stuff out of those hallways today? Will you try?
Thompson: They have also made a kitchen out of the bunkers down here for a hundred and fifty men that are detailed all over town, the Capitol and various other buildings.

Klotz: They have just moved in.

H.M.Jr: They like us.

Thompson: The Fort Meyer boys still get their meals from Fort Meyer, but this contingent takes care of the machine gunners all around.

H.M.Jr: Haven't they got some place that they could move that paper and all those odds and ends?

Thompson: I will find some place for it.

H.M.Jr: Well, there must - neither of these garages?

Thompson: No, I don't think we could do that. We will get rid of all material that we don't have to use currently, but the material that we have to use currently we will have to have somewhere to keep it, but we will go right to it.

H.M.Jr: Will you do that, please?

Thompson: Yes.

H.M.Jr: Right.

White: I have a suggestion, Mr. Secretary. I don't know how many are down there, but if there are enough down there, there are certainly enough men in the Treasury who have been teaching in college who could very easily give a few courses, an hour a day, if those men wanted to attend. It wouldn't interfere much with our time, and they have got nothing to do but hang around downstairs when they
are off duty, no place to go. I think we might establish a precedent and make it very worth while. Let them enroll in the courses. If you like, I can find out a little more about it and see what is available and see what kind of men are there, if you think it has any possibilities.

H.M.Jr: What would you teach them?
White: Anything they want to learn. I think we have got men who can teach them.
H.M.Jr: But there is no place to congregate when you go down there.
White: Isn't there one room that they have?
H.M.Jr: No, they just lie on their cots. There is no place down there.
White: Of course you could make a little lecture room out of your moving picture place if it doesn't interfere with something else. I don't know. Well, it is an idea.
Thompson: Right now the officers are giving the men time off, at least four hours a day.
H.M.Jr: What they need, they are going out on the ellipse and playing football, which is what they want.
White: The two aren't mutually exclusive. Well, think about it. They play football part of the time, and they do nothing the rest of the time.
H.M.Jr: When I speak to this lieutenant - what is his name?
Thompson: Lieutenant Beebe.
Beebe, I will ask him.

I meant to tell you, sir, that Monday the President of Amtrong came in and - on a very difficult tax problem for the corporation and presented a letter to you, and I am having an acknowledgment prepared.

Well, let Harry White see it, my Minister of Foreign Affairs.

I called Harry about it.

I will wear tails when you call on me.

I have already called you. I called you Monday afternoon, and you didn't have your tails on then.

You didn't give me enough notice.

Like all Ministers of Foreign Affairs, he has his hours.

I have one other thing.

You stay and let everybody--

We have men in Hawaii and the Philippines. Is it your thought that you want them to be treated just as the other Government employees or should we try to use whatever influence we can to get them back here.

Oh, do whatever we can to get them back. If you treat them like the rest of the Government employees, God help them.
General Watson: This bullet-proof and shatter-proof car....

HMJr: Yeah.

W: .....they have to buy a car that costs a whole lot more than seven hundred dollars.

HMJr: Yeah.

W: Now, I can get twelve thousand for you, I think, from the Army, if they'd be reimbursed.

HMJr: Yes.

W: Is that all right?

HMJr: Well, here's the point, Pa. I think that we've got a lot of expenses, you see?

W: Yeah.

HMJr: And I sent over last night - I was in Chicago, Bell did - asking the President - I don't know whether it was for three hundred thousand or five hundred thousand - I forget what it was - to take care of all of this work that we're doing around here, see?

W: Good.

HMJr: What?

W: Yeah, and then you can get that car there.

HMJr: And they might just as well add that to the car and - because.....

W: Well, good. Then I won't do anything from the Army side then until you tell me.

HMJr: Well, I've asked what I've asked for, because I'm afraid by sending it to the President the automatic way, he just may lose sight of it; but all of - hello.

W: Yes.
But all of this work I'm doing around here, I've been doing it on the cuff.

Yeah.

And he's got to take care of me and give me this money out of his own fund. Now, if he wants me to be reimbursed from Congress, I can do that later on; but I think the easiest thing would be to just to add that car to that list.

Well, will you do that?

I'll do that.

It's twelve thousand dollars. One is a new car, and the other is to make over into that.

I'll tell him to add that to the list.

Good, then I'll forget it from the Army side, then.

Until I see.....

Right, until you tell me.

Yeah.

All right. Now here's just one other thing.

Yes.

I told the President about that, but he said that there had been so many people who asked to be included in that, that he'd rather keep it as it is.

Well, I told you - you explained to him I wasn't.....

I told him that you wanted to know - that's all you wanted to know.

Yeah. If that's the way he feels, that's all right.
W: Yeah. That's what he said. He said he thought he had waived - turned down so many people that he'd better cling to just the distribution as is.

HMJr: That's all right. What else?

W: That's all I've got on my mind.

HMJr: And - okay.

W: All right.

HMJr: Thank you.

W: Good-bye.

HMJr: Thank you.
December 18, 1941
11:00 a.m.

RM Jr: Hello.
Operator: Mr. Crowley's extension is busy, and Mr. Welles is calling you.
RM Jr: All right, I'll talk to him. Hello.
Sumner Welles: Yes.
RM Jr: Sumner?
W: Good morning, Henry.
RM Jr: Good morning.
W: I wanted to let you know that I have this morning two messages from the Brazilian Government.
RM Jr: Yes.
W: The first is that they have already told the Condor people that they can no longer fly in Brazil....
RM Jr: Good.
W: .......and the second that they're informing Lufti that they must put an end to their flying in Brazil.
RM Jr: Oh, wonderful.
W: That means that this ship that will now be leaving - I think on the twenty-third - from Brazil for Italy will be the last one; but you know we've already sent a message to the Brazilian Government urging them to prevent the ship from leaving and let us have it.
RM Jr: Even the one on the twenty-third.
W: Yes.
RM Jr: That's - you mean, that's an airplane.
W: Yes, yes. So it may be that they will do that and let us have that airplane; but in the event that they don't do it and let it go, I think that'll unquestionably be the last one.

HMJr: Oh, well, that's fine; I'm delighted.

W: All right, Henry.

HMJr: Thank you so much.

W: Not at all. Good-by.
Leo Crowley: Hello, Mr. Secretary.

HMJr: The reason I tried to get through in a hurry is because I've got to go out with some Army people.

C: Yeah.

HMJr: I just wanted to say this to you, Ed tells me that the thing doesn't seem to be going so well.

C: Yeah.

HMJr: And - are you alone?

C: Yeah.

HMJr: If, in this trying to straighten this thing out, I'd like to have you feel that I would be delighted if you would join the Treasury. See? Hello.

C: Yeah.

HMJr: I'd like to have you have that in the back of your mind.

C: Fine. You know.....

HMJr: I mean, I'm just suggesting that in case you might say, "Well, here I am; I agree with the Treasury and should be there, but I'm over in Justice."

C: That's right. It's very embarrassing for me right now, because I could work this thing out with Ed Foley in fifteen minutes.

HMJr: Yeah.

C: Now, the only thing I've got to do - Francis Biddle has got to either let me work this thing out my own way with you fellows, or I don't want to get into the thing at all. You know what I mean.
Well, I simply feel this way. The President hasn't talked to me, but he'd like you to do it.

Yeah.

I'd like to see you do it. If you can't work it out, I want you to know in the back of your mind that if it's agreeable to the President and to you, I'd like to have you over with us.

Fine. I'll do it any way that you want me to do it, because I feel this way here now would destroy an organization that's already built up, and would only bring about a lot of chaos.

That's right.

And I told Ed that I'm convinced that if we had no Executive Order at all, that we could work it out by cooperation without disturbing anyone.

I know you could.

And I'm going to tell the President that myself.

But you might get to a point where it's impossible and the solution might be to have you come with us.

Fine. I'll do anything you want me to.

Well......

And I appreciate it, too; I want you to know that.

Well, I'm not - I mean, I'm only offering that as a final out for you; and after all, there are a lot of organizations in Washington which aren't clicking......

That's right.

.....but the Foley-Pehle organization is.

That's right.
And they're doing a beautiful job.

Well, I appreciate that, and I'm sure we can work it out.

Well.....

And I want you to know that I appreciate that attitude.

Fine.

Thanks.

Thank you.
MEMORANDUM FOR THE FILES:

There was a meeting in the Attorney General's office attended by Messrs. Biddle, Crowley, E. H. Foley, Jr., Ben Cohen, Newman Townsend, John Pehle, and Bernard Bernstein, to discuss the method of administering foreign property control including the work of the Alien Property Custodian. The Attorney General stated that there were four points to be agreed on:

1. When a business enterprise was vested in the United States, it would be handled by the Alien Property Custodian.

2. The administration of foreign funds would remain in the Treasury.

3. Who would decide when property would be vested in the Alien Property Custodian.

4. Who would run business enterprises if it were determined to put people in to supervise them before vesting the property in the United States.

The Attorney General, Crowley, and Townsend indicated that the Alien Property Custodian should have the right to determine when property should be vested in him. The Treasury people pointed out that this would mean that the Alien Property Custodian would have it in its power to limit the jurisdiction of the Foreign Funds Control by determining to vest the property in itself; that the alternative suggested by the Treasury was that the Interdepartmental Committee, which had been functioning in the past, should continue to function with the Alien Property Custodian being the representative of the Attorney General; and that the committee should decide when the functioning of the Foreign Funds Control should cease and vesting in the Alien Property Custodian should take place.

Mr. Cohen felt that either approach to the problem did not look in the direction of the most efficient administration of the control over foreign property; that under either proposal the
property would be regulated for a considerable period of time by
the Treasury Department who might have its investigators and other
supervisory forces in a business concern and that then when the
property was vested, the Treasury personnel would be withdrawn and
the Alien Property Custodian personnel would be put in. Mr. Cohen
felt that this was not only inefficient but would result in the
injection of considerations foreign to the determination of the
single issue as to the desirability of vesting from the Government's
point of view. Mr. Cohen felt strongly the whole job should be done
by a single organization under the head of a Director of Foreign
Property Control. Mr. Crowley said that if the matter were to be
done over again, he agreed with Mr. Cohen's way of handling but that
in view of the circumstances a compromise ought to be worked out.
Mr. Crowley apparently did not feel that the Alien Property
Custodian had to be in the business enterprises prior to vesting and
he expressly said, referring to the experience of bank examinations
by the national bank examiner and the FDIC, that he would be entirely
satisfied to rely upon the investigative and supervisory staffs of
the Treasury, provided that the Treasury would make available to the
Alien Property Custodian their reports and that the Alien Property
Custodian could make special investigations in the individual cases
that he thought appropriate.

Mr. Foley made it perfectly clear that there would not be
the slightest intention on the part of the Interdepartmental Committee
to deprive the Alien Property Custodian of any of the enterprises that
ought to be vested in him and gave assurances that so long as he were
on the Interdepartmental Committee the Alien Property Custodian would
have more work than he could handle. There was also a discussion of
the possibility of an exchange of letters between Secretary Morgenthau
and the Attorney General outlining how the foreign property would be
handled and thus make it unnecessary to include it in the Order.
Mr. Cohen thought that whatever policy was agreed on, words could be
found to include it in the Order without having to exchange letters.

It was finally decided to draft two Orders, one containing a
provision whereby the committee would decide when business enterprises
would vest in the Alien Property Custodian and the other providing that
the Alien Property Custodian could overrule the committee and could
vest the business enterprise in himself despite the objections of the
committee.
Memorandum for the President

It has been my policy not to trouble you with the problems that arise in the Foreign Funds Control but to resolve such problems within the Department and through the Interdepartmental Policy Committee with the other governmental agencies concerned. Consequently, you may not be familiar with the administration and policies of the Control and its effectiveness in its wide field of operation.

Since I felt that you might like to have at this time a brief outline as to what is being done in this important area of economic warfare, I am transmitting herewith a memorandum with respect to the Foreign Funds Control.

[Signature]

EHFJr/JWP/fm
Rewritten 12/16 '41

By Secret Service 3 45
DEC 18 1941

Dear Francis:

I thought you might be interested in the attached report which I have submitted to the President today on the administration of Foreign Funds Control from its inception in April, 1940 down to the present time.

Cordially yours,

(Signed) Henry

The Honorable

The Attorney General

Washington, D. C.

EHF:mp 12/18/41

By Messenger / Signer 3-45

N. M. C.
Dear Dean:

I thought you might be interested in the attached report which I have submitted to the President today on the administration of Foreign Funds Control from its inception in April, 1940 down to the present time.

Cordially yours,

(Signed) Henry

Honorable Dean G. Acheson
Assistant Secretary of State.

Enclosure.

EHF:mp 12/18/41

By Messenger

By Visit

n.m.c.
DEC 18 1941

Dear Harry:

I thought you might be interested in the attached report which I have submitted to the President today on the administration of Foreign Funds Control from its inception in April, 1940 down to the present time.

Cordially yours,

(Signed) Henry

The Honorable Harry L. Hopkins
The White House.

Enclosure.

EHF:mp 12/18/41

By Messenger
V.Car 9:45
m.m.c.
DEC 18 1941

Dear Harold:

I thought you might be interested in the attached report which I have submitted to the President today on the administration of Foreign Funds Control from its inception in April, 1940 down to the present time.

Cordially yours,

(Signed) H. Morgenthau, Jr.

Honorable Harold D. Smith
Director, Bureau of the Budget
State Department Building
Washington, D. C.

Enclosure.

By Messenger Vrack 3:45
n.m.e.
Dear Wayne:

I thought you might be interested in the attached report which I have submitted to the President today on the administration of Foreign Funds Control from its inception in April, 1940 down to the present time.

Cordially yours,

(Signed) H. Morgenthau, Jr.

Honorable Wayne Coy
Room 220
Department of State Building
Washington, D. C.

Enclosure.

EHF:mp 12/18/41

By Messenger Vech 3:45
n. M. C.
DEC 18 1941

Dear Leo:

I thought you might be interested in the attached report which I have submitted to the President today on the administration of Foreign Funds Control from its inception in April, 1940 down to the present time.

Cordially yours,

(Handwritten: El Roosevelt)

Honorable Leo T. Crowley
Chairman, Federal Deposit Insurance Corp.
National Press Building
Washington, D. C.

Enclosure.

EHF:mp 12/18/41

By Messenger Simmons S. V.

M. C.
December 18, 1941.

Dear Henry:

I thought you might be interested in the attached report which I have submitted to the President today on the administration of Foreign Funds Control from its inception in April, 1940 down to the present time.

Cordially yours,

(Signed) Henry

The Vice President

The United States Senate.

EHF:mp 12/18/41

By Messenger

n. M. C.
MEMORANDUM FOR THE PRESIDENT

THE ADMINISTRATION OF FOREIGN FUNDS CONTROL:
APRIL 1940 TO DECEMBER 1941.

1. Inception and rapid extension of the Control.

The Foreign Funds Control program was initiated in April 1940 by freezing the assets in this country of Denmark and Norway when Germany invaded these two neutral countries. As other countries were invaded or dominated by the Axis, the Control was successively extended during the summer and fall of 1940 to the assets of the Netherlands, Belgium, France, and the Baltic and Balkan states. In June 1941, the Control was extended to Germany and Italy and to the rest of continental Europe. Shortly thereafter Japan and China were also frozen. At present the Control covers over $7,000,000,000 of assets and the transactions of 33 countries, including all of continental Europe (except Turkey), and China and Japan, and their nationals. The frozen assets in this country consist not only of bank deposits, gold and securities, but also a great number of business enterprises as well as merchandise, patents and other forms of property. The Control affects all financial, commercial and trade transactions in which the 33 countries or their nationals have an interest, whether such transactions are purely domestic transactions or transactions in foreign exchange or foreign trade.
2. **Purposes and shift in emphasis.**

The original purposes of the Foreign Funds Control were primarily to prevent the assets of the invaded countries from falling into the hands of the invaders, and to protect American institutions from possible adverse claims arising out of the invasion. As the International crisis deepened there was a distinct shift in the emphasis of the Control from a role of benevolent protection to one of active economic warfare.

The inability of the Axis to use the dollar assets of the countries covered by the Control and to acquire other dollar assets has greatly impaired the ability of the Axis powers to finance propaganda, sabotage and other subversive activities in the United States and other areas of strategic importance to this country. The Control has prevented the Axis countries and their satellites from using the American dollar, and American banking and financial facilities for commercial and other activities in the United States and other parts of the world. Through the Control, we are taking appropriate steps to nullify or eliminate vicious and undesirable influences in business enterprises in this country owned and dominated by the Axis. The Control safeguards the interests of American creditors of blocked countries by preventing those concerns which are able to negotiate special deals with the Axis from receiving preferential payments at the expense of other American creditors.
The Control has not been confined to the regulation of banking and financial transactions. It also is an instrument for controlling all exports and imports between the United States and a large portion of the world. For example, the Control was instrumental in effecting a complete stoppage of all trade, import as well as export, with Japan.

3. Operation of the Control.

The effective conduct of modern economic warfare requires a highly flexible organization, and a trained, competent, and imaginative staff capable of rapid adjustment to constantly changing problems. During the course of the past twenty months the Treasury Department has built up such an organization which is now effectively operating on a nationwide scale. The Control is centered in and directed from Washington, yet it has succeeded in delegating to its field offices, the twelve Federal Reserve Banks, major segments of the task. Since economic warfare is essentially the effective application of financial controls which can be applied only through the banking system, the Treasury selected the Federal Reserve Banks to act as its field offices in administering the Control. Through the Federal Reserve Banks the Treasury is able over night to reach the banks of the country and to put into effect new regulations as rapidly changing conditions demand. Thoro has been established at each of the Federal Reserve Banks a competent staff familiar with the intricate problems faced by the Control,
experienced in the handling of complex financial operations, and in constant communication with the financial institutions of its district. In the Federal Reserve Bank of New York this staff consists of approximately 500 persons, whereas in several of the other Federal Reserve Banks a relatively small group of persons has been able to handle the daily operations of the Control.

In addition to the field offices maintained in the Federal Reserve Banks, Foreign Funds Control maintains personnel in Hawaii and in the Philippine Islands, aiding in the administration of the freezing control in those areas. Foreign Funds Control has also representatives in Latin America dealing with Proclaimed List problems.

The Control, in dealing with its many increasing problems, has when occasion demanded been able to call upon the personnel and facilities of other agencies of the Treasury Department, including Customs, National Bank Examiners, Coast Guard, Secret Service and Internal Revenue.

4. Organization of the Control.

Foreign Funds Control is organized along the following lines:

(a) Interdepartmental Committee.

The basic policies followed in the operation of the Control have been formulated by an Interdepartmental Committee, consisting of E. H. Foley, Jr., representing the Treasury Department, as chairman; Dean Acheson, representing the State
Department; and Francis Shea, representing the Department of
Justice. This committee meets periodically to consider the
basic problems confronting the Control and the more important
applications for licenses.

(b) Administrative section.

Mr. John W. Pehle, Assistant to the Secretary of the
Treasury, is charged with directing the administration in the
Foreign Funds Control. Approximately 650 persons are employed
in the office of the Control in Washington on work of an admin-
istrative character. The administrative staff is divided into
major sections, each of which specializes in handling problems
relating to different types of transactions, such as Securities,
Business Enterprises, Foreign Trade and the Proclaimed List,
Trusts and Estates, Foreign Banks, and Remittances.

(c) Legal section.

Forty lawyers in a special section of the General Counsel's
Office handle the legal aspects of Foreign Funds work, draft
documents, analyze the legal implications in applications, and
actively participate in the policy determination.

(d) Economic section.

The Division of Economic Research maintains a special sec-
tion of trained economists, who make studies of the many and
complex economic problems confronting the Control for use in
making policy decisions.
(e) Investigative section.

An investigative staff with several field offices is headed by Mr. Erwin May, former Treasury attaché in Berlin. This section employs a large staff of competent investigators familiar with financial problems, who investigate attempted violations and evasions of the freezing control.

5. Integration with the work of other governmental agencies.

The primary medium through which the basic problems of the Control have been brought to the attention of the Departments of State and Justice has been the Interdepartmental Committee. The State Department has been more concerned with and has participated more actively in the solution of the problems confronting the Treasury Department in its administration of the Control. Through cooperation between the State and Treasury Departments, the Control has been used in an effective way to implement this Government's foreign policy, as in the case of Japan.

Other examples of the effective liaison established between the Foreign Funds Control and other government agencies are:

(a) Strategic material problems have been resolved in consultation with the appropriate defense agencies. The Control has been able to uncover and direct into defense uses millions of dollars worth of highly strategic materials, machine tools, and other materials.
(b) Cases involving the fueling, chartering, or sale of ships are cleared with Merchant Ship Control, the Maritime Commission, and the State and Navy Departments.

(c) Proclaimed List problems are handled by a subcommittee consisting of representatives of the Treasury, the State Department, and the Economic Defense Board.

(d) Securities problems have been worked out with the SEC.

(c) Valuable information obtained through censorship has been received by the Control for some time from the British and Dominion Governments. Confidential information is exchanged with the FBI, the Office of Naval Intelligence, the Army Intelligence, and other governmental intelligence offices.


The far-reaching character of the Control can best be seen by considering some of the major types of transactions which can be effected only under freezing control licenses. The Control, in addition to licensing foreign exchange transactions and a wide variety of other payments and remittances, has exercised control in such significant areas of economic activity as:

(a) Business Enterprises.

Approximately 2,500 business enterprises in the United States have been operating under licenses issued by the Control. These enterprises engage in all forms of business activity,
from long-established Axis-owned chemical manufacturing plants to the newly established American diamond industry. We have closed down a number of Axis firms whose activities have been dangerous to the national interests and whose operation was not important to the national or local economy. Treasury representatives have been placed in over 50 business enterprises which had strong Axis connections and whose continued operation was considered essential.

All firms operating under license have been required to file with the Control affidavits providing detailed information as to organization, officers and directors, capital structure, relationships with other companies, the nature of its operations and principal customers. These firms are also required to file periodic reports which provide significant information with respect to their operations. As a result of the operations of the Control in this field, the Treasury now has in its files organized information with respect to the structure, activities, and background of the numerous Axis-owned or dominated concerns, as well as concerns controlled by nationals of other blocked countries.

(b) Foreign banks and insurance companies.

As each new country was frozen, many foreign banking agencies and insurance companies were brought under the Control. Such enterprises were permitted to operate under the careful
supervision of Treasury representatives placed in such institutions who inspected all transactions to assure that the restrictions of the Control were being strictly observed. The Treasury has obtained the full cooperation of state banking and insurance departments in administering this phase of the Control.

(c) Securities.

Security accounts of nationals were blocked, and purchases and sales of securities for such accounts could be effected only under license. Debt service and sinking fund operations of blocked countries have been controlled through a licensing system. In order to prevent the disposal of looted securities in this market by the Axis countries, the Foreign Funds Control early in 1940 prohibited the importation into the United States of securities from any foreign country except under license. Imported securities are held by the Federal Reserve Banks until satisfactory evidence as to origin and ownership is forthcoming.

(d) Foreign Trade.

The Control is one of the most important measures adopted by this Government affecting the United States import and export trade with foreign countries. Not only is trade with all blocked countries subject to the Control, but trade with much of the rest of the world is affected by it. For example, the
blacklisting of Axis and Axis-dominated firms in Latin America by the Proclaimed List is designed to promote healthy hemispheric trade and to eliminate the undesirable activities and influence of these Axis firms in Latin America.

(e) Proclaimed List.

When the Proclaimed List was issued, the Control assumed a major part of the administrative work involved. Representatives of the State and Treasury Departments have recently visited the Caribbean countries where Proclaimed List problems, particularly those relating to coffee, required immediate action. Also, at the present time, a group of Treasury and State Department personnel is touring South America, consulting with and advising diplomatic missions on Proclaimed List problems.

(f) Census of Foreign Property.

To further the purposes of the freezing control and to assure more effective administration, the Treasury has recently taken a complete and comprehensive census of all foreign-owned property in the United States, irrespective of whether the owner of such property has been blocked under the freezing control. This census makes available for the first time precise data as to the identity of the foreign interests, and the nature and location of the property.
The wealth of information thus obtained will be of inestimable value to numerous governmental departments and agencies, not only in dealing with problems of the immediate present but also in formulating long-range programs for the future.

7. **Technique of large-scale operation.**

In view of the wide areas of economic activity which are subject to the Control, it has been necessary rapidly to develop methods of operation which would allow transactions not contrary to our national interest to be affected with a minimum of interference. This has been accomplished largely through the use of general licenses. These general licenses permit well-defined types of transactions to be affected without individual licenses, provided they are consummated strictly in the manner and within the limits stipulated in such licenses. When needed, these general licenses require reports which are used to police the activities conducted under the licenses, to insure compliance with the terms thereof, and as a basis for restricting or broadening the scope of the license. Under the 75 general licenses which have been issued, millions of transactions have been effected without the necessity of individual applications being filed and individual licenses issued. The reviewing staff of the Control has thus been able to concentrate upon the more difficult types of transactions for which specific licenses
are required, and has been able expeditiously to act upon over
350,000 specific applications. More than 80 percent of these
applications are now being handled directly by the Federal Reserve
Banks in the field.

8. Special comment on Axis and Axis-controlled business
enterprises.

In the twenty year period between 1919 and 1939, German interests
have succeeded in organizing within the United States another
industrial and commercial network centered in the chemical field,
but extending also to the electrical and heavy goods industries,
foreign commerce, and financing. It is unnecessary to point out
that these business enterprises constitute a base of operations
to carry out Axis plans to control production, to hold markets
in this hemisphere, to support fifth-column movements, and to weld
our post-war economy to Axis plans.

One of the primary reasons for freezing Axis assets was to
combat this situation. The problem with which we are now faced,
is more difficult although somewhat similar to the problem faced
by us in 1917. The background today is vastly different from that
which existed in 1917.

For almost fifteen years the Axis business interests have been
taking comprehensive steps to insulate themselves against an alien
property custodianship with its seizure of legal title. As a
result of their efforts only a negligible portion of Axis-influenced
property in this country would pass into the hands of a custodian
whose powers are limited to the seizure of "enemy" title. The

Regraded Unclassified
"title" concept employed in creating the office of Alien Property Custodian in the first World War is now outmoded. The title to some of the most dangerous of the Axis-influenced enterprises is Swiss, Dutch, or Panamanian. Other enterprises are 100 percent American, so far as title is concerned.

Under the broad definition of the word "national" the freezing order has brought under foreign funds control all those organizations which are actually American and other neutral "fronts" for Axis activities. Many of these concerns are related to the Axis powers only through contractual ties, patent licensing agreements and the like. In some cases these ties are informal, based largely on personal fealty or family relationships. The flexible procedure of foreign funds control, developed over the past twenty months, makes it possible to deal effectively with this type of situation.

By intensifying our controls over these business enterprises, within the framework of the foreign funds control licensing procedure, we can, in most cases, safeguard our national interests more effectively than could be done under the seizure technique.

9. The record of the Control. The Department has more than $7,000,000,000 of frozen assets under its surveillance at the present time. Only by contrast with the $500,000,000 of assets administered by the Alien Property Custodian during the last world war is it possible to gain some conception of the magnitude of the task the Treasury has been doing during the last twenty months.
More than 350,000 applications have been handled by the Control and in addition literally millions of other transactions have been effected only on terms prescribed by general licenses. In spite of the highly restrictive character of the Control and its ruthless adherence to the principals of outright economic warfare, not one decision or ruling of the Control has been so much as challenged in the courts.

All of this has been possible only as a result of the confidence shown by the public in general and the banking and business community in particular in the reasonableness and integrity of the Control. This confidence has recently been re-affirmed in a most striking manner when both Houses of the Congress unanimously approved H.R. 6233 which greatly expands the powers of the President over this foreign property. Throughout the consideration of the bill both in the committees and on the floor of the House and on the floor of the Senate there was not one word of criticism leveled at the manner in which the Control has been administered.
Office of the Attorney General
Washington, D.C.

December 23, 1941

The Honorable
The Secretary of the Treasury.

My dear Mr. Secretary:

The President has asked me to coordinate the requests for war legislation so that the bills most urgently needed by the various agencies can be enacted into law in the shortest possible time.

A working committee of Mr. Edward Kemp of the Bureau of the Budget, Mr. Oscar Cox of the Office for Emergency Management, and Mr. N. A. Townsend of the Department of Justice has been set up to handle these matters. Will you therefore, as soon as possible, transmit to Mr. Townsend drafts of all legislation which you consider necessary at this time in the interest of the effective prosecution of the war.

The Committee will then take steps, in consultation with the agencies, to get these requests promptly before the Congress.

Very sincerely yours,

[Signature]

Attorney General.
My dear Mr. Attorney General:

I have your letter of December 18 about the coordination of requests for war legislation by the various agencies.

You will remember when you were over here for luncheon last Saturday you told me about the war legislation committee and I suggested that this Department be represented on the committee by Stephen Spingarn of our legal division. At that time you indicated your approval of this suggestion.

I still think we could be of real service to your committee, and I know that it would be extremely valuable from our standpoint to be in close touch with its work. Under the circumstances, I hope you can add Spingarn to the committee.

Sincerely yours,

The Honorable, 

Secretary of the Treasury.

The Attorney General of the United States.

SJS:EHF:mm 12/20/41
My dear Mr. Attorney General:

I have your letter of December 18 about the coordination of requests for war legislation by the various agencies. I think it's a first-rate idea, and you can rely on our complete cooperation with yourself and the committee which has been set up to handle these matters.

You will remember that when we had luncheon together Saturday you told me about the war legislation committee and I suggested that this Department be represented on the committee by Stephen Spingarn of our legal division. You indicated your approval of this suggestion. I think it would be mutually most helpful if we were represented. The Treasury is an over-all service agency for the entire Government, and our constant need for legislation will be
accentuated by the war. I think we could be of real service to your committee, and I know that it would be extremely valuable from our standpoint to be in close touch with its work. Under the circumstances, I hope you can add Spingarn to the committee.

Sincerely yours,

Secretary of the Treasury.

The Honorable,

The Attorney General of the United States.

SJS:mfw
12/18/41
Broughton, how are you?

Mr. Broughton: I'm pretty busy.

HM Jr.: Yes. Well, now, listen, Broughton, I want to know where we are short of Defense Savings Bonds in the twelve Federal Reserve Districts.

B: Yes, sir.

HM Jr.: Now, where is there a shortage?

B: Well, the shortage is general. They're asking for stock. (talks aside) Let me have those figures.

HM Jr.: What? What's that?

B: The requisitions from the banks – there's a general shortage everywhere. This is divided in all the banks.

HM Jr.: Well, they say – they tell me – Hall tells me there's all kinds in stock here.

B: Mr. Secretary, the shortage is in the 25's and 50's, and they're being shipped out proportionately to the banks and to the Post Office Department, and the Bureau delivers.

HM Jr.: Well, is the Post Office delivering them?

B: Oh, to their postmasters, surely.

HM Jr.: Yeah, but how about the banks?

B: The Fed Banks get them out to the agents just the minute they get them.

HM Jr.: Well, how rapidly are you shipping them out?

B: How what?

HM Jr.: How rapidly are you shipping them out?
B: (Talks aside) How many are you shipping today?

Two hundred and seventy-three thousand bonds are being shipped today.

HMJr: And where are they going?

B: They're going to the twelve banks and the Post Office. The Post Office is getting fifty thousand.

HMJr: I see. Now, does that take care of all the calls?

B: Oh, no, no. We've got requisitions in hand. After we make these shipments today, we'll still owe several hundred thousand bonds, that is, that they've asked for.

HMJr: Well, I tell you what I want you to do.

B: Yes, sir.

HMJr: See that it's given to Mrs. Klotz and marked urgent. I want to know how many you're shipping out today......

B: Yes, sir.

HMJr: ......to what districts......

B: Yes, sir.

HMJr: ......what the denominations are......

B: Yes, sir.

HMJr: ......and what the requisitions are you have left on hand.

B: Yes, sir.

HMJr: Now, why don't you fill all the requisitions?

B: Well, we haven't got the bonds. You see, the Bureau is delivering. They've speeded up......

HMJr: Did you say that when you ship the two hundred
and seventy odd thousand there'll be no bonds left in Washington?

B: Oh, we'll have some 100's, 500's, and 1,000's. We won't have any 25's and 50's tonight.

HMJr: Well, will you say that in your memo?

B: Surely. I'll give you the whole picture, Mr. Secretary.

HMJr: I want to know - I mean.....

B: Yes, sir; what's that?

HMJr: I want to know what stock - after you ship out this - what you've got left in Washington.

B: Yes, sir.

HMJr: What have you got left in Washington.

B: Yes, sir.

HMJr: And what are the demands on you.

B: I will - give you the whole picture.

HMJr: And what can you expect to get, say, tomorrow, from Hall off the presses.

B: Yes. All right. I'll give you the whole picture.

HMJr: Let me go through it again.

B: Yes, sir.

HMJr: You ship out so many bonds today.

B: So many - yes.

HMJr: Hello.

B: Yes. Shipped today.

HMJr: You've got so many requisitions unfilled.

B: Yes.
HMJr: See?
B: Yes.
HMJr: And – now how you're going to fill those.
B: Yes, sir.
HMJr: In other words, how many can Hall give you tomorrow, and the next day.
B: Yes.
HMJr: And I want that each day from now on.
S: All right, sir, Mr. Secretary; you shall have it.
HMJr: But get it up early – sometime early this afternoon and put it in Mrs. Klotz' hands and mark it "urgent" and say to give it to me.
B: I'll do it, and you'll have – every morning you'll have a similar study.
HMJr: Right.
December 18, 1941
12:29 p.m.

HMJr: Hello.

Secy. to Sen. Walsh: Yes, sir.

HMJr: This is Mr. Morgenthau speaking.

S: Yes, Mr. Morgenthau.

HMJr: I don't know if you know it, but I've been trying all morning to reach the Senator.

S: Yes, sir; I have transmitted that message to him.

HMJr: Well, is he......

S: He's been in committee meeting, sir, but I expect to see him in the next very few minutes.

HMJr: Well, you tell him that I'll come any place to talk to him after lunch if he'll just give me five minutes.

S: All right, sir. I'll get that message to him and I'll call you back.

HMJr: Any place between two and three that he'll tell me he'll be, I'll be.

S: All right, sir. I'll get that message to him and I'll call you back.

HMJr: Because he said he would call me this morning.

S: Yes, sir.

HMJr: And - any place between two and three o'clock that he says he'll be, I'll come to see him.

S: All right, Mr. Morgenthau.

HMJr: And I'm very anxious to see him.

S: Yes, sir.

HMJr: Thank you.

S: Good-bye.
December 18, 1941  
1:03 p.m.

HMJr: I want an order in the Treasury, all important papers at night should be locked in safes - none should be left in the desks.

Norman Thompson: That's right.

HMJr: Get it?

T: Yeah.

HMJr: And by direction of the Secretary.

T: Yeah.

HMJr: Spread that throughout the Treasury.

T: All right, sir.

HMJr: No important - all important papers should be locked up at night.

T: That's the rule, but it's just as well to reissue it.

HMJr: Get it out another one.

T: Yeah, I'll get it right out.

HMJr: Thank you, Norman.

T: Okay, sir.
December 18, 1941
4:38 p.m.

James Landis: Hello.
HMJr: Hello, Jim.
L: How are you, Mr. Secretary?
HMJr: Fine. Jim, I've just been up to see Senator Walsh....
L: Uh huh.
HMJr: .....and I found him very much softened, but he asked to have until tomorrow noon, and - of course, there was nothing else that I could say but yes.
L: Yeah.
HMJr: He said, "Why don't you bring Dean Landis down without asking for a Senatorial confirmation?" I said, "I wouldn't do that." Hello - because I wouldn't ask you to do that, you see?
L: Yeah.
HMJr: I think you'd be stultifying yourself. Hello.
L: Yes.
HMJr: I mean, as long.....
L: I think you're right on that.
HMJr: As long as I've raised - as crazy as I am to have you, I wouldn't ask you to do that as long as I've raised the issue.
L: Well, thank you.
HMJr: And he is to let me know between now and two o'clock tomorrow.
L: Uh huh.
Now, I haven't even asked you whether you wanted to come because I thought I'd first be able to say to you, "I can get you confirmed."

Yeah.

Then I'd ask you.

(Laughs)

So - I know about Mrs. Roosevelt.

Yeah.

And so if you would give the Senator and me until sometime after Cabinet tomorrow, I'll give you another ring.

Sure.

But for the first time, I felt I'd impressed him.

Uh huh. He's beginning to think like - think less politics now, is he?

That's what he said.

Uh huh.

That's what he said.

He's going to have a hard row to hoe up here now.

Pardon?

He's going to have a hard row to hoe up here now.

Yes. You mean politically.

Yeah.

Well, I - of course, I don't understand the man. I'm not going to say he's going to say yes or no, but he certainly let me go out of the room feeling that I had reason to hope that he would say yes.

Yeah.
HMJr: But you agree with me, don't you, that to come down under those circumstances would be a mistake?

L: Yes, I quite agree with you.

HMJr: I wouldn't ask it.

L: Well, I appreciate that.

HMJr: It's too big a sacrifice to ask a man to come down and have him feel that the Senate of the United States at war wouldn't confirm him.

L: Yeah, I think you're dead right, and I appreciate your attitude.

HMJr: Well, Jim, I'll call you up after Cabinet tomorrow.

L: All right.

HMJr: Can I reach you through the same number?

L: Exactly.

HMJr: Right.

L: I'm on 24-hour service on this one.

HMJr: Oh, yes.

L: (Laughs)

HMJr: All right, Jim.

L: Good-bye.

HMJr: Thank you.
December 18, 1941
4:44 p.m.

HMJr: The President has agreed to see me tomorrow morning at his bedside at nine-thirty.

General Fleming: Yes, sir.

HMJr: I wonder if it would be agreeable to you to send your man over here at nine o'clock - what's his name?

F: Reynolds?

HMJr: Reynolds, and let him explain the thing to me once more.

F: All right, sir.

HMJr: And I'll try to sell it to the President when I see him at his bedside.

F: Okay.

HMJr: Is that all right?

F: Yes. One of the people over there in his office telephoned Reynolds and said to do nothing over there until we heard from him. Of course, we weren't doing much of anything except maybe getting ready to take some borings.

HMJr: Well, I'm going to try to sell it to the President when I'm with him alone. I think it's one of those things that I've got to try to do alone.

F: You'd like to have Reynolds at your office at nine?

HMJr: Nine - with the plans.

F: Yes, sir.

HMJr: And he'll have fifteen minutes to explain it to me before I go over to see the President. I mean, I don't want to bother you.

F: All right, sir.
HMJr: But if Reynolds is here and explains it to me, and then I'll tell him, if I may, that this is something - that this building is something that you recommend for that type of building.

F: Yes, sir.

HMJr: Is that right?

F: That's right. I'm absolutely in favor of it, and I....

HMJr: I mean, it's whether the President wants it; that's up to the President. But if he wants the building, this is the kind of building that you recommend?

F: Yes. It's much better to go above ground than under ground.

HMJr: Is that all right to say that?

F: Yes, sir.

HMJr: Thank you so much.
Hello. Harry?

Hello, Henry.

How are you.

Fine.

Harry, I want your help if you believe in what I'm going to say. You would know, and I've been told, that Churchill lives in a separate building, in London.

Yes.

Is that correct?

Yes. He does not live at 10 Downing Street.

But I mean, they built a building for him or something?

No, he lives in a big, fireproof office building.

Well, did they build it for him?

No, but they have a building. They're building a new - a great new shelter.....

A new shelter.

......which is just being built for the whole Government, which is really a honey - a great, big, enormous thing where they're going to have the war rooms and all the maps, where the War Office will be, where the War Cabinet will have its place, and which is to be the place where the Government will really go under severe air raid.

Well, now, I've got the duplicate which General Fleming has designed with the help of the engineers; and by stupidity I sent word to the President through Watson that he had this, you see? At the first blush, the President said no.
Now, I'm coming over there at nine-thirty tomorrow morning with the plans of this building.....

H: Yeah.

 HMJr: .....to do just what you're talking about.....

H: Yeah.

 HMJr: .....to be built across the way from the State Department.

H: Uh huh.

 HMJr: And we can build a tunnel from the White House to this building. It would be 420 feet long, and it's five stories, and it's got either ten or twelve feet on the roof, of concrete.

H: Yeah.

 HMJr: And they say it's been done - designed - with the help of Army Engineers who returned from England.

H: Yeah.

 HMJr: Now, it would take six months to build it.

H: Yeah.

 HMJr: And I think the President should let us go ahead and build it.

H: So do I.

 HMJr: See?

H: Sure.

 HMJr: And.....

H: You can't have the seat of Government moved under severe bombing. That's what the British decided, and I'm damned sure that's what we should decide, you see?
HMJr: Well, Harry, if you agree with me, would you put your — stick your ear in and.....

H: You bet I will.

HMJr: Because all I can say is, this is what the Army and General Fleming and his engineers say is the last word.

H: You bet I will.

HMJr: And we can have the ground in a week.....

H: And there are plenty of things the building can be used for.....

HMJr: Oh, yes.

H: .....during the day and night anyhow.

HMJr: And I was under the impression — I didn't know just what they had, but this would be to take care of the whole Government.

H: That's what they've got. They handle — it's for the — all the important Cabinet Ministers, the Secretary of War, and the chief of the Army.....

HMJr: That's right.

H: .....and they have all the wires and telegraphs running in there from all over.

HMJr: Well, this would be that sort of thing.

H: Yeah.

HMJr: And we have the property just across the street from the State Department.

H: Yeah, I know that. That's a fine property.

HMJr: What?

H: I think it's a grand idea.

HMJr: Yeah. Well, then will you help me?
H: Yeah. You bet I will, Henry. You bet I will.

HMJr: Thank you.

H: You bet I will.

HMJr: Hello.

H: Yeah.

HMJr: Do you want to laugh?

H: Yeah.

HMJr: I was trying to get Watson. Watson said, "Where's my office?" After telling me - I said, "We're going to use you as bait and stick you out on the front lawn."

H: (Laughs) All right.

HMJr: Okay?

H: Yeah. All right. Good-bye, Henry.
Go ahead.

Hello.

Marriner.

Oh, yes, Henry.

They said you wanted to talk to me.

Yes, I did. We didn't get to see Glass.

Oh.

Now, you remember on that legislation that we talked the other day with you?

Yeah.

Now, that Omnibus bill that we were talking about tying it to, as you know, passed.

Passed, yes.

And it's too late to get on that. Now, in talking to Cox, who's handling this thing, he says they're getting up another Omnibus bill that ought to be ready in the course of—well, a week or two....

Yeah.

.....and I was wondering if it wouldn't be a good thing for us to try to clear that with Glass, if we could, tomorrow.

I can't do it tomorrow.

You can't?

I've got that committee meeting, I'm up there in the morning.

Oh, you're on the Byrd Committee?
HMJr: And he wasn't there - when I - I was going to talk to him, and - but if he's there tomorrow, I'll talk to him.

E: Yeah.

HMJr: I'm there all morning, and Cabinet in the afternoon.

E: Yeah, you're pretty well tied.

HMJr: So I think that.....

E: Well, I don't imagine this Omnibus bill will go up for a week or two - I mean, it's something that.....

HMJr: I want to help, but I just can't do it tomorrow.

E: Yes. Yes. Well, then either I'll try to see him or I'll let the thing ride for a little while.

HMJr: I'll be glad to join you next week.

E: Yeah. Well, I won't be here.

HMJr: Well, then, maybe you'd better do it tomorrow.

E: You think maybe I'd better do it tomorrow. And I can say to Glass this, then, if I get to see him - can I say to him that the Treasury is favorable to this?

HMJr: Yes, a hundred per cent.

E: Yeah, well, I'll tell him that. Now, one other thing - that Industrial Loan set-up.....

HMJr: Yeah.

E: .....did you get a chance to read that?

HMJr: No, Marriner, I haven't.

E: Uh huh. Well, Dave's handling that, isn't he?

HMJr: Yes, he is.

E: Dave Morris.
HMJr: Yes.
E: So I'll just work with Dave on it.
HMJr: If you don't mind.
E: Fine. I read your speech.....
HMJr: Did you?
E: .....in Chicago. It was - I thought it was very effective. It was short, and hit some very good points of it.
HMJr: Thank you, Marriner.
E: Did you feel satisfied with the meeting?
HMJr: Oh, it was a wonderful meeting.
E: Uh huh.
HMJr: Young out there did himself handsomely for us.
E: He did?
HMJr: Oh, he was swell.
E: Well, I'm glad to hear that. Did the other fellows from the banks do all right?
HMJr: Everybody couldn't be finer.
E: Uh huh.
HMJr: Everybody was swell.
E: Well, I hope that we won't have to - that they'll get so damned much financing from that source we won't have to do anything about the market for a little while.
HMJr: You never know.
E: I'm sorry we didn't get over there; but after having a discussion this morning, I felt that it would just be taking up some of your time unnecessarily.
for us to all come in there and chew the fat.

HMJr: Well, thank you, Marriner.

E: Okay.

HMJr: Good-bye.

E: Good-bye.
Clifton Mack: He recommended a fellow by the name of Paul Lynn.....

HW Jr: Yeah.

M: .....who is associated with John Loeb, that is, in the same company.

HW Jr: Yeah, I read your memorandum.

M: Well, now, Paul Lynn couldn't come with me; but he recommended this fellow John Loeb very strongly.

HW Jr: Yeah.

M: Now, I talked with John Loeb yesterday.

HW Jr: Yeah.

M: Vandick went into considerable detail, and I was back in the office only a few minutes, so I talked to him very briefly.

HW Jr: Yeah.

M: But he looks very good to me.

HW Jr: Well, has he ever done anything other than sell stocks and bonds?

M: Well, yes, he did. He had several years with the American Metal.

HW Jr: Yeah.

M: And the primary thing is this, that he seems to have some very good contacts, and this expediting trouble-shooting job seems to be more a matter of getting things done, you know and having a general knowledge of the commodities involved.

HW Jr: Well, let me make just this suggestion, see.

M: Yes.

HW Jr: Because - you see, he's related to me. I don't know whether you know that or not.
M: No, I don't. I know that he gave your name in the application.

HMJr: Yeah. Take him on for three months.

M: Yes.

HMJr: Have you already taken him on?

M: No, no. No, it's wide open.

HMJr: Oh. Take him on for three months.

M: Yes.

HMJr: And tell him at the end of three months if he's made good, all right.

M: I see.

HMJr: See?

M: Very good. Now he told me that there's a strong likelihood that he'll get a commission in the Army and Navy.

HMJr: Yeah.

M: He doesn't know, but he's trying to get one.

HMJr: Well, if he wants to go in the Army or Navy, I wouldn't fool around with him.

M: Yes.

HMJr: Because for the first three months he won't be worth a damn.

M: Well, that's possible. He seems to think that it's hopeless, however, because of difficulties he's had - he said he's been trying for two or three years to get a commission.

HMJr: Well, I would tell him, number one, if he wants to come down just to sit here until he can get in the Army or Navy, we don't want him.

M: Right.
See?

All right.

But - he won't be worth a damn the first three months.

That's it.

Then - but, you no sooner break him in, then he leaves.

That's right.

On the other hand, I wouldn't tie up my hands - I wouldn't tie your hands for over three months.

All right, fine.

In other words, you want an option on him a hundred per cent. If, at the end of three months, he likes the work and you like him, all right; but certainly if he's going to spend all of the time looking for a commission, I wouldn't fool with him.

Yea. Well, I think that - as he put it, he said, "For two years, I've been trying to get into the Army or Navy."

I know, but he better make up his mind whether he wants a civilian job in civilian clothes or whether he wants a civilian job in Army clothes.

Well, very good. Very good, and.....

Do you think my advice is good?

I think it's very good.

See?

And I think this thought of getting in the Army and Navy is sort of wishful thinking on his part.

Well, I'd have it out with him, and simply say, "Look, Mr. Loeb, if you want to come down and try it for three months, we'll take you on and try you.
But we want you now, on your word of honor, that you want to come and stay with us if you make good, for the duration; and we don't want you here and then use us as a springboard to get into the Army or Navy."

M: Well, I think that's very good.

HMJr: What?

M: I think that's very good, yes, sir.

HMJr: Because he won't be worth a damn for the first three months.

M: Well, that's true. That's true.

HMJr: And you take the time to break him in, and then he says, "Look what I've done in Procurement," uses that as a reference, and then gets a job over in Ordnance.

M: Yes. Well, that's very true; and, of course, we don't want that.

HMJr: All right.

M: I told him yesterday; I said, "Well, now, what are you going to do?" And he said, "Well, I think I can be of better use to you here." I think it ought to be definitely straightened out with him.

HMJr: Well, let him make up his mind.

M: All right, fine; I'll do that.

HMJr: Okay.

M: Yes, sir.

HMJr: Thank you.

M: All right.
In re: John L. Loeb

Appointments are being made of industrial specialists in military, chemicals, steel and lumber and in each case the establishment by you is being complied with.

In the case of the non-ferrous man, however, I talked to him as you suggested. He recommended Paul Linz but it was noted he was not available for appointment. The day before Linz telephoned me advising that Carl Loeb's brother was in Washington and recommended him highly for the post on non-ferrous metals.

Mr. John Loeb was interviewed and appears to be qualified for the position. He is agreeable to appointment at $5,000 per year salary from his present firm, Carl L. Loeb, Investment Brokers, in which he is a general partner and is willing to revise his status with the concern from a general partner to that of a limited partner in order to carry out our policy. He would, however, leave his financial interest in the business.

The firm does not have any defense contracts and he believes there is no likelihood of having any. He is also a director of the Cable Corporation and the Pennsylvania Central and offered to terminate his directorship with the corporation.

Do you approve of this appointment?

Clayton E. Muck
Director of Procurement
MEMORANDUM TO THE SECRETARY:

Supplementing my memorandum to you of September 13th, relative to procurement studies initiated July 1st with the recording of all non-military purchases by Federal agencies, the results thus far indicate prospective savings of approximately $2,500,000. The studies include various paper and miscellaneous items, household and office furnishings, passenger automobiles and telephone surveys. The information recorded since July 1st is now being used to make concurrent studies of heavy equipment, electrical supplies and chemicals.

The savings are due to various reasons, primarily lower costs through consolidated purchasing, simplification of specifications to broaden competition or reduced expenses through direct handling.

Clayton W. Hackett
Director of Procurement
You have requested my advice on the question whether the federal statutes prohibit the purchase by you of bonds or other public securities of the Territory of Hawaii.

It is my opinion that, as a strict legal proposition, the statutes of the United States do not forbid the Secretary of the Treasury from purchasing obligations of the Territory of Hawaii, but probably the spirit and purpose of section 243 of Rev. Stat. of 1873 (U.S.C. title 5, sec. 243) are such as to make the purchase by you of such bonds of doubtful propriety.

At the outset, we may set aside as irrelevant section 103 of the Criminal Code, 35 Stat. 1107 (U.S.C. title 18, sec. 192). That statute forbids the Secretary of the Treasury, among others, to "carry on any trade or business in the funds or debts of the United States, or of any State". I do not understand that you have any
intention of carrying on any business in the obligations of the Territory of Hawaii. I assume, on the contrary, that your intention is to purchase the Territorial obligations merely as an investment.

Section 243 of Rev. Stat. of 1873 provides, so far as relevant:

"No person appointed to the office of Secretary of the Treasury shall directly or indirectly be concerned in the purchase or disposal of any public securities of any State, or of the United States."

There is no question that if you purchase bonds as an investment you are "concerned in the purchase" of such bonds. My predecessor, Herman Oliphant, so advised Undersecretary Magill in an opinion dated March 11, 1938.

The next inquiry is whether bonds or public securities of the Territory of Hawaii are "public securities of any State" within the meaning of that phrase as used in section 243. I have been unable to discover any published opinions or decisions on that question. The word "state"

as used in other laws of the United States has sometimes been interpreted to include territories, and sometimes not to include territories. No good purpose would be served by collecting the numerous cases. See, however, Albott v. Silver Bow County, (1891) 139 U.S. 438, 444; Alaska v. Troy, (1922) 258 U.S. 101, 111.

Where the word "State" is used in the Constitution, it generally does not include a territory. Alaska v. Troy, supra. Section 243 of Rev. Stat. of 1873 is derived from section 8 of the Act of September 2, 1789, 1 Stat. 57. That is the same statute which established the Department of the Treasury. It was enacted by the First Congress. Nineteen members of the First Congress had been delegates to the Constitutional Convention.

A strong argument can be made that when the First Congress used the word "State", they intended to refer to the same entities which are generally covered by the word "State" when it is used in the Constitution. That proposition becomes even more probable when it is considered that the only Territory of the United States which existed on September 2, 1789, was the "Territory of the United
States Northwest of the River Ohio. There is no indication that that Territory had any authority to issue bonds or other public securities. It is, therefore, extremely doubtful that the First Congress intended the prohibition against the purchase of securities of States to extend to the purchase of the securities of territories. Whether the First Congress would have included territorial securities within State securities had the problem been before them does not seem relevant to an inquiry with respect to what they actually did.

I recognize, of course, that the enactment of section 243 of Rev. Stat. of 1873 operated to repeal the original provision in the 1789 Act. Section 5596 of Rev. Stat. of 1873. It is settled, however, that in interpreting the Revised Statutes, recourse may be had to the original statutes when there exists an ambiguity. United States v. Bowen, (1879) 100 U.S. 508, 513.

On the other hand, there are broad general statements in the cases such as the following:

"* * * while the word State is often used in contradistinction to Territory, yet in its general public sense, and as sometimes
used in the statutes and the proceedings of the government, it has the larger meaning of any separate political community, including therein the District of Columbia and the Territories, as well as those political communities known as States of the Union... (Talbott v. Silver Bow County, (1931) 133 U.S. 438, 444.)

"... we think, as a practical matter, a territory must be considered in the same category as a state,..." (Inter-Island Steam Nav. Co. v. Territory of Hawaii, (2012) 9th, 1938) 96 F. (2d) 412, 415-417.

However, section 243 is highly penal. It should, therefore, "be taken strictly, and not extended by construction". (1873) 14 Op. Atty. Gen. 352; see also r. Oliphant's opinion to Undersecretary Nagill, dated March 11, 1938.

Because of the requirement of strict construction, as well as for the reasons set forth above, I do not believe that such broad statements necessitate a construction of the words "public securities of any State" in section 243 which would prohibit you from purchasing bonds or other public securities of the Territory of Hawaii as being the purchase of the securities of a "State".

A second question arises, however. Would the purchase of securities of the Territory of Hawaii be a
purchase of the public securities of the United States? Technically, it is doubtful that the securities issued by the Territory of Hawaii are public securities of the United States. Formerly, the securities of that Territory could be issued only with the approval of the President of the United States (U.S.C. title 48, sec. 562). Subsequently, however, various securities could be issued without such approval (U.S.C., Sup. V, title 48, sec. 562a et seq.). The securities of the Territory of Hawaii are issued "on behalf of the Territory". The securities are not legally guaranteed by the United States, whatever may be the moral obligation of the United States with respect thereto. Under those circumstances it would seem that technically public securities of the Territory of Hawaii are not public securities of the United States. See, in that connection, (1878) 16 Op. Atty. Gen. 173, 176-177 (concerning certain District of Columbia bonds); Opinion of Acting General Counsel.

The public debt of the Republic of Hawaii was, of course, assumed by the United States. (U.S.C. title 48, sec. 499)
Harlan, dated October 9, 1935, addressed to the Chief of the Division of Bookkeeping and Warrants. Added to those considerations are the propositions that, as shown above, section 243 must be strictly construed and that the First Congress probably did not have territorial securities in mind.

On the other hand, in (1903) 25 Op. Atty. Gen. 98, the Attorney General ruled on a situation involving certain Philippine Island bonds. It was pointed out that the bonds were issued under provisions of an Act of Congress and that, while the bonds were not legally guaranteed by the United States, there was a moral obligation of the United States in connection therewith.

The precise question involved was whether the Treasurer of the United States, in the absence of express statutory authority, could receive the principal and interest of the bonds from the Philippine Government and distribute such principal and interest to the holders of securities. Section 243, of course, places the same restrictions upon the Treasurer of the United States that it places upon you. The Attorney General
said (at page 99):

"Section 243, Revised Statutes, forbids the Secretary of the Treasury, the Treasurer, and the Register, among other officers, to be concerned or interested directly or indirectly in the purchase or disposal of public securities of the United States or of any State. The obvious purpose of that law, as shown throughout the section, is to prohibit personal interest in such bond issues and certain other affairs and business, and private emolument or gain in the transaction of any business in the Treasury Department. Necessarily no such interest or emolument is contemplated in the present case; but while the spirit and purpose of that statute would control the exercise of the functions now invoked, it does not prohibit them.* * *

I gather from the last sentence in that quotation that the Attorney General believed that the spirit and purpose of section 243 should guide the Treasurer of the United States in connection with the proposed procedure. That would seem to indicate that the Attorney General was of the view that the spirit and purpose of the statute was applicable to the Philippine bonds.

I recognize that the opinion in (1903) 25 Op. Atty. Gen. 98 is by no means a square holding on the instant problem, but it is submitted that the position taken therein with respect to the application of the spirit
and purpose of section 243 is such as to make the purchase by you of bonds of the Territory of Hawaii of doubtful propriety.

I am further inclined to that conclusion by the fact that the Supreme Court has held that the obligations of a municipal corporation of a territory are not subject to tax by a State of the Union because such territorial municipal corporations are instrumentalities and agencies of the Federal Government. Farmers and Mechanics Savings Bank of Minneapolis v. Minnesota, (1914) 232 U.S. 516. If municipal corporations of a territory are agencies and instrumentalities of the Federal Government, the territories themselves are certainly agencies and instrumentalities of the United States. In fact, in the course of its opinion in the Farmers Bank case, the Court adopted the view that territories are merely political subdivisions of the outlying dominions of the United States and that territories have much the same relation to the United States that a county has to a state. It would seem to follow that bonds of a territory are bonds of an agency or instrumentality.
of the United States. Although, as a strictly legal proposition, they may not be securities of the United States within the meaning of section 243, I should hesitate to advise you that the spirit and purpose of section 243 does not prohibit the purchase of obligations of an agency or instrumentality of the United States which bears as close a relation to the Federal Government as a territory does.

S.M.T.

Regarded Unclassified
To:   Secretary Morgenthau

From:  Mr. White

You may be interested in the allocation of ports for shipments of Lend-Lease goods to the U.S.S.R. As currently contemplated, the following ports will be used:

Boston (to Archangel): tanks, crated planes, aluminum, duraluminum, chemicals, barbed wire and miscellaneous products.

New York (to Baerah): trucks, bombers, leather, shoes, and clothing.

West Coast Ports: machinery, and all metals except aluminum. (These shipments will be routed to Boston and New York until the Pacific area has cleared.)

Gulf Coast Ports (to Archangel): petroleum products.
A meeting of the Committee of Alternates of the Foreign-Trade Zones Board was held today in the Department of Commerce building. The Secretary of Commerce was represented by South Frimble, Jr., the Secretary of War by Lieutenant Colonel Robert E. Coughlin, and Robert Chambers attended as your alternate.

The meeting considered a request of the City of New York for permission to postpone for one year the erection of a large utility building in the foreign-trade zone at Staten Island, New York. Colonel Coughlin pointed out that, due to the location and facilities of the zone, there is a strong possibility that the army or navy might take over all or part of it for war purposes at some indeterminate date during the war. He indicated that the large open space back of the piers in the zone would probably be of greater use for war purposes without the utility building on it.

In view of the present war-time conditions, the committee agreed that the request of the City of New York for delay in erecting the building should be granted.
CONGRESS OF THE UNITED STATES
JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

There will be a meeting of the Joint Committee in Room House Ways and Means Com. on Thursday, Dec. 18, in the Capitol at 10:00 a.m.

To

HARRY FLOOD BYRD, Chairman.

[Signature]

[Stamp]
To: The Secretary

Attached is a memo on today's meeting of the Boyd Committee.

There is also attached a draft of proposed report. This will be considered by the Committee at its meeting tomorrow.

17/18 19

Under Secretary.
MEMORANDUM ON MEETING OF THE JOINT

COMMITTEE ON REDUCTION OF NON-DEFENSE EXPENDITURES

A meeting was called at 10:00 A.M., Thursday, December 18, in the House Ways and Means Committee Room in the Capitol. There were present:

Senators:
- Byrd
- McKellar
- Nye
- LaFollette

Congressman:
- Doughnut
- Cullen
- Treadway
- Woodrum

Treasury:
- Under Secretary Bell
- Mr. Beffelfinger
- Budget Bureau:
- Mr. Lawton
- General Accounting Office:
- Mr. Tyler
- Mr. Barger
- Department of Agriculture:
- Secretary Wickard
- Mr. Jump
- Mr. Bledsoe

Congressman Cannon arrived at the meeting after it was well under way and stayed for about 45 minutes, after which he left to attend a meeting of the Appropriation Committee.

Senator Byrd opened the meeting and explained that Secretary Wickard was present in order to comment upon the motion made by Senator Nye on Tuesday to ask the Secretary of Agriculture to submit a report as to what he can do if $300 - $400 - $500 - $600 millions are cut from his appropriations for the next fiscal year.

Secretary Wickard explained that he had not had much time to consider the question since he was advised of it only two days ago and had been very busy yesterday testifying before other committees of the Congress. He said, however, that if any substantial cuts in these amounts were made from the appropriations for Agriculture, he would have to begin by cutting down on parity payments which now amount to $212,000,000 and other payments going to the farmers, such as the soil conservation payments amounting to about $500,000,000 and cut other items under the Agricultural program commensurate with the amount of reduction involved. He then stated that he desired to...
explain what would be the effect of cuts in parity payments and pointed out that it is his duty to carry out the policy already decided by Congress to give farmers parity prices. Secretary Wickard explained that parity prices were only one part of the farm program and the various parts of the program were interrelated. He explained that the program for loans upon farm products was supplemented by parity payments and by payments made to farmers for soil conservation prices and that without the loan program much greater amounts would be needed under parity payments to support farm prices.

Senator McKeever asked that if parity payments were reduced would prices which farmers receive for their products be reduced. Secretary Wickard replied that the farmer gets returns from two sources for his products. First, from the sale of the products in the market, and second, from payments made by the Government, and that each of these factors are interdependent upon the other. He said there could be no support of farm prices without the loan program and no loan program without some form of benefit payment. He illustrated his statements with a reference to the action recently taken with respect to giving parity prices to farmers on wheat. He said the farmers could sell their wheat at the present market and that this price plus the amount of the present payments to farmers would give them a parity return. He said the price of wheat on the market would not be at its present figure without the present loan program which has taken over 500,000,000 bushels of wheat off the market.

Senator McKeever stated he thought there was general agreement in the Committee that there could be no change in the parity or soil conservation programs, but that there were other items in the Department of Agriculture which undoubtedly could be cut. He referred to the large number of agents maintained in the various counties under the Agricultural Adjustment program in addition to the regular county agents.

Secretary Wickard stated he desired to make a further comment with respect to corn. He said we had the greatest supply of feed on record, some 3,200,000,000 bushels of corn including the present crop. He said the Commodity Credit Corporation owned about 170,000,000 bushels of wheat and had 350,000,000 bushels under loan. He also said that the Commodity Credit Corporation either owned or had loans on close to 4 to 5 hundred million bushels of corn. He pointed out that the price of corn controls prices of milk, eggs and hogs and that the Department's present policy was to sell stocks of corn and other commodities owned in order to stabilize prices and keep them from getting out of control. He said this was considered very important because of the effect of prices of these commodities on the general level of cost of living. Senator Byrd asked how the Department could justify its policy
of selling commodities to prevent the prices of these products reaching parity and Congressman Doughton stated that it seemed as if the Department's policy had both held up prices and held down prices and he could not see how the Secretary's statement could be reconciled to the great increase which has occurred in the cost of living.

Secretary Wickard explained that there had been an increase in the cost of living since 1939, but that the farmer had been faced with the loss of his export market so that there was no source for the sale of his products. He said the Department of Agriculture had started a year ago to encourage an expanded production program in hogs, milk and eggs for war purposes and under its program had more or less undertaken to assure the farmers that their feed costs would not be subject to great increases. He said the increase in the cost of feed is reflected in the increase of milk, eggs and hogs, things which enter into the regular household requirements and that by keeping feed prices down, this had a tendency to level off the increase in the cost of living.

Senator Byrd asked whether Agriculture encouraged or favored prices at less than parity and Secretary Wickard replied "Yes, so as to control the increase in the cost of living."

Congressman Woodrum observed that any action taken with respect to parity or soil conservation payments would require a change in basic legislation.

Secretary Wickard pointed out that cotton is up to 94 to 97 per cent of parity, tobacco is above parity, and that the price of corn was important because it stabilized feed prices which, in turn, exerted an effect on the price of milk, eggs and pork.
Congressman Treadway suggested that the Committee lay aside for the moment consideration of the parity and soil conservation payments and consider other items under Agriculture that might be subject to reduction. Secretary Wickard said that he could only give a general statement because the Department of Agriculture was then in the midst of discussing with the Bureau of the Budget the amount of appropriations to be allowed for the next fiscal year and that he thought any details with respect to these items should be obtained from the Bureau of the Budget. Congressman Treadway said the Committee only desired the Secretary's comments with respect to the merit of such items and suggested that Senator Byrd read off some of the items the Committee had in mind.

Senator Byrd referred to the Bureau of Animal Industry which spends about $16,000,000. Secretary Wickard explained that with the augmented production program, this Bureau was now carrying an increased load in its meat inspection work. He also said he had been alarmed at a suggestion which had been made to reduce the appropriation for foot and mouth disease control. He said an outbreak of foot and mouth disease in this country would be very serious to the meat industry because our cattle had been free from this disease for so long they had not been able to build up a resistance to it such as the cattle in the Argentine had done.

Senator Byrd referred to the Forest Service, which spends nearly $22,000,000, of which about $3,000,000 is for the acquisition of land. Secretary Wickard explained that at present great destruction is going on in the forests because of the increased cutting for timber needs. He pointed out that savings here might be penny-wise and pound-foolish because of the hazard of fire losses.

Senator Byrd referred to the appropriation for forest roads and trails and Senator McKellar thought that at least one-half of this should be postponed. It appeared from the general discussion that the amount appropriated for this purpose did not include any new construction but was mostly for maintenance work. Mr. Jump pointed out that receipts from the sale of timber from Federal forests are increasing very considerably and it is necessary to maintain the roads in order to get out such timber.

Senator Byrd asked whether it was necessary to continue the Agricultural Marketing Service and Secretary Wickard said they were constantly getting appeals from State agencies for additional money for this work.

Senator Byrd asked whether there was any possibility of reducing the 100,000 committee members throughout the country who are
being maintained at an annual cost of $95,000,000 which is deducted from payments made to farmers. It appears that the $95,000,000 figure did not represent the cost of operating these particular agents as it appears only $44,000,000 of county expenses are deductible from payments made to farmers and there is a limitation of expenditures from appropriated funds of 1% in Washington and 2% in the field, amounting in all to about $15,000,000.

Secretary Wickard in reply to a question explained the job of these county agents. He said it was their job to see that the right kind of production is obtained from the 5,000,000 farmers in the country. He said there is a shortage in farm machinery, labor and fertilizer and it was important that there be no waste in these scarce materials by using them in connection with the production of products which are now in abundance and that they should be conserved and devoted to the production of things we need. There was a general discussion as to why this work could not be done by the present organization of county agents and Secretary Wickard pointed out the county agents could not do this work without greatly expanding their present organization. He thought the county agents couldn't do the work any cheaper and that since the farmers elected the present agents they are more apt to cooperate with them. Secretary Wickard pointed out that his Department had changed over from a peace-time policy to a war-time policy without asking for any increased money for new activities or for additional work imposed by the war emergency.

Congressman Cannon asked Secretary Wickard which appropriations go directly to support farm prices and the Secretary replied that in addition to the loan program, parity payments and soil conservation payments, the appropriation expended by the Surplus Marketing Administration for the purchase of perishable products including the relief stamp plan also should come in this category. Congressman Cannon inquired whether if the Agriculture Department turned loose its control and kept its hands off the market, neither buying nor selling commodities, whether prices of farm products would go up. Secretary Wickard said that if the Government kept its surpluses off the market prices of some products would undoubtedly rise.

Senator Nye inquired as to the cost of the crop insurance program. Mr. Jump replied that the cost of administering insurance on wheat amounted to about $5-1/2 million and that cotton had recently been added. This will bring the annual cost up to about $8 million for administration. He said the system had been in operation for too short a time to enable the Department to forecast any loss that might be sustained but that they had a $20 million capital fund available to absorb losses. Senator Nye asked whether crop insurance played
any part in stabilizing farm prices. Secretary Wickard replied that
it had some effect in stabilizing the income of individual farmers
but that he did not think it could be considered as having any stabi-
lizing effect upon prices as a whole. He said the Agricultural Depart-
ment had not been able to work out a basis so that premiums collected
will take care of indemnities and that private companies would have
gone broke insuring on the basis that the Government has used. He
also said that studies were now being made with the cooperation of
private experts to devise a premium basis to make the system more
self-supporting.

Congressman Doughton referred to the problem which his Com-
mittee, the Ways and Means Committee, is facing in formulating a new
program to increase taxes. He said that the reaction they get from
the citizens to increased tax burdens is very great and that there
ought to be some reduction in Government expenditures.

Secretary Wickard said that everybody thinks of agriculture
as being non-essential and that he thought farmers should be given
the same consideration as other classes of people.

Senator Byrd asked how could the program involving the dis-
posal of surplus products be reconciled when we are spending about
$1,000,000,000 for agricultural products under the Lease-Lend program.
Mr. Jump pointed out that $130,000,000 of the disposal program was
used for activities under the stamp plan. Senator McKellar asked
why it was necessary for the Agriculture Department to carry a relief
program involved in the stamp plan when WPA and other agencies were
supposed to take care of this problem. Secretary Wickard said that
these activities are interrelated with the program to maintain prices
of farm products. Senator LaFollette pointed out that expenditures
under the Lease-Lend program are not made for all agricultural products
but only certain basic products and that other products need support
at times.

Senator Nye addressed Secretary Wickard and said he desired
to explain the basis of his motion as a result of which the Secretary
was appearing before the Committee. Senator Nye stated that his
motion grew out of a suggestion made by the Secretary of the Treasury
who had indicated that large sums could be cut from the agricultural
appropriation. Senator Nye said sums which had been mentioned by
the Committee in its discussion of the matter had seemed so
fantastic that he was moved to make his motion so that the Secretary
of Agriculture could have an opportunity to present his views upon
the matter. Secretary Wickard said that he appreciated the opportunity
which the Committee had given him to appear before it.

Congressman Treadway referred to a problem which one of his
New England constituents had brought to his attention. It appears
that this constituent has a large dairy herd but cannot get sufficient help to operate his farm. He stated that it appeared that he would have to dispose of his herd. Secretary Wickard explained that this was a very serious problem and one that had been giving him a great deal of concern. He said that the shortage in farm labor was developing in various sections and that the farmer could not compete with industry.

Senator McKellar referred to a statement which he had seen which indicated that Agriculture was spending $11,000,000 for publicity. Mr. Jump explained that the statement referred to by Senator McKellar was subject to misinterpretation because of the looseness of the term "publicity". He said that the Committee was being furnished a breakdown of the figures referred to and that the real figure which might be treated as expenditures by the Department of Agriculture for publicity was only about $2,000,000.

Senator McKellar asked whether there could be any cuts in the Rural Electrification Administration program. Secretary Wickard said he thought this program had to be cut because there was no way of getting copper wire although he did not like to see it cut.

Congressman Doughton suggested that a committee of from three to five be appointed to go over the agricultural appropriations and report to the Committee where $300 - $400 million could be cut from these appropriations. There was some general discussion that no fixed amount should be set but that the Chairman and Congressman Cannon could get together and determine the largest amount it would be feasible to cut from the agricultural appropriations and report back to the Committee tomorrow morning.

Congressman Treadway asked whether the Committee's report is to be made before the close of the present session. Senator Byrd replied that he hoped to make a report before the session closes, and that a tentative report would be available for the Committee's consideration at the meeting on Friday. Congressman Treadway asked whether the Joint Committee intended to hold sessions next week and Senator Byrd replied that no meetings would be held. He said the tentative report would only deal with reductions in the major items of expenditures which the Committee has been considering since it started to function.

The Committee adjourned at 12:15 p.m. and will meet again Friday morning at 10 a.m.
This committee was established pursuant to Title 6 of the Revenue Act of 1941, approved September 20, 1941, which directed it "to make a full and complete study and investigation of all expenditures of the Federal government, with a view to recommending the elimination or reduction of all such expenditures deemed by the committee to be non-essential, and to report to the President and to the Congress the results of its study, together with its recommendations, at the earliest practicable date."

PROCEDURE

On August 28, 1941, the Committee on Finance of the Senate requested the Director of the Budget to prepare and submit to it detailed recommendations for reducing non-essential Federal expenditures by the amounts of 1 billion, 1 1/2 billion, and 2 billion annually. This committee received a copy of that report and has obtained other data from the Bureau of the Budget. It has heard also testimony by the Secretary of the Treasury and various officials of the government regarding the possibility of specific savings in existing departments and agencies. It has received suggestions of economies from civic agencies, taxpayers' clubs, and private citizens. The committee has collected, in addition, evidence from its own sources and have devoted considerable time to a survey of the problems, and on the basis of this information has prepared its report.

THE PRESENT REPORT

Directed to report to the President and to the Congress "at the earliest possible date," the committee considers it highly desirable to present a preliminary report now. The agencies of government and the members of Congress should have at the earliest practicable time the benefit of the conclusions thus far reached by the committee, as the budget for the fiscal year beginning July 1, 1942, will shortly be submitted to the Congress, and no possible economy should be deferred.

Before the war, economy in non-essential spending was important. Now it is vital. Apparently we are faced with a long war. There is no room for
The time for non-essentials is a government stripped for action. Our united purpose is to produce sufficient armament and trained personnel to win this war. Nothing can be permitted to interfere with this objective. The American people are being asked to pay crushing taxes, to make great sacrifices, and to endure hardships. The government should set the example.

The Department of the United States Treasury is facing the tremendous task of financing the war. We must decrease its difficulties; not increase them. A dollar saved in non-essentials is worth at least two dollars of new money, whether in taxes or in borrowing. All non-essential spending must yield to the needs of our defense program.

Strenuous efforts are being made to prevent serious price inflation. To continue, without urgent necessity, consumer subsidies created during depression years will pour fuel on a disastrous inflation fire.

The committee agrees with Secretary Morgenthau that reduction of non-essential spending will contribute largely to prevention of uncontrolled inflation, disastrous to our economic system.

We shall have to draw on our reserve savings and accumulated wealth, as well as manpower to finance a long war. In addition to equipping our own armed forces and establishing at home our own defenses, we have undertaken to furnish military supplies of every description to all nations fighting menaces which threaten us. We must continue this without stint. It is a colossal obligation.

Our democratic way of life depends upon our system of free business enterprise. If crushing taxation and indebtedness are allowed to impair or destroy that system, there is likely to result some form of State socialism destructive of the fundamental principles upon which were founded our nation and its institutions.

THE FEDERAL DEBT

We start this war with a direct Federal indebtedness approaching 60 billion dollars, and with a possible indirect indebtedness of 25 billion dollars in guaranteed obligations of government corporations.

The ultimate cost of the war is today unpredictable, but to date
we have appropriated and authorized 75 billion dollars for national defense. 
this is only the beginning. Every dollar now added to the public debt, 
without imperative need for our defense, diminishes the financial capacity 
of America to meet the problems of the post-war period. Naturally, 
obstacles to recovery of foreign trade are inherent in debt of great 
proportions. Higher the taxes, higher the cost of production.

In this titanic world struggle with totalitarian forces, democracies 
must not only conquer; they must preserve their democratic system. That 
means the preservation of solvent government. National solvency —
difficult in this emergency and so essential to the preservation of the 
democratic system — is of no necessary concern to totalitarian governments.

Necessary expenditure of billions for national defense has changed 
abruptly the reasons and advisability for agencies, services, functions 
and expenditures under study.

Expenditure of defense funds soon will be so large as to obviate 
much of the necessity for spending in relief and other items for which 
the committee recommends elimination or reduction.

The year 1942, as judged by the national income, will be the most 
prosperous year in America's history. The 1942 estimate of national income 
is 105 billions, much the largest in our history. This compares to the 
national income of 83 billions in 1929, and is proof in itself that much 
of the relief expenditures in so-called depression years can now be 
eliminated. Public works and other projects require diversion of vital 
manpower and materials from defense to non-defense projects, if such 
projects are continued during the present emergency.

The Federal Government alone must pay the cost of national defense. 
For years the Federal Government has been carrying a heavy load of state 
and local responsibilities. The committee believes in this emergency the 
states and localities should resume responsibilities historically theirs, 
thus in the period of crisis relieving the Federal Government of at least 
a substantial part of the financial burden. Today 36 states have surpluses.

FUTURE PROGRAM

In general, the field of its investigation will be as follows:
(a) It will continue to examine all expenditures of the Federal Government,
to determine whether further curtailment or elimination of these expenditures is advisable, in the light of defense needs, increasing industrial production and employment, and other factors.

(b) It will specifically examine further the activities of the so-called regular departments and agencies of the Federal Government, to determine whether such departments and agencies are exceeding their legislative authority, whether functions they perform are essential under existing conditions, whether duplications and corresponding functions can be consolidated, and the extent to which retraction can be substituted for expansion.

(c) It will scrutinize the government-owned corporations, to determine whether present loan policies are advisable in view of changed conditions, whether loans are being made efficiently, with proper regard to security, repayment, and other terms, and whether salaries and expenses of such corporations are reasonable.

(d) It will examine purchasing, classification, salaries, transportation, publicity and other items of expense and practice in both defense and non-defense, to determine whether they are being administered in an economical manner.

(e) It will review all permanent agencies in an effort to determine the efficiency of their administration and the advisability of more effective controls.

RECOMMENDATIONS

1. The committee recommends that no new adventures or commitments in public works or costly government programs be undertaken during the period of the emergency, except those imperatively necessary to national defense.

The committee cautions against the futility of retrenching in existing non-essential spending and subsequently appropriating for programs or projects that could be deferred until after the emergency.

2. The committee recommends that the Civilian Conservation Corps, the National Youth Administration and the national defense activities of the Office of Education be abolished, effective as soon as practicable, and not later than July 1, 1942, and that there be established facilities for training persons for work in defense occupations; this activity to be
limited strictly to national defense work and confined to those certified by
the Secretary of War and the Secretary of Navy as necessary for that purpose;
also that there be merged in the new program any part of such necessary
defense training now carried on under the Work Projects Administration
which shall be certified by the Secretary of War or the Secretary of Navy
as necessary to national defense; and further that all amounts held in
reserve by direction of the Bureau of the Budget (now $147 million dollars
for these agencies) from amounts previously appropriated to such agencies
be rescinded and be covered into the Treasury.

3. The committee recommends that there be appropriated to the Work
Projects Administration not more than the sum of $50,000,000 per month
for three months beginning July 1, 1942.

The committee believes that due to the constantly increasing defense
expenditures Work Projects Administration appropriations should be a
quarterly basis after July 1, 1942, and steadily reduced as employment increases.

4. The committee recommends that every possible retrenchment be made
in the administrative costs of the civil departments. There has not been
sufficient time for the committee to investigate fully administrative costs
of the civil departments. This will be done as promptly as possible.

The Budget Bureau report before this committee estimates that under
a plan to reduce Federal non-defense spending 1 1/2 billion, the propor-
tionate reduction in regular appropriations to civil departments and
agencies would be $150,000,000. This would reduce total appropriations
from $860,000,000 this year to $730,000,000.

The committee recommends elimination of all of any appropriation
to civil departments and agencies which may be used directly or indirectly
for employment of persons who may be engaged directly or indirectly as
publicity agents.

The cost of publicity activities in the civil departments and
agencies is estimated by the Budget Bureau to be

Pending further investigation which might lead to additional retrench-
ment, the committee recommends that the figure set forth in the Budget
Bureau's billion and a half reduction category be made the objective.

5. The committee recommends that during the emergency one half of the
Federal highway authorizations and appropriations be deferred, at a saving
of $64,500,000. Under existing commitments, this deferment, although
enacted now, would not apply until 1943.

The committee believes all appropriations and authorizations for
all public works, including Federal dams, flood control, reclamation
projects and public buildings, not directly essential to national defense
should be deferred until after the emergency.

Such appropriations and authorizations, including highway funds,
total
. These items should be carefully reviewed
immediately.
6. The committee recommends that all funds impounded by the Bureau of
the Budget and held in reserve from previous appropriations be covered
back into the Treasury when such reserves are established.
7. The government, more and more, is relying upon the more than 30
Federal corporations for financing both defense and non-defense operations.
None of the funds thus used, amounting to many billions of dollars, are
now subject to the usual budgetary and audit control, nor has Congress
control over disbursement of funds through these corporations, except in
blanket authorizations. Revolving funds derived from collection of loans
made by these corporations return to their credit. They are subject only
to control by the corporations themselves outside of any Congressional
jurisdiction.

The committee recommends legislation to coordinate the activities
of these agencies and to establish an improved control of their operations
by Congress. The obligations of these government corporations constitute
an indirect Federal debt to the extent that they are guaranteed by the
Federal Government and that they are not met by the institutions themselves.
Senator Byrd Report

from Mr. D.W. Beall

12/18/41
LEGISLATIVE AUTHORITY

This Committee was established pursuant to Title 6 of the Revenue Act of 1911, approved September 20, 1941 (See Appendix No. A) which directed it to "make a full and complete study and investigation of all expenditures of the Federal Government, with a view to recommending the elimination or reduction of all such expenditures deemed by the Committee to be non-essential, and to report to the President and to the Congress the results of its study, together with its recommendations, at the earliest practicable date."

PROCEDURE

The Committee has had the benefit of the testimony of the Secretary of the Treasury, a member of the Committee, the Secretary of Agriculture, and various other officials of the Government regarding the possibility of specific savings in existing departments and agencies. It has also had before it for study the report of the Director of the Bureau of the Budget, also a member of the Committee, submitted in response to the request of August 28, 1941, from the Committee on Finance of the Senate, as well as other data submitted by the Budget Bureau directly to this Committee. The Committee has also received suggestions of economies from civic agencies, taxpayers' clubs, and private citizens. It has collected, in addition, evidence from its own sources and it has devoted considerable time to a survey of the problems. This report is made on the basis of all the information thus collected.

INITIAL REPORT

Directed to report to the President and to the Congress "at the earliest possible date," the Committee considers it highly desirable to present a preliminary report now. The Committee emphasizes that this report is only its first, and that other departments, agencies, funds, programs, and items will be examined by the Committee and treated in subsequent reports. Subjects considered in this report largely are limited to those established originally as depression measures.

The Committee believes that in view of the improved economic situation and the vital new war conditions the agencies of Government and the members of Congress should have at the earliest practicable time the benefit of conclusions thus far reached by the Committee, and any possible economies which can now be effected should not be deferred.
Before the war economy in non-essential spending was important. Now it is vital. There is no room for non-essentials in a government stripped for action. Our united purpose is to produce sufficient armament and trained personnel to win this war, nothing can be permitted to interfere with this objective. The American people are being asked to pay extremely burdensome taxes which will become greater; they are being asked to make great sacrifices and endure hardships. The government should set the example.

The United States Treasury Department is facing the tremendous task of financing the war. We must decrease its difficulties, not increase them. All non-essential spending must yield to the needs of our defense program.

Vigorous efforts are being made for prevention of serious price inflation. To continue consumer subsidies created during depression years without urgent necessity will pour fuel on a disastrous inflation fire.

The Committee believes that a substantial reduction in non-essential spending would be of material aid in helping to hold down inflationary price increases.

We shall have to draw on all our resources and accumulated wealth, as well as manpower to fight a long war. In addition to equipping our own armed forces and establishing at home our own defenses, we have undertaken to furnish military supplies of every description to all nations fighting the forces of aggression. We must continue this without stint. But it is a colossal obligation.

Our democratic way of life depends upon our system of free business enterprise. If crushing taxation and indebtedness are allowed to impair or destroy that system, there is likely to result some form of State socialism destructive of fundamental principles upon which were founded our nation and its institutions.

**FEDERAL DEBT**

We started this war with a direct Federal indebtedness of about 55 billion dollars.

The ultimate cost of the war is unpredictable today, but to date we have appropriated and authorized 75 billion dollars for national defense. This is only the beginning. Every dollar now added to the public debt without imperative defense need makes it more difficult for America to meet post-war period problems.
The President's message was necessarily represented in the following terms:

The Committee believes that the interests of both the world and the United States are best served by a strong and independent Fed.eral Government. The Committee, therefore, recommends that the Federal Government be given authority to declare a state of emergency and to invoke the constitutional power of the President to proclaim a national emergency. In the event that the Committee cannot agree, the President should be empowered to proclaim such a state of emergency.

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1. It will scrutinize government-owned corporations to determine whether present
and past policies are advisable in view of changed conditions, whether loans are being
made efficiently, with proper regard to security, repayment and other terms, and
whether salaries and expenses of such corporations are reasonable.
2. It will examine purchasing, classification, salaries, transportation, publicity
and other items of expense and practice in both defense and non-defense categories to
determine whether they are being administered in an economical manner.
3. It will review all permanent agencies in an effort to determine the necessity and
the efficiency of their administration and the advisability of more effective controls.

The Committee's views on these subjects and possibly others will be embodied
in subsequent reports.

RECOMMENDATIONS

1. NEW ADVENTURES

The Committee recommends that no new adventures or commitments in public work
or costly government programs be undertaken during the period of the war emergency,
except those imperatively necessary to national defense.

The Committee cautions against the futility of retrenching in existing non-
essential spending and subsequently appropriating for programs or projects that
could be deferred until after the emergency.

2. CIVILIAN CONSERVATION CORPS, NATIONAL YOUTH ADMINISTRATION
OFFICE OF EDUCATION, WORKS PROJECTS ADMINISTRATION

The Committee recommends that the Civilian Conservation Corps, the National
Youth Administration and the national defense activities of the Office of Education be
abolished, effective as soon as possible and not later than July 1, 1942, and that
there be established in some suitable agency facilities for training persons for work
in defense occupations; this activity to be limited strictly to national defense work
and confined to those fields and to numbers to be certified by the Secretary of War
and the Secretary of the Navy as necessary for that purpose; also that there be
merged in this new program any necessary part of defense training now under the Works
or Projects Administration as shall be certified by the Secretary of War and the Secretary
of the Navy as necessary to national defense; and further that all portions of
previously appropriated funds for these agencies now held in reserve by direction
of the Bureau of the Budget (totaling $3 million) be covered into the Treasury.

See Appendix No. C.

3. BUREAU OF THE Projection ADMINISTRATION

The Committee recommends that there be appropriated to the Work Projects
administration not more than the sum of $50,000,000 per month for three months

Regraded Unclassified
beginning July 1, 1942. Any work now being carried on by the War Projects Administration for account of national defense after July 1, 1942, should be carried on under the direction of the War and Navy Departments and the amount here recommended for the War Projects Administration reduced accordingly.

The Committee believes that with defense expenditures constantly increasing, War Projects Administration appropriations should be on a quarterly basis beginning July 1, 1942, and that as employment increases the quarterly appropriations should be reduced accordingly. (See Appendix No. D.)

1. CIVIL DEPARTMENTS

The Committee recommends that every possible retrenchment be made in the administrative costs of the Civil Departments and agencies. There has not been sufficient time for the Committee to investigate fully administrative costs of civil departments. This will be done as promptly as possible.

The Budget Bureau report before this Committee estimates that under a plan to reduce Federal non-defense spending 1 1/2 billion dollars, the allotted reduction in regular appropriations to civil departments and agencies would be $105,000,000. This would reduce total appropriations from $275,000,000 to $170,000,000. (See Appendix E.)

The Committee recommends elimination of all of any appropriation to civil departments and agencies which may be used directly or indirectly for employment of persons who may be engaged directly or indirectly as publicity agents.

The cost of publicity activities in the civil departments and agencies is estimated by the Bureau of the Budget to be at least $30,000,000. (See Appendix E.)

2. AGRICULTURE

The committee considered in detail expenditures by the Department of Agriculture, among the regular departments, because of the large programs and far-reaching activities established within and transferred to that department during the depression period. Based upon its study of material furnished by the Secretary of Agriculture the Bureau of the Budget and its agricultural examiners, and by department officials who work with the programs and activities, the Committee recommends:

(a) Elimination of all land purchases by the Department of Agriculture during the period of the emergency.
(b) Review of administrative costs of the Department of Agriculture and elimination of all unnecessary overhead, and especially the wages and overhead incident to the employment of nearly 100,000 AAA committees.

e) Reduction of $100,000,000 in the appropriation for Exportation and Domestic Consumption of Agricultural Commodities program.

f) That rates and premiums of the Federal Crop Insurance Corporation be made actuarially sound in a manner to carry losses and that the Corporation be made self-supporting.

g) Abolition of the Farm Tenant program with an administrative annual cost of

\(7,128,570\) and authorization to borrow \(60,000,000\).

f) Abolition of the Farm Security Administration with \(70,600,000\) in direct appropriation and authority to borrow \(120,000,000\); its national defense activities, to the extent that they are necessary, to be transferred to some more suitable agency.

g) Deferral of Rural Electrification expansion to the extent that it conflicts with national defense priorities on materials.

(See Appendix E.1.2–3.)

6. FEDERAL HIGHWAYS AND PUBLIC WORKS.

The Committee recommends that during the emergency one half of the Federal highway appropriations and authorizations be deferred, at a saving of \(64,000,000\).

The Committee believes all appropriations and authorizations for all public works, including Federal dams, flood control, reclamation projects and public buildings not directly essential to national defense should be deferred until after the emergency.

Such appropriations and authorizations, including highway funds, total approximately 100 million dollars. These items should be carefully reviewed immediately.

7. RESERVE LIQUIDATED.

The Committee recommends that all funds impounded by the Bureau of the Budget from previous appropriations and held in reserve now be covered back into the Treasury.

The Committee recommends that legislation be enacted which would authorize the Director of the Bureau of the Budget to set up reserves out of any future appropriations, at such times and in such amounts as the Director may determine.

(See Appendix G.)
6. ENSLAVED CORPORATIONS.

The Government, more and more, is relying upon the 30 odd Federal corporations for financing both defense and non-defense operations. Practically none of the funds thus used, amounting to many billion dollars, are not subject to the usual budgetary and audit control, nor has Congress control over disbursement of funds through these corporations, except in blanket authorizations. Revolving funds derived from collections on loans made by these corporations return to their credit. They are subject only to control by the corporations themselves outside of any Congressional jurisdiction.

These corporations already have authorization to obligate the credit of the Government to the extent of approximately 24 billion dollars. These obligations constitute an indirect Federal debt to the extent that they are guaranteed by the Federal Government and that they are not met by the institutions themselves.

The Committee recommends coordination of these corporate activities; legislation subjecting the corporations at least to practicable budgetary and audit control; and that Congress assume tangible and direct control over their revolving funds by means of its constitutional appropriating machinery. (See Appendix H.)
If the specific recommendations by the Committee are adopted, the 1943 appropriations will be less than the 1942 appropriations by the following amounts:

<table>
<thead>
<tr>
<th>Program</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian Conservation Corps abolished</td>
<td>6,666,780</td>
</tr>
<tr>
<td>National Youth Administration abolished (non-defense)</td>
<td>9,767,000</td>
</tr>
<tr>
<td>Corps Projects Administration (present appropriation $975,000 annually)</td>
<td>32,491,000</td>
</tr>
<tr>
<td>- Including defense activities for first three months of next fiscal year of $20,000,000 monthly and further reduction in employment is due to defense expenditures should save at least for the year</td>
<td>400,000,000</td>
</tr>
</tbody>
</table>

**Agriculture**

<table>
<thead>
<tr>
<th>Program</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defeat all land purchases</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Savings in overhead expenses of department as indicated</td>
<td>90,000,000</td>
</tr>
<tr>
<td>Reduction in appropriation for Exportation and Domestic Consumption of Agricultural Commodities</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Farm tenancy program abolished (cash)</td>
<td>7,172,000</td>
</tr>
<tr>
<td>- &quot; &quot; (loan authorization cancellation)</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Farm security administration abolished (cash)</td>
<td>7,500,000</td>
</tr>
<tr>
<td>- &quot; &quot; (loan authorization cancellation)</td>
<td>100,000,000</td>
</tr>
</tbody>
</table>

**Public Works and Federal Highways**

<table>
<thead>
<tr>
<th>Program</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>One half defemerit in public roads</td>
<td>64,000,000</td>
</tr>
</tbody>
</table>

**Other Public Works**

<table>
<thead>
<tr>
<th>Program</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public buildings for non-defense</td>
<td>45,264</td>
</tr>
<tr>
<td>Department of Interior</td>
<td>24,797</td>
</tr>
<tr>
<td>Rivers and Harbors and Flood Control</td>
<td>37,935</td>
</tr>
</tbody>
</table>

**CANCELLATION OF LOAN ACTIVITIES**

<table>
<thead>
<tr>
<th>Program</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probable savings in reduction of civil department administrative costs as submitted by Director of Budget</td>
<td>150,000,000</td>
</tr>
</tbody>
</table>

In addition, if funds imposed by the Director of the Budget were covered into the Treasury by Legislative action there would be immediate savings of 8,000,000.
The Secretary of the Treasury,  
Treasury Department,  
Washington, D. C.  

Dear Sir:  

First may I commend you on behalf of the Treasury Department for the splendid and speedy way in which you cooperated with our telegraphed request of last week. The hundreds of telegrams which reached me the first week after the declaration of war made it clearer than ever before that the women's radio program can do a tremendous job - AND ARE DOING IT.  

Enclosed you will find new announcements - W-75 to W-88, for use as often as possible. As soon as additional copy can be printed it will be sent to you at once.  

Also enclosed you will find a return postcard, requiring no postage. These are being substituted for the forms which you have received weekly heretofore. Your cooperation in sending these cards in each month will be greatly appreciated, so that the fine work of women's radio programs may receive full recognition in our reports to the Secretary.  

In your total number of announcements indicated on these cards, will you be good enough to include any mention made of Defense Bonds and stamps on your broadcasts. It has come to my attention that many programs have been preparing interview material and special copy which has not been included on the old forms - for the reason that they deviated from the printed announcements. We want, however, to keep a complete record of the number of mentions made in our behalf, and sincerely hope that the postcard will serve this purpose.  

Once again, the sincerest thanks of the Treasury Department for your generous contributions to this vital campaign during these times of world crisis.  

Sincerely,  

[Signature]  

[Name]  
Chief, Women's Programs,  
Radio Section.  

Enclosures.
WAR COPY!

The bombs of our enemies, with one blow, accomplished the task of strengthening our national spirit and bringing about the unity of the people with our Government and our President. . . . The Treasury Department has a plain and important message to bring to all the people. . . . It is this—WE CAN ALL HELP TO WIN THIS WAR! The one sure way we can help—the one way to put whatever strength we have into this fight—is to lend our money to Uncle Sam by buying Defense Bonds and Stamps, buying as many as we possibly can. . . . The Government needs your money. . . . Every dollar will go at once to build the antiaircraft guns, the bombers and the battleships that will wipe out the Axis terror. . . . Get Defense Bonds and Stamps at your bank, post office, or savings and loan association today and every pay day hereafter. . . . Buy Defense Stamps from your retail dealers and ask your newspaper carrier boy to deliver some stamps to your house every week. . . . Make your dollars heap destruction on the Axis terrorists.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
Treasury Department
Defense Savings Staff

WOMEN'S PROGRAM
Announcement

WAR COPY!

If you want to see the sun set quickly on the Land of the Rising Sun, there is one thing all of you can do—buy United States Defense Bonds and Stamps—buy as many as you can, as often as you can. . . . Go to your post office, bank, or savings and loan association and buy them today and every pay day hereafter. . . . Get Defense Stamps from your newspaper carrier boy and from your retail dealer. . . . Your purchases of Defense Bonds and Stamps will insure for America a victorious finish to this war.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
Adolf Hitler has said “two worlds are in conflict and one must break asunder.” ... Americans, I ask you ... which world shall break? Ours? Or Hitler’s? Pour out your dollars in reply. Pour them out in a steady never-ending stream that fills the war chest of our Nation and keeps it flowing over. Put every dollar you can into Defense Bonds ... sold by any bank, post office, or savings and loan association. ... Put every possible dime into Defense Stamps ... sold by retail merchants and even by newspaper carrier boys. Buy a Bond now and every pay day hereafter. Make your regular Bond buying answer Adolf Hitler’s boast.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
Treasury Department
Defense Savings Staff

WOMEN'S PROGRAM
Announcement

WAR COPY!

What is America? It's the house you live in. It's the place
where you work at your job. It's the little plot of ground where
your grandparents lie in everlasting sleep. It's the school where
your children learn to be citizens of the future. This is the America that Hitler would destroy. It's what you have to defend.

Only a constant flow of dollars can keep America's War Chest filled. Pledge yourself to put every possible dollar into Defense Bonds now. Every pay day, buy more and keep buying! Get Defense Bonds and Stamps at your bank, post office, or savings and loan association... Buy Defense Stamps from your newspaper carrier boy or your retail dealer... Buy as many as you can, as often as you can.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
Every man, woman, and child is a partner in the most tremendous undertaking of our American history. We must share together the bad news and the good news . . . the defeat and the victory . . . the changing "fortunes of the War." Among the items of good news include word that you and every other patriotic American is buying Defense Bonds as never before. Join the lines in banks, post offices, and savings and loan associations. Buy Defense Bonds repeatedly and to the utmost of your ability. . . . And remember to get Defense Stamps from your newspaper carrier boy and your retail dealer.
WAR COPY!

Enemy planes bombing our air fields in the Pacific roar "Wake Up, Americans! You have a job to do . . . a big job!" Well, we had better wake up for if we'd roll the Grand Coulee and Boulder Dam and the TVA all into one . . . it would be just a morning's work compared to the job ahead of us. That job takes men . . . and material . . . and money, and the money must come from you . . . money put into United States Defense Bonds . . . put in every week, every pay day, repeatedly and steadily. No one man built Boulder Dam . . . but many, working together. . . . Do your part to build the Defense of America . . . with United States Defense Bonds. . . . Buy them from your bank, post office, or savings and loan association. . . . Get Defense Stamps from your retailer and from your newspaper carrier boy. Buy as many as you can, as often as you can.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
WOMEN'S PROGRAM
Announcement

WAR COPY!

You heard your Commander-in-Chief declare that "The lives of our soldiers and sailors . . . the whole future of this Nation . . . depends upon the manner that each and every one of us fulfills his obligation to this country." How about you? How do you fulfill your obligation to America? Measure your answer in Defense Bonds and in the Bonds you are determined to buy next pay day and every pay day. Even now, you can make a start . . . by saving dimes. Your newspaper carrier boy or your retail dealer will sell you 10-cent Defense Stamps but don't stop at Stamps. . . . Fulfill your obligation to America with dollars. . . . Dollars put into United States Defense Bonds at any bank, savings and loan association, or post office. . . . Get Defense Stamps from your newspaper carrier boy and your retail dealer.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
Treasury Department
Defense Savings Staff

WOMEN'S PROGRAM
Announcement

W-82

WAR COPY!

You heard your Commander-in-Chief declare that "This Government puts its trust in the stamina of the American people."

At his praise you felt a lift of pride, didn't you? Well, how's your stamina, measured in dollars? Have you bought United States Defense Bonds? Have you bought all of them you possibly can? Answer that question with action. Go . . . quickly . . . to your bank, post office, or savings and loan association, and deserve the trust your Government puts in you. Plan to buy Defense Bonds or Stamps repeatedly and steadily. . . . Your newspaper carrier boy and your retail dealer will sell you Defense Stamps.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
WOMEN'S PROGRAM
Announcement

WAR COPY!

Recruiting is up. Men stand in line anxious to volunteer. All former records are dwarfed. . . Over-shadowed by total enlistment five times higher than the peak figures of the World War. If you can't enlist, what are you going to do? Your answer is: Go to any bank, post office, or savings and loan association and buy United States Defense Bonds . . . eighteen dollars and seventy-five cents apiece. And plan to keep on buying regularly, every pay day, for the duration. Moreover, buy Defense Stamps. Patriotic retail merchants and even newspaper carrier boys sell them. Join up! Here's a way you can enlist time and again, day after day, repeatedly and steadily.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
This will be a long war. It will be a hard war. Production must be doubled and quadrupled. You heard these words and you agreed gladly. Agreed? How? With your heart and mind . . . but how about your pocketbook? What have you done to help double, let alone quadruple, output of our mines and factories, so that soldiers and sailors may be supplied with weapons. How many dollars have you put into United States Defense Bonds? Double it! How many times have you bought them? Quadruple it! Make your Bond buying a regular program. Buy as many Bonds as you can, as often as you can, at your bank, post office, or savings and loan association. . . . Get Defense Stamps from your newspaper carrier boy and your retail dealer.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
As you sat by your radio what were your thoughts when you heard these words: "The United States does not consider it a sacrifice to do what one can, to give one's best to our Nation when the Nation is fighting for its existence." Just contemplate for a moment, what an Axis victory could mean and you realize you haven't begun to approach sacrifices. Are you even satisfied with the way you have been buying Defense Bonds? Hurry. Go on record. Buy, buy quickly. Put every dime and dollar you can spare into these Bonds and for the Defense of America. . . . Get Defense Bonds and Stamps at your bank, post office, or savings and loan association. . . . Buy Defense Stamps from your newspaper carrier boy and your retail dealer.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
WOMEN'S PROGRAM
Announcement

WAR COPY!

You agreed completely with the following words when you heard them being broadcast: "It's not a sacrifice to go without many things to which we are accustomed if the National Defense calls for doing without them. It's a privilege." Well, don't you think it is also a privilege to "go without" voluntarily so you can buy United States Defense Bonds? Examine your budget . . . check every expenditure. See how much you can put by for Defense Bonds. Ask your banker, or at your post office, or savings and loan association about the different amounts you can buy. . . . Get Defense Stamps from your newspaper carrier boy and your retailer regularly. Set yourself a quota . . . then beat it. Join your country in all-out Defense against the Axis.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
WAR COPY!

It's bad news to the Axis when sales of United States Defense Bonds take a jump. Keep the total growing. Buy Defense Bonds . . . or Stamps . . . repeatedly . . . every pay day . . . and as many as you can. The men in our Army and Navy feel good when they hear that United States Defense Bonds are making new sales records. Help them to keep up their chins by keeping up your purchases of Defense Bonds at your bank, post office, or savings and loan association. . . . Buy Defense Stamps as often as you can from your newspaper carrier boy and your retail dealer.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
It's good news in Washington every time the sales of Defense Bonds take a jump. Help to push them up. Purchase as many Defense Bonds . . . or Stamps . . . as you possibly can . . . and buy them as *often* as you can at your bank, post office, or savings and loan association. . . . Get Defense Stamps from your retail dealer and your newspaper carrier boy.

(The Treasury Department urgently requests you to use this announcement as many times as possible)
U. S. SAVINGS BONDS, SERIES E - TYPE A
STOCK ACCOUNT OF LOANS AND CURRENCY VAULT

Report for December 18, 1941

<table>
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<td>18,997</td>
<td>182,981</td>
<td>62,663</td>
<td>154,846</td>
<td>433,415</td>
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<td>105,928</td>
<td>18,997</td>
<td>182,981</td>
<td>62,663</td>
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NOTE: Above figures on basis of latest available information at 1:30 P.M. December 18, 1941.

Information as to estimates of the Bureau of Engraving and Printing concerning deliveries to be made Dec. 19, 20, and 21, will not be available until later today and will be included in report to be submitted on morning of Dec. 19.
### U. S. SAVINGS BONDS, SERIES M, TYPE A
### REQUISITION ACCOUNT OF ISSUING AGENTS

**Report for December 18, 1941**

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**Note:** Above figures on basis of latest available information at 1:40 P.M. December 18, 1941.

**NXL/S**
December 18, 1941.
U. S. SAVINGS BONDS, SERIES E - TYPE A
STOCK ACCOUNT OF LOANS AND CURRENCY VAULT

Report for December 15, 1941

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<tr>
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<td>182,981</td>
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Estimated deliveries to be received from Bureau of Engraving and Printing:

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Regraded Unclassified
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<td>1,005,000</td>
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<tr>
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<td>556,450</td>
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<td>P. O. Department</td>
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<tr>
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<td>2,185</td>
<td>3,960</td>
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<td>621</td>
<td>11,747</td>
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<td>2,185</td>
<td>3,960</td>
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<td>1,275</td>
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<tr>
<td><strong>Total</strong></td>
<td>96,150</td>
<td>9,275</td>
<td>80,755</td>
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December 18, 1941

NML/z
### U. S. Savings Bonds, Series E, Type A

**Requisition Account of the Federal Reserve Bank of Boston**

**Report of December 18, 1941**

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### Requisition Account of the Federal Reserve Bank of Richmond

**Report of December 15, 1941**

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<td>$25</td>
<td>$50</td>
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<td>$500</td>
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<td>Total Pieces</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-----</td>
<td>-----</td>
<td>------</td>
<td>------</td>
<td>--------</td>
<td>--------------</td>
</tr>
<tr>
<td>Due on requisitions C.O.B. Dec. 17</td>
<td>13,000</td>
<td>8,000</td>
<td>3,000</td>
<td></td>
<td></td>
<td>24,000</td>
</tr>
<tr>
<td>Requisitions received Dec. 18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
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<td>8,000</td>
<td>3,000</td>
<td></td>
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<td>1,000</td>
<td></td>
<td>3,000</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Due on requisitions C.O.B. Dec. 18</td>
<td>12,000</td>
<td>8,000</td>
<td></td>
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<td>20,000</td>
</tr>
</tbody>
</table>
### U. S. Savings Bonds, Series E - Type A

**Requisition Account of the Federal Reserve Bank of Atlanta, New Orleans Branch**

#### Report of December 15, 1941

<table>
<thead>
<tr>
<th></th>
<th>$25</th>
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<th>Total Pieces</th>
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<tbody>
<tr>
<td>Due on requisitions c.o.d. Dec. 17.</td>
<td>15,000</td>
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<td>4,000</td>
<td></td>
<td></td>
<td>24,000</td>
</tr>
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</tr>
<tr>
<td>Total</td>
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<tr>
<td>Shipped Dec. 15</td>
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### U. S. SAVINGS BONDS, SERIES B - TYPE A
### REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF ATLANTA

**Report of December 18, 1941**

<table>
<thead>
<tr>
<th></th>
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<th>$50</th>
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<td>10,000</td>
<td>10,000</td>
<td>......</td>
<td>......</td>
<td>30,000</td>
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<tr>
<td>Requisitions received Dec. 18</td>
<td>......</td>
<td>......</td>
<td>......</td>
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<td>5,000</td>
<td>......</td>
<td>......</td>
<td>7,000</td>
</tr>
<tr>
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<td>5,000</td>
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<td>5,000</td>
<td>......</td>
<td>......</td>
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<td>Total Fos.</td>
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<tr>
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<td>------</td>
<td>------</td>
<td>------</td>
<td>--------</td>
<td>------------</td>
</tr>
<tr>
<td>Due on requisitions C.O.D. December 17</td>
<td>15,000</td>
<td>15,000</td>
<td>10,000</td>
<td>...</td>
<td>...</td>
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</tr>
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<td>...</td>
<td>...</td>
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<td>...</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15,000</td>
<td>15,000</td>
<td>10,000</td>
<td>5,000</td>
<td>...</td>
<td>45,000</td>
</tr>
<tr>
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<td>...</td>
<td>15,000</td>
</tr>
<tr>
<td>Due on requisitions C.O.D. December 16</td>
<td>10,000</td>
<td>15,000</td>
<td>...</td>
<td>5,000</td>
<td>...</td>
<td>30,000</td>
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U. S. SAVINGS BONDS, SERIES B, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF ST. LOUIS

Report of December 16, 1941

<table>
<thead>
<tr>
<th></th>
<th>$25</th>
<th>$50</th>
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<th>$500</th>
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<th>Total Pcs.</th>
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</thead>
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<tr>
<td>Requisitions O.O.B. Dec. 17..</td>
<td>11,000</td>
<td>13,000</td>
<td>9,000</td>
<td></td>
<td></td>
<td>33,000</td>
</tr>
<tr>
<td>Requisitions received Dec. 18..</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Total</td>
<td>11,000</td>
<td>13,000</td>
<td>9,000</td>
<td></td>
<td></td>
<td>33,000</td>
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<tr>
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<td>5,000</td>
<td></td>
<td></td>
<td>7,000</td>
</tr>
<tr>
<td>Requisitions O.O.B. Dec. 18..</td>
<td>9,000</td>
<td>13,000</td>
<td>4,000</td>
<td></td>
<td></td>
<td>26,000</td>
</tr>
<tr>
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<td>$25</td>
<td>$50</td>
<td>$100</td>
<td>$500</td>
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<td>--------------------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td>Due on requisitions c.o.b. Dec. 17</td>
<td>20,000</td>
<td>15,000</td>
<td>15,000</td>
<td>......</td>
<td>......</td>
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</tr>
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<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
<td>......</td>
</tr>
<tr>
<td>Total</td>
<td>20,000</td>
<td>15,000</td>
<td>15,000</td>
<td>......</td>
<td>......</td>
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<td>5,000</td>
<td>......</td>
<td>......</td>
<td>10,000</td>
</tr>
<tr>
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<td>15,000</td>
<td>15,000</td>
<td>10,000</td>
<td>......</td>
<td>......</td>
<td>40,000</td>
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U. S. SAVINGS BONDS, SERIES M, TYPE A
REQUISITION ACCOUNT OF MINNEAPOLIS

Report of December 15, 1941
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<tr>
<th>Description</th>
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<th>$100</th>
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<th>$1,000</th>
<th>Total Pos.</th>
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<tr>
<td>Due on requisitions 0.O.B. December 17</td>
<td>9,000</td>
<td>10,000</td>
<td>10,000</td>
<td>2,000</td>
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<td>32,000</td>
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<tr>
<td>Total</td>
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<td>5,000</td>
<td>2,000</td>
<td>1,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Due on requisitions 0.O.B. December 18</td>
<td>7,000</td>
<td>10,000</td>
<td>5,000</td>
<td></td>
<td></td>
<td>22,000</td>
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### U. S. SAVINGS BONDS, SERIES E - TYPE A

**REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF DALLAS**

Report of December 15, 1941

<table>
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<tr>
<th></th>
<th>$25</th>
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<th>$100</th>
<th>$500</th>
<th>$1,000</th>
<th>Total pieces</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dues on requisitions c.o.d. Dec. 17</td>
<td>32,000</td>
<td>25,000</td>
<td>25,000</td>
<td>....</td>
<td>....</td>
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<tr>
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<td>......</td>
<td>......</td>
<td>......</td>
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<td>....</td>
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<tr>
<td>Total</td>
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<td>25,000</td>
<td>25,000</td>
<td>....</td>
<td>....</td>
<td>82,000</td>
</tr>
<tr>
<td>Shipped Dec. 18</td>
<td>3,000</td>
<td>......</td>
<td>10,000</td>
<td>....</td>
<td>....</td>
<td>13,000</td>
</tr>
<tr>
<td>Dues on requisitions c.o.d. Dec. 18</td>
<td>29,000</td>
<td>25,000</td>
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<td>....</td>
<td>....</td>
<td>69,000</td>
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<td>$100</td>
<td>$500</td>
<td>$1,000</td>
<td>Total Pcs.</td>
</tr>
<tr>
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<td>-----</td>
<td>------</td>
<td>------</td>
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</tr>
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<td>50,000</td>
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<td>5,000</td>
<td>5,000</td>
<td>155,000</td>
</tr>
<tr>
<td>Requisitions received December 15 .............</td>
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<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Total ........................................</td>
<td>45,000</td>
<td>50,000</td>
<td>50,000</td>
<td>5,000</td>
<td>5,000</td>
<td>155,000</td>
</tr>
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<td>10,000</td>
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<td>...</td>
<td>15,000</td>
</tr>
<tr>
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<td>50,000</td>
<td>40,000</td>
<td>5,000</td>
<td>5,000</td>
<td>140,000</td>
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</tbody>
</table>
**UNITED STATES SAVINGS BONDS**

**Comparative Statement of Sales During**

**First Fifteen Business Days of December, November and October, 1941**

(October 1-17, November 1-19, December 1-17)

**On Basis of Issue Price**

(Amounts in thousands of dollars)

<table>
<thead>
<tr>
<th>Item</th>
<th>Sales</th>
<th>Amount of Increase or Decrease (–)</th>
<th>Percentage of Increase or Decrease (–)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>December</td>
<td>November</td>
<td>October</td>
</tr>
<tr>
<td>Series E - Post Offices</td>
<td>$38,815</td>
<td>$25,055</td>
<td>$23,826</td>
</tr>
<tr>
<td>Series E - Banks</td>
<td>72,761</td>
<td>46,025</td>
<td>45,683</td>
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<tr>
<td>Series F - Total</td>
<td>111,577</td>
<td>71,080</td>
<td>69,599</td>
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<tr>
<td>Series F - Banks</td>
<td>12,519</td>
<td>11,858</td>
<td>12,959</td>
</tr>
<tr>
<td>Series G - Banks</td>
<td>74,340</td>
<td>72,484</td>
<td>72,011</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$198,435</strong></td>
<td><strong>$155,421</strong></td>
<td><strong>$154,179</strong></td>
</tr>
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</table>

Office of the Secretary of the Treasury, Division of Research and Statistics.  December 18, 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.

Regarded Unclassified
### Table: United States Savings Bonds

Daily Sales - December 1941
On Basis of Issue Price
(In thousands of dollars)

<table>
<thead>
<tr>
<th>Date</th>
<th>Post Office Bond Sales</th>
<th>Bank Bond Sales</th>
<th>All Bond Sales</th>
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<tr>
<td></td>
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<td>Series F</td>
<td>Series G</td>
</tr>
<tr>
<td>December 1941</td>
<td></td>
<td></td>
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<tr>
<td>1</td>
<td>$2,976</td>
<td>$3,904</td>
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<tr>
<td>2</td>
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<td>3</td>
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<td>5</td>
<td>2,015</td>
<td>4,805</td>
<td>1,952</td>
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<td>6</td>
<td>1,001</td>
<td>2,293</td>
<td>656</td>
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<tr>
<td>7</td>
<td>3,282</td>
<td>4,764</td>
<td>1,011</td>
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<tr>
<td>8</td>
<td>1,828</td>
<td>3,877</td>
<td>601</td>
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<td>9</td>
<td>1,691</td>
<td>3,566</td>
<td>491</td>
</tr>
<tr>
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<td>1,909</td>
<td>4,763</td>
<td>719</td>
</tr>
<tr>
<td>11</td>
<td>2,773</td>
<td>5,012</td>
<td>658</td>
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<tr>
<td>12</td>
<td>2,767</td>
<td>5,030</td>
<td>584</td>
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<td>7,185</td>
<td>11,679</td>
<td>1,022</td>
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<tr>
<td>14</td>
<td>2,113</td>
<td>3,956</td>
<td>893</td>
</tr>
<tr>
<td>15</td>
<td>4,164</td>
<td>9,750</td>
<td>1,180</td>
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<tr>
<td>Total</td>
<td>$38,815</td>
<td>$72,761</td>
<td>$12,519</td>
</tr>
</tbody>
</table>

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

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.
December 18, 1941.

Memorandum for the President:

Mr. Knocks, of the Federal Reserve Bank of New York, telephoned from New York at 3:30 p.m. today to say that the Guaranty Trust Company had just informed him that they had received a cable from the Lisboa e Acores Bank at Lisbon requesting the Guaranty Trust Company to cancel at once any commercial credits outstanding where possible.

(This might indicate the bank at Lisbon has some advance information as to possible invasion or that they may fear its imminence.)
December 18, 1941

My dear Mr. Secretary:

I am enclosing for your information a copy of a memorandum for the President.

Sincerely yours,

(Dept) M. Margenthaler

Secretary of the Treasury

The Honorable
The Secretary of Navy,
Washington, D. C.

Enclosure
December 16, 1943

My dear Mr. Secretary:

I am enclosing for your information a copy of a memorandum for the President.

Sincerely yours,

Adl. H. Morgenthau Jr.
Secretary of the Treasury

The Honorable
The Secretary of State,
Washington, D.C.

Enclosure
December 18, 1941

My dear Mr. Secretary:

I am enclosing for your information a copy of a memorandum for the President.

Sincerely yours,

(Agd.) H. Morgenthau

Secretary of the Treasury

The Honorable

The Secretary of War,

Washington, D. C.

Enclosure
Ltr to Secy Stimson sent to him at 3000 Cathedral Avenue.
" Secy Knox " " " Wardman Park hotel.
" Secy Hull " " " 500-G, Wardman Park hotel.

Taken by Mr. Slye, of Secret Service, at 6:15 p.m.
December 15, 1941.

Sir:  

Attention: Mr. Frank Dietrich

We have today received the following teletyped telegram dated December 17, 1941 from the Federal Reserve Bank of San Francisco:

"CREDITING TODAY $6,813.642.13 REPRESENTING MINT SETTLEMENT ON 194,675.341 FINE Oz. GOLD DELIVERED TO MINT DECEMBER 10 EX. S.S. "TRANSBALT", FOR CREDIT OF SECRETARY OF TREASURY, SPECIAL ACCOUNT. DOLLAR VALUE $6,813,636.93 MINT CHARGES $194.80. AMOUNT OF 1/4 PERCENT HANDLE CHARGE NOT DEDUCTED $17,034.09. (STATE BANK OF U.S.S.R., MOSCOW)"

In accordance with the above telegram and pursuant to our telephone conversation of today, we have credited the Secretary of the Treasury, Special Account on our books $6,813.642.13, and have made the appropriate entries in the transcript of the Secretary of the Treasury Special Account to reflect the 1/4 of one per cent charge of $17,034.09 as a handling charge on gold.

Respectfully,

(Signed) D. J. Cameron

D. J. Cameron,
Manager, Foreign Department.

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

Copy: 1c; 12/19/41
December 18, 1941

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. Harry D. White

I am enclosing our compilation for the week ended December 10, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

Copy:vv;12-19-41
<table>
<thead>
<tr>
<th>Date</th>
<th>Balance (through June 10, 1940)</th>
<th>Balance (since June 11, 1940)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 10</td>
<td>22.6</td>
<td>20.3</td>
</tr>
<tr>
<td>Nov. 25</td>
<td>30.3</td>
<td>24.6</td>
</tr>
<tr>
<td>Dec. 3</td>
<td>39.2</td>
<td>22.1</td>
</tr>
<tr>
<td>Dec. 10</td>
<td>25.5</td>
<td>24.6</td>
</tr>
</tbody>
</table>

**Transfers from British Purchasing Dollar Account to Bank of Canada for French Account**

- **Week ended December 10, 1941**
- **Cumulation from July 6, 1940**

**Million**

- **England (through June 10, 1940)**: 27.6
- **England (since June 11, 1940)**: 42.5

*See attached sheet for other footnotes.*
(a) Estimated proceeds from official sales of securities for private British account amounted, particularly during the early months of the war, although the receipt of the proceeds of this kind cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $234 million.

(b) Includes about $25 million received during October, 1938 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1938 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.

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

(d) Adjusted to eliminate the effect of $25 million paid out on June 26, 1940 and returned the following day.

(e) Includes about $2.5 million representing the proceeds of wool exports to U. S.
<table>
<thead>
<tr>
<th>Period</th>
<th>Total Debts</th>
<th>British A/C</th>
<th>Other Debts</th>
<th>Total Credits</th>
<th>Premium Sales</th>
<th>For O.C. A/C</th>
<th>For French A/C</th>
<th>(O) in Over. (+) in Balance</th>
<th>Total Credits</th>
<th>British A/C</th>
<th>Other Debts</th>
<th>Total Sales</th>
<th>Other Credits</th>
<th>Earn. (+) in Balance</th>
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</thead>
<tbody>
<tr>
<td>First year of war</td>
<td>192.0</td>
<td>32.0</td>
<td>16.6</td>
<td>306.4</td>
<td>204.7</td>
<td>432.7</td>
<td>20.9</td>
<td>36.7</td>
<td>32.4</td>
<td>31.2</td>
<td>3.9</td>
<td>27.1</td>
<td>56.1</td>
<td>30.4</td>
</tr>
<tr>
<td>War period through Dec. 10, 1940</td>
<td>477.3</td>
<td>47.3</td>
<td>16.6</td>
<td>460.9</td>
<td>707.4</td>
<td>634.8</td>
<td>20.9</td>
<td>130.7</td>
<td>41.0</td>
<td>37.9</td>
<td>14.5</td>
<td>43.4</td>
<td>62.6</td>
<td>30.1</td>
</tr>
<tr>
<td>Last War Period of 16 3/4 Years</td>
<td>469.4</td>
<td>16.6</td>
<td>662.0</td>
<td>266.2</td>
<td>21.2</td>
<td>123.9</td>
<td>88.0</td>
<td>1.6</td>
<td>72.2</td>
<td>16.7</td>
<td>35.5</td>
<td>81.2</td>
<td>68.9</td>
<td>16.3</td>
</tr>
<tr>
<td>Aug. 31 - Oct. 1</td>
<td>20.1</td>
<td>2.1</td>
<td>21.2</td>
<td>123.9</td>
<td>88.0</td>
<td>1.6</td>
<td>21.0</td>
<td>21.7</td>
<td>21.2</td>
<td>10.4</td>
<td>0.5</td>
<td>21.2</td>
<td>2.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Oct. 1 - Oct. 31</td>
<td>27.4</td>
<td>-</td>
<td>11.9</td>
<td>22.7</td>
<td>10.3</td>
<td>6.9</td>
<td>13.2</td>
<td>20.3</td>
<td>21.2</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>2.8</td>
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<tr>
<td>Oct. 31 - Nov. 30</td>
<td>52.4</td>
<td>0.3</td>
<td>29.7</td>
<td>22.7</td>
<td>10.3</td>
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<td>13.2</td>
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<td>21.2</td>
<td>0.7</td>
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</tr>
<tr>
<td>Jan. 1941</td>
<td>12.9</td>
<td>-</td>
<td>2.1</td>
<td>12.7</td>
<td>3.2</td>
<td>2.1</td>
<td>1.1</td>
<td>9.5</td>
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<td>3.5</td>
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<td>Feb. 1941</td>
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<td>-</td>
<td>3.7</td>
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<td>5.2</td>
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<td>2.6</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>-</td>
</tr>
<tr>
<td>Mar. 1941</td>
<td>4.4</td>
<td>-</td>
<td>5.4</td>
<td>4.4</td>
<td>8.8</td>
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<td>Apr. 1941</td>
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<td>-</td>
<td>4.9</td>
<td>3.9</td>
<td>4.8</td>
<td>4.9</td>
<td>2.0</td>
<td>0.9</td>
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<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>-</td>
</tr>
<tr>
<td>May 1941</td>
<td>3.9</td>
<td>-</td>
<td>4.9</td>
<td>3.9</td>
<td>4.8</td>
<td>4.9</td>
<td>2.0</td>
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<td>0.9</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>-</td>
</tr>
</tbody>
</table>

* * *

For monthly breakdown see tabulations prior to 1944.
For monthly breakdown see tabulations prior to April 23, 1941.
For monthly breakdown see tabulations prior to October 8, 1941.
December 18, 1941.

Sir: Attention: Mr. Frank Metrich.

We enclose a copy of a cable received today from the Central Bank of China requesting an extension, for six months, of the arrangement for the purpose of supplying the Republic of China with dollar exchange as outlined in our letter of July 14, 1937, as amended.

Please advise us of your wishes regarding the request of the Central Bank of China for a further renewal of the arrangement.

Respectfully,

(Signed) D. J. Cameron

D. J. Cameron,
Manager, Foreign Department.

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

Enc.
INCOMING CABLEGRAM

December 18, 1941

Chungking, December 17, 1941

Federal Reserve Bank of New York
New York
No. 20

Referring to 1937 agreement between you and us we wish to extend for further six months. Please consult Treasury and advise

The Central Bank of China

Copy: 1c: 12/23/41

Regraded Unclassified
The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith paraphrases of certain circular telegrams to all diplomatic and consular establishments in the American republics concerning measures adopted to control the financial and economic activities of Japanese in the Western Hemisphere. The paraphrases are as follows: December 7, 1941, December 7, 1941, 7 p.m., and December 8, 1941, 6 p.m.

The Secretary of State also transmits herewith paraphrases of certain telegrams with reference to the Department’s circular telegram of December 8, 1941 to all diplomatic and consular establishments in the American republics. These are as follows:

<table>
<thead>
<tr>
<th>Number</th>
<th>From</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>280</td>
<td>Managua</td>
<td>12-11-41</td>
</tr>
<tr>
<td>515</td>
<td>Quito</td>
<td>12-9-41</td>
</tr>
</tbody>
</table>

Enclosures:
As stated.
PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington

TO: All Diplomatic and Consular Establishments in the American Republics.

DATED: December 8, 1941, 6 p.m.

NUMBER: Circular

Department's circular telegram to All Missions in the American Republics, December 7, 1941, 7 p.m.

Reference is made to circular telegram of December 7, 7 p.m., in which you were requested to get in touch immediately with the appropriate authorities of the government to which you are accredited in connection with Japanese economic activities in the Western Hemisphere. You are requested immediately to call the attention of the appropriate authorities in the government to which you are accredited to the measures which have been taken by this Government affecting Japanese economic activities in this country. These measures prohibit all financial, business and trade transactions in which Japan or her nationals have any interest.

In conformity with inter-American declarations of solidarity in the event that the peace, security or territorial integrity of any American Republic is
threatened, particularly of Resolution XV adopted by
the Second Meeting of Ministers of Foreign Affairs of
the American Republics, you are requested to state that
it is presumed that the Government to which you are
accredited will be disposed to adopt immediately, neces-

You should point out that because financial trans-
sactions such as the withdrawal of funds from banks,
et cetera, can be effectuated at a moment's notice, it
is absolutely essential that the steps taken in this
direction be taken without delay.

For your information and for the guidance of the
appropriate local authorities there follows a more
detailed statement of the measures taken by this Govern-
ment affecting Japanese economic activities in this
country.

(1) All licenses issued under the United States
Freezing Control relating to transactions by
or on behalf or for the benefit of Japan or
any national thereof have been revoked. The
effect of this action is to place an immediate
and complete stoppage upon all financial and
business dealings, as well as trade transactions,
in which Japan or her nationals have any interest.

Regraded Unclassified
Among other things, except as may be authorized in appropriate cases in the future:

(a) No withdrawals whatsoever are allowed from any account in any banking institution if Japan or any national of Japan has any interest in such account.

(b) No withdrawals whatsoever are allowed from any safe deposit box by Japan or any national of Japan, and access is not allowed to any safe deposit box in the contents of which Japan or any national thereof has any interest.

(c) No remittances in any amounts whatsoever may be made to Japan or any national of Japan, wheresoever located.

(d) No trade transaction with any part of the world in which Japan or any national of Japan has any interest may be effected.

(e) No Japanese national may engage in any business activities in the United States.

(2) Government representatives have been placed in all Japanese banking and business enterprises and they have been instructed for the time being to
prevent any access by any person to the premises of such enterprises and to prevent any person from having access to or altering, destroying, or removing any books, files, records or other property of such enterprises.

(3) Under Export Control Act, all outstanding export licenses for all commodities destined to Japan, its possessions, Manchukuo, occupied China, French Indo China and Thailand have been revoked. All export licenses for all goods for all destinations to consignees of Japanese nationality have been revoked and goods already at sea in that category are to be put in the custody of United States missions at destinations.

Although it must be left to the discretion of each Chief of Mission for the presentation of the Department's views it is hoped the controls of the type outlined will be readily adopted by all the governments. The defense of the United States and of each of the other American Republics, it is felt, will be in danger if the adoption of these measures fail or is delayed.
FROM: Secretary of State, Washington
TO: All Missions in Latin America
DATED: December 7, 1941
NUMBER: Circular

Additional instructions besides those contained in Department's circular of December 7, 7 p.m., are as follows.

The following branches are to be advised before opening business on December 8 that any transaction subsequent to July 28, 1941, in which Japan or any national thereof has had any interest, direct or indirect, without specific license from appropriate authorities of this Government will be unlawful: all branches of the W. R. Grace and Company, American Express Company, J. Henry Schroeder, National City Bank, Chase National Bank, First National Bank of Boston which operate in the country to which you are accredited and any other branches of United States banking concerns therein. Also all other United States concerns operating in the country to which you are accredited should be advised not to engage in any such transaction without specific license. You are instructed further to be on the alert for any evidence of sabotage.

Copy:hm:12/19/41
PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: All Missions in Latin America
DATED: December 7, 1941, 7 p.m.
NUMBER: Circular

Please express to the appropriate officials this Government's wish that the transfer of funds or gold belonging to the Government of Japan or Japanese banks will not be permitted by them with a view to the development in this matter of a common policy.

Interpret this instruction broadly and report by cable.

ch:copy 12-19-41
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMBASSADOR, MANAGUA
TO: Secretary of State, Washington
DATED: December 11, 1941, 5 p.m.
NO.: 280

Approval in principle of action suggested has been assured according to the Minister of Foreign Affairs and the necessary decree is being drawn up by the Minister of Hacienda.
FROM: AMBASSADOR, QUITO
TO: Secretary of State, Washington
DATED: December 9, 1941, 6 p.m.
NO.: 515

The pertinent portions of Department's circular of December 8 were handed to the Foreign Minister with an extra copy for the Foreign Minister. A translation will be made tomorrow, and the latter hopes it will contain suggestions that can be complied with. Will report later.
PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMBASSASY, PANAMA
TO: Secretary of State, Washington
DATED: December 18, 1941
NO. : 519

STRICTLY CONFIDENTIAL

With respect to Commerce's inquiry contained in its letter of November 28, 1941 concerning Y. Amano and Company, under Panamanian law all Japanese activities have been suspended including those of the foregoing firm and all Japanese nationals have been interned. All Japanese funds were frozen by subsequent action. Further details by air mail despatch.

WILSON

Copy: bj: 1-1-42
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE December 16, 1941

TO Secretary Morgenthau
FROM Mr. White

Subject: Axis oil situation

There are attached reports submitted to us by the Standard Oil Company dealing with the oil situations in Germany and Japan. The memoranda have been examined and compared to other information which we have, and some comments summarizing our information are appended:

1. It appears, on the basis of the information, that Japan now has supplies sufficient for 1 to 1 1/2 years of war. There is virtually no disagreement among several estimates on this matter. However, you will recall that the Navy Department some time ago believed that Japanese supplies are substantially larger.

2. The Standard Oil Company stressed its opinion that should Japan get control over Borneo or the Netherlands East Indies crude oil areas, it would be more important than ever to bomb refineries in Japan, details of which are noted on maps and tables submitted by the company.

3. Most of our information, including data of the Standard Oil Research staff, indicates that Germany will reach an oil crisis by next summer. However, Mr. Sadler, of the Standard Oil Company, believes the Germans will not suffer a serious shortage of oil. As far as we know, he is the only authority that takes this view.

4. I talked with Mr. Sadler yesterday and he tells me that he is submitting the same material to the War and Navy Departments.
Subject: Notes on the Japanese Petroleum Situation

1. Adequacy of Japanese Supplies:

Various estimates place Japanese supplies (stocks and production) as sufficient for between 1 and 1 1/2 years. Several estimates are:

- Standard Oil: 1 - 1 1/2 years
- Treasury: 1 year
- British: 1 year
- Socony-Vacuum: 1 year

2. Accumulated Stocks

The several estimates of Japanese stocks are:

- Standard Oil: 40 million barrels
- Treasury: 35 million barrels
- British: (No recent estimate— but estimated as 32 million barrels a year ago.)
- Socony-Vacuum: 35-38 million barrels

3. Japanese Production

All estimates have placed Japanese production at about 4 million barrels per year through 1940. Standard Oil thinks this can be raised to 5 million barrels, by increasing synthetic production.

4. Wartime Consumption

Estimates of consumption in the past:

- Standard Oil estimates: Total 1940: 37 - 42 million barrels (15-20 million barrels military and naval; 22 million barrels civilian and industrial)
- Treasury estimates: Total 1940: 35 million barrels
British estimates: No recent figures (but estimated at 32–35 million barrels a year ago).
Socony-Vacuum estimates: Total 1940: 35–40 million barrels.

The Standard Oil estimate of past consumption appears to be the most closely studied. Standard Oil has not estimated wartime military and naval demand, but believes that industrial and civil use cannot be reduced below 15 million barrels. It is felt safe to assume that military and naval consumption, in a major war, cannot be reduced below the 1940 minimum estimate -- 15 million barrels.

It may be possible that Japan's wartime naval and aerial activity will not increase the military consumption of petroleum, since land operations may be curtailed. Similarly, it is possible that the military demand for petroleum will be substantially increased -- say to 30 million barrels.

According to this, Japan's total annual consumption might fall within the limits of from 30 million barrels to 45 million barrels.

5. The above estimates are based on Japan's not acquiring new supplies in the Netherlands East Indies or Borneo.

Standard Oil has correctly pointed out that conquest of the Netherlands East Indies would change the Japanese situation.

Although the Dutch could effectively destroy their refineries, they could not destroy their wells and pipes in such a way as to preclude Japanese use within a short time.

It, therefore, more than ever appears that the most effective way of taking full advantage of Japan's oil weakness would be to bomb the refineries in Japan -- since these refineries are essential to Japan, whether she uses oil stocks or oil gained by conquest.

6. There is appended the Standard Oil memorandum, which includes detailed tables and maps. This information probably should be made available to the proper military and naval authorities, if it has not already been furnished them.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE December 18, 1941

To
Mr. White

From
Mr. Ullmann

Subject: German petroleum -- Standard Oil information

1. Mr. Sadler of the Standard Oil Company personally believes that Germany will not suffer any serious shortage of petroleum products for its military machines. He bases his opinion on the fact that the Germans have increased some of their transportation facilities and can make full use of the remaining output. However, Mr. Sadler is in disagreement with the research staff of the Standard Oil Company on this point.

On the basis of Standard Oil research information and data from other sources, it would appear that Germany would reach an oil crisis at some time during the early summer of 1942.

Standard agrees closely with other sources in estimates of German stocks and production, but does not attempt to estimate accurately German consumption. However, it allows for the possibility of a daily military demand amounting to 200,000 barrels. It estimates civilian and industrial consumption in German-Controlled Europe at 208,000 barrels -- or a total possible demand of 408,000 barrels per day. Compared to this, other estimates of German total consumption are:

- Russian: 625,000 barrels per day (500,000 of which are for military purposes -- perhaps including war industries.)
- Italian: 500,000 - 625,000 barrels per day
- British: 420,000 barrels per day

The Russians perhaps are in the best position to estimate German military consumption -- but may be somewhat over-optimistic.

However, if we use an estimate of total consumption of 500,000 barrels per day -- which is nearer the British and Standard Oil figure than it is to the Russian -- Germany would reach a crisis in four months, assuming that its military campaign is maintained at its recent tempo. Such an assumption would probably be over-optimistic, however, since winter conditions should cause some curtailment in German mechanized operations. It seems safe to believe that the Germans will resume full-scale operations in the spring -- which would apparently bring an oil crisis by early summer.
Standard Oil estimates that German stocks at the beginning of the Russian campaign were 46 million barrels. This is quite close to the Russian estimate of 7 million tons (about 50 million barrels).

The Russians estimate that German production amounts to around 350,000 barrels per day. This is somewhat higher than the Standard Oil estimate, which places German production at around 325,000 barrels per day in the first part of 1942.

On synthetic production, Standard Oil estimates are close to the Russian estimates. Standard Oil's is approximately 2.8 million barrels a month, while the Russians say about 2.4 million barrels per month.

The Standard Oil memorandum includes some detailed maps, tables and photographs which might be quite useful for the Allied war effort. Mr. Sadler says that this material has all been furnished to the Navy and perhaps to the Army. It would probably be worthwhile to check with the Army and make this material available to it if it has not already seen the information.
CONFIDENTIAL

Mr. Harry White,
Assistant to the Secretary of the Treasury,
Treasury Department,
Washington, D. C.

Dear Mr. White:

I went over the memoranda prepared by our Statistical and Analytical Department with respect to the German and Japanese supply situations last night.

With respect to the report on Continental Europe, I do not see included the Polish production which probably amounts to 9,000 or 10,000 barrels daily, and has importance for its high wax content, which can be hydrogenated by the Germans to make excellent lubricating oil, which is likely to be their greatest handicap.

The assumption that civilian and industrial demand in all the occupied countries will amount to 25% of normal demand, seems to me to be on the light side. Our experience in France was that consumption, under war conditions, while operating against the Germans, for all purposes, was only 65% of peace time demand.

I note another assumption is that the Germans are using some 100 octane gasoline. I have seen many reports of analyses of gasoline from German planes shot down and have heard of no octane above the 85/88 range. The Germans use solid injection, and, consequently, get high motor output, although using such an octane, undoubtedly their consumption of fuel is substantially lower than in the 100 octane motors.

You will appreciate, as our gentlemen have pointed out, that the assumptions are clearly such. I think the figures of crude oil supplies are quite accurate but the assumptions are no more than studied guesses, with which the writer is not entirely in accord, as above noted.

Sincerely yours,

J. S. Sadler
Prior to the invasion of Russia by Germany it was not possible for Germany to take full advantage of all Romanian potential production as shipments to Germany were limited by large capacity up the Danube and existing rail facilities. Since that time these facilities have been augmented by recently installed pipelines and the Russian campaign created a demand for all Romanian surplus that could not be moved to Germany because of transport limitations. With the refinery and hydrogenation capacity available to Germany it is possible to convert available crude and coal into the proportion of products dictated by requirements. Thus it is believed that with possible minor exceptions, complete flexibility exists in regard to petroleum supplies to Germany both as regards transportation and product requirements so that the estimated supplies from all sources may be added together and considered as available against total requirements.

The attached memorandum of July 11th (exhibit #1) was prepared at the beginning of the German-Russian war in an attempt to forecast supplies available to Germany and shows the detail of the various supply sources. Similar estimates have been prepared to show indicated supplies from the same sources for the first six months of 1942, the comparison being as follows:

<table>
<thead>
<tr>
<th>Supplies</th>
<th>Last 6 months 1941</th>
<th>First 6 months 1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total crude oil production</td>
<td>171,000</td>
<td>194,000</td>
</tr>
<tr>
<td>Natural gasoline, benzol, etc.</td>
<td>21,000</td>
<td>21,000</td>
</tr>
<tr>
<td>Synthetic oil from coal</td>
<td>86,000</td>
<td>110,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>280,000</strong></td>
<td><strong>325,000</strong></td>
</tr>
</tbody>
</table>

The increase in crude oil production is the assumed potential increase in production from Romania. For the last six months of 1941 this was estimated at 112,000 B/D. The best producing advice is that while it might be possible by intensive drilling to increase Romanian production temporarily to as much as 150,000 B/D, this could not be maintained over any appreciable period. Accordingly, Romanian production has been estimated to increase from 112,000 to 135,000 B/D for the first six months of 1942.

Synthetic oil production from coal and coal derivatives is based on an estimated average production during the first six months of next year at the rate of 110,000 B/D, compared with an estimated production rate at the beginning of the year of slightly under 100,000 B/D. The basis upon which

It is possible that supplies to Italy are subject to greater transport difficulties because of limited railroad facilities and the competition of other urgent freight.
these estimates are made in covered in the attached report of the International Catalytic Oil Processes Corporation, covering liquid fuel supplied to Continental Europe, which contains detailed data as to location and capacity of all known synthetic processing facilities available to Germany.

The above estimates of supply in every case are believed to represent maximum quantities, and it should be emphasized that no allowance is made for aerial destruction, some of which has doubtless occurred.

It is believed that the above figures on supplies are fairly firm, and in fact represent maximum quantities. On the demand side, however, very little data are available, so that estimates of demand are at best but considered guesses. The assumptions upon which these estimates are made are clearly set out, so that the effect of any changes in these assumptions can be interpreted. Any recent estimates of stocks are subject to error, since such estimates involve demand considerations.

The stocks as of July 1st of this year in the area under consideration at the beginning of the Russian campaign are estimated at approximately 46,000,000 barrels. It is also estimated that, of these stocks, approximately 15,000,000 barrels represent an irreducible minimum, thus leaving 31,000,000 barrels available for consumption.

On the demand side, for purposes of comparison, the normal peacetime consumption in the areas under consideration, when excluding foreign trade fuel oil burners, was 518,000 B/D. It is apparent that total German consumption must currently be considerably below this figure, as otherwise available stocks would have been exhausted before now. An estimate has been made in the attached report of the minimum to which civilian and war industry requirements might be reduced, which corresponds to 40% of normal demand in the occupied countries, and 50% in Germany and Italy. On this basis, civilian and war industry requirements would be equivalent to 208,000 B/D or 40% of the normal peacetime consumption of the entire area. Subtracting this figure from the amount available during the last six months of 1941, it is apparent that 72,000 B/D would be available for military requirements from current production in the last six months of this year, and 177,000 B/D would correspondingly be available during the first six months of next year. The figures are submitted on this basis so that these best qualified to estimate military requirements can arrive at some conclusion as to how long the above estimated stock quantity would last. For example, if military requirements over and above the reduced civilian and war industry requirements were estimated at 200,000 B/D since the start of the Russian campaign, stocks would be reduced to the minimum irreducible figure of 15,000,000 barrels within nine months, starting July 1st, 1941 or April 1st, 1942.

Similarly, if total military requirements were 150,000 B/D, stocks would not be reduced to the minimum within twenty-three months after July 1, 1941, or about June 1, 1943.
Estimated lubricating oil supplies available to Germany are covered by Exhibit No. 2, with supporting statement, and also information showing the location and capacity of the plants upon which these estimates are based. Here again no allowance is made for destruction of producing facilities. On the other hand, the estimates of supply contain no allowance for the reclaiming of used lubricating oils which is doubtless being carried out to a large extent. It is not believed that the limitations on lubricating oil supplies are any greater than on other petroleum supplies.

Regarding aviation gasoline it is believed that with the flexibility afforded by existing refinery facilities, in combination with byproduct, it should be possible to divert sufficient potential motor gasoline to meet aviation gasoline requirements. Such data as are available indicate the bulk of supplies available to Germany are of the 87-88 octane grade although some 100 octane gasoline is being used. The lower octane quality of German aviation supplies is to some extent offset by their use of liquid fuel injection engines.

* * * * * * *

In comparison with the German situation, supplies to Russia are more ample, as before the outbreak of the war. Russia was second only to the United States in crude oil production, with an estimated daily production during 1940 of 630,000 B/D. Total refining capacity is estimated at 670,000 B/D. Detailed figures of crude oil production by principal areas and individual refinery capacities are shown in attached Exhibit No. 3. Little data are available on Russian capacity for production of lubricating oils and aviation gasoline. It is thus apparent that, if a German invasion can be avoided of the Russian oil producing regions, Russia possesses a distinct superiority over Germany in regard to oil supplies.

December 12, 1941

Regraded Unclassified
MEMORANDUM

July 11, 1941

OIL SUPPLIES AVAILABLE TO GERMANY

Heretofore estimates of supplies of crude and products have been limited to the area in Western Europe controlled or occupied by the Germans, considering that supplies from Rumania were limited by the amount which could be moved by barge or rail into this territory. With the conquest of Greece and Crete and the commencement of hostilities between Germany and Russia, Germany should now be able to use, in areas tributary to Rumania, any surplus of Rumanian production and stocks remaining over the amount which can be transported into Germany. New estimates, therefore, have been prepared covering German-controlled Europe as a whole; in other words, all of Continental Europe, excluding Russia, Spain and Portugal but including Italy. No attempt has been made to segregate between crude and separate petroleum products, as it is believed that with the relatively high gravity crude available, when considering the flexibility afforded by both the available refineries and hydrogenation plants, Germany will be able to control distribution of products made to meet their requirements, although this may be limited in specific areas by transportation facilities.

It should be emphasized that, as before, no attempt has been made to allow for damages to facilities and stocks resulting from air raids. Current conditions have greatly increased the potentialities in this direction. The attached detailed maximum estimates, and possible minimums, may be summarized as follows:

Ebls. 42's
Last Half of 1941

<table>
<thead>
<tr>
<th>SUPPLIES</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Oil Production</td>
<td>27,180,000</td>
<td>31,305,000</td>
</tr>
<tr>
<td>Natural Gasoline, Benzol, etc.</td>
<td>3,300,000</td>
<td>3,910,000</td>
</tr>
<tr>
<td>Synthetic Oil</td>
<td>15,000,000</td>
<td>16,090,000</td>
</tr>
<tr>
<td>Total Domestic Supplies</td>
<td>42,480,000</td>
<td>51,305,000</td>
</tr>
<tr>
<td>Monthly Average</td>
<td>7,347,000</td>
<td>8,551,000</td>
</tr>
</tbody>
</table>

Average Minimum & Maximum (Monthly Average) 7,899,000

The minimum and maximum estimates indicate the range within which it is thought the probable picture for the remainder of 1941 will fall. The maximum estimate of crude oil production includes Rumania at 112,000 B/D and Germany and annexed territory at 41,000 B/D, which estimates have been checked with the Producing people. The figures for natural gasoline, benzol and alcohol are 25% and 15% lower, respectively, than the estimated equivalent 1939 supplies, on the assumption that part of the benzol and
alcohol supplies have been diverted from motor fuel use to industrial use. Recent studies have indicated that German production of synthetic oil for the remainder of this year may reach an average of 87,000 B/D. Imports from Russia, previously estimated at approximately 20,000 B/D, have, of course, been excluded.

It is felt that the above estimates of supplies, before consideration of any loss through destruction, are fairly reliable, but any estimates of available stocks or rate of consumption, are of course speculative. Due to restriction of civilian consumption, it is quite possible that to date Germany has actually added to stocks. After allowing for possible additional drafts on storage, principally in unoccupied France and Italy during the first six months of 1941, our best guess is that, as of July 1st of this year, stocks in Continental Europe, as above defined, were about 46,000,000 barrels. Normal pre-war demand throughout the same area, excluding foreign trade fuel oil bunkers, was approximately 189,000,000 barrels a year, or 15,700,000 barrels a month. If present demand were at this figure, when considering the above average production rate, stocks would be exhausted in four months, after allowing for irreducible minimum stocks of 15,000,000 barrels. In view of civilian rationing, however, it is probable that total consumption in the area including civilian, industrial and military, is at a much lower average rate than this figure. It is estimated that if civilian and war industry requirements were reduced to a minimum of 25% of normal demand in the occupied countries, and 50% in Germany and Italy, these requirements would total 55,000,000 barrels for the last half of 1941, which is 40% of the overall average normal consumption. Using this estimate of civilian and industrial demand and the average of the maximum and minimum production estimates, 51,000 B/D would be available for military consumption without drawing on stocks. Considering 15,000,000 barrels as an irreducible stock minimum it would be possible to support a military requirement of 100,000 B/D for 6 months or a 200,000 B/D requirement for 7 months before stocks would be lowered to the minimum.

Others dealing with this question are doubtless better qualified to estimate military quantities. Obviously the duration and intensity of the present conflict between Germany and Russia will be the most important factor. While Germany is occupied with Russia, aerial destruction of facilities in Romania and in Western Europe may be more effective in reducing supplies.
### ESTIMATED DOMESTIC SUPPLIES - CRUDE & PRODUCTS

#### LAST HALF OF 1941

<table>
<thead>
<tr>
<th>Country</th>
<th>Crude Oil Production</th>
<th>Natural Gasoline Benzo1 &amp; Alcohol</th>
<th>Synthetic Oil</th>
<th>Total Domestic Supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimum</td>
<td>Maximum</td>
<td>Minimum</td>
<td>Maximum</td>
</tr>
<tr>
<td>Albania</td>
<td>1,000,000</td>
<td>1,100,000</td>
<td>75,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Belgium</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Germany</td>
<td>5,590,000</td>
<td>7,500,000</td>
<td>1,495,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Greece</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>1,750,000</td>
<td>2,015,000</td>
<td>75,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Italy</td>
<td>40,000</td>
<td>40,000</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td></td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td>Norway</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rumania</td>
<td>18,500,000</td>
<td>20,650,000</td>
<td>1,000,000</td>
<td>1,100,000</td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td></td>
<td>75,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Switzerland</td>
<td></td>
<td></td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Totals

<table>
<thead>
<tr>
<th>Crude Oil Production</th>
<th>Natural Gasoline Benzo1 &amp; Alcohol</th>
<th>Synthetic Oil</th>
<th>Total Domestic Supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td>27,180,000</td>
<td>31,505,000</td>
<td>3,300,000</td>
<td>3,910,000</td>
</tr>
</tbody>
</table>

#### Daily Average

<table>
<thead>
<tr>
<th>Crude Oil Production</th>
<th>Natural Gasoline Benzo1 &amp; Alcohol</th>
<th>Synthetic Oil</th>
<th>Total Domestic Supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td>147,717</td>
<td>170,135</td>
<td>17,935</td>
<td>21,250</td>
</tr>
</tbody>
</table>

July 11, 1941

Regraded Unclassified
Estimates of lubricating oil supplies in Germany and occupied areas for the years 1940 and 1941 are shown in the attached table. It will be noted that total supplies are estimated for 1940 at 5,355,000 barrels and 1941 at 5,140,000 barrels. For purposes of comparison the normal peacetime demand of these areas is approximately 8,000,000 barrels.

According to a recent survey, Germany's probable production of lubricating oil from hydro and synthesis processes will increase to about 1,054,000 barrels in 1941. This probability, as well as the progressive enlargement of the area under German control and assumed higher quantities of domestic crude available for refining, suggested the desirability of attempting to estimate the 1941 situation. This was done in the attached tabulation. The deductions on which the estimates are based will be given in some detail in order to judge their tenability.

**Germany and Annexed Areas**

Germany's major crude oil producing area lies in the Province of Lower Silesia and includes such fields as Miennhausen, Nitz, Obens, Reitbrook, Rodewald and Nickingen. With the exception of the Reitbrook and Rodewald fields, which are of the naphthene-base low cold test type, the crude produced in this northern province of Germany are largely of the intermediate-base type, similar to the mid-continent crude of the United States which have potential lube yields of 60% or more. A survey was made of the estimated production and quality of the indigenous crudes by fields from the standpoint of lubricating oil production, taking into consideration the location and rated capacity of the solvent extraction and solvent dewaxing plants shown to have been installed in Germany and the annexed areas. The study indicated that refinery output of lubricating oils in 1941 might be 2,400,000 barrels, representing a yield of 18% on runs of 13,000,000 barrels of domestic crude, plus yields of 100,000 barrels and 210,000 barrels from imported Romanian and Hungarian crude, respectively. Romania exported 1,597,000 barrels of crude to Germany in 1940 from which it was assumed that 160,000 barrels of lubricating oil was produced. Although Romanian petroleum shipments to Germany in 1941 are expected to increase materially over 1940, it was assumed that the quantity of crude might remain about the same. Hungarian crude production this year should exceed domestic requirements by about 1,500,000 barrels and it was assumed that this quantity will be handled in German plants, yielding 14% of lube oil.

Hydroal and cestes output was estimated at 1,750,000 barrels.

Imports represent assumed receipts from Russia.

Stocks of lubricating oil on December 31, 1940 were estimated to be 1,400,000 barrels or 45% of the pro-war demand.
All of these estimates are based on the assumption that Germany acquired effective control of the entire area as of July 1, 1940. It was assumed that the quantities which were produced, imported, and consumed by these countries in the first half of 1940 were practically in balance, leaving stocks on hand June 30th of about 3,000,000 barrels or 55% of the prewar demand.

Refinery output of 500,000 barrels for the second half of 1940 was based on actual figures for Rumania, amounting to 275,000 barrels, estimated production in Hungary, and from remaining crude stocks in France and other occupied countries. However, production during the entire year 1941 was estimated at only 600,000 barrels on the assumption that crude stocks in the occupied countries were exhausted by the end of 1940.

In preparing these estimates no allowance whatever has been made for the effect of air raid damage upon productive capacity; neither has allowance been made for supplies obtained from reclaiming used lubricating oils.

Tables are also attached showing the detail of production data on which these estimates are based and information as to location and capacity of the various sources of supply.
## Estimated Lubricating Oil Supplies

### 1940

<table>
<thead>
<tr>
<th>Country and Annexed Areas</th>
<th>1940</th>
<th>1941</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinery Output</td>
<td>2,050,000</td>
<td>2,440,000</td>
</tr>
<tr>
<td>Hydro, et cetera Output</td>
<td>675,000</td>
<td>1,725,000</td>
</tr>
<tr>
<td>Imports</td>
<td>300,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Total Supply</td>
<td>3,025,000</td>
<td>4,265,000</td>
</tr>
</tbody>
</table>

### Balance Continental Europe Excluding Russia, Spain & Portugal

<table>
<thead>
<tr>
<th>Last 6 Mos.</th>
<th>1940</th>
<th>1941</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinery Output</td>
<td>500,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Hydro, et cetera Output</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Imports</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Supply</td>
<td>500,000</td>
<td>600,000</td>
</tr>
</tbody>
</table>

### Continental Europe Excluding Russia, Spain & Portugal

<table>
<thead>
<tr>
<th>1940*</th>
<th>1940*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinery Output</td>
<td>2,520,000</td>
</tr>
<tr>
<td>Hydro, et cetera Output</td>
<td>875,000</td>
</tr>
<tr>
<td>Imports</td>
<td>300,000</td>
</tr>
<tr>
<td>Total Supply</td>
<td>3,520,000</td>
</tr>
</tbody>
</table>

* Including only the second half of 1940 for countries other than Germany and annexed areas.
<table>
<thead>
<tr>
<th>Country</th>
<th>City</th>
<th>Solvent Extraction</th>
<th>Solvent Dewaxing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GERMANY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severst Alveres (Norag)</td>
<td>Münster</td>
<td>1,700 Furteral</td>
<td>1,200 Ketene</td>
</tr>
<tr>
<td>Wintershall A.G.</td>
<td>Darmstadt</td>
<td>800 Phenol</td>
<td>950 Propane</td>
</tr>
<tr>
<td>Deutsche Vacuum Oil</td>
<td>Bremen</td>
<td>1,000 Dasol</td>
<td>525 Ketene</td>
</tr>
<tr>
<td>Kehania (Shell)</td>
<td>Hamburg</td>
<td>1,500/1,750 30%–Benzol</td>
<td>1,200 Ketene</td>
</tr>
<tr>
<td>Brenkohlen Bensin</td>
<td>Decken</td>
<td></td>
<td>1,700 Propane</td>
</tr>
<tr>
<td><strong>ITALY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agulla</td>
<td>Trieste</td>
<td>1,000 Dasol</td>
<td>300/550 30%–Benzol</td>
</tr>
<tr>
<td>Vacuum Oil Company SAI</td>
<td>Naples</td>
<td>750 Dasol</td>
<td>925 Ketene</td>
</tr>
<tr>
<td>Agulla</td>
<td>Triste</td>
<td>700 30% only</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>2,450 B/D</td>
<td>825/975 B/D</td>
</tr>
<tr>
<td><strong>FRANCE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.V. de P.</td>
<td>Fort Jerome</td>
<td>3,500 Phenol</td>
<td>1,000 Tri.</td>
</tr>
<tr>
<td>Eff. de La Vass. Oil Co.</td>
<td>Fort Jerome</td>
<td>750 Dasol</td>
<td>500 Ketene</td>
</tr>
<tr>
<td>S.R. de N. de P.</td>
<td>Geurchelettes</td>
<td>450 30%–Benzol</td>
<td>500 Ketene</td>
</tr>
<tr>
<td>R. de F. du Nord</td>
<td>Dunkirk</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>4,700 B/D</td>
<td>2,000 B/D</td>
</tr>
<tr>
<td><strong>ROMANIA</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vacuum Oil Co. SAAR</td>
<td>Brasov</td>
<td>100 Furteral</td>
<td>100 Ketene</td>
</tr>
<tr>
<td><strong>POLAND</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vacuum Oil Co.</td>
<td>Czechowice</td>
<td>350 Chlorox</td>
<td></td>
</tr>
</tbody>
</table>
### TABLE II

**NON-SOLVENT EXTRACTED LUBRICATING OIL CAPACITY - GERMAN PLANTS**

<table>
<thead>
<tr>
<th>Feed Stock</th>
<th>Refinery</th>
<th>Conventional</th>
<th>Grades</th>
<th>Tons/yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>German Crude</td>
<td>Deutsche Vacuum Oil, Breman</td>
<td>Yes</td>
<td>All kinds</td>
<td>6,000</td>
</tr>
<tr>
<td></td>
<td>Gasoline Dollbergen</td>
<td>Yes</td>
<td>Spindle, engine, cylinder, axle oils</td>
<td>18,000</td>
</tr>
<tr>
<td></td>
<td>DPAG, Marburg</td>
<td>Yes</td>
<td>Same as above, plus turbine &amp; transformer oils</td>
<td>37,000</td>
</tr>
<tr>
<td></td>
<td>Heng (Walterball), Salsburg</td>
<td>No</td>
<td>Spindle, engine, axle oils</td>
<td>12,000</td>
</tr>
<tr>
<td></td>
<td>Schriedler, Hamburg</td>
<td>No</td>
<td>Spindle, axle, steam cylinder</td>
<td>6,000</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td></td>
<td></td>
<td>87,000</td>
</tr>
<tr>
<td><strong>Total on German Crude</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Imported Stocks: |
|------------------|---------------------------|---------------|------------------------------------|----------|
| Mexican Crude Ranco Refinery | No                    | Lube distillate |                                    | 5,000    |
| Topped Vene- | (Shell, Norfolk) | No            | Spindle, engine, cylinder, axle oils | 65,000   |
| crudes       | (Shell, Marburg)         | No            | Spindle, engine, cylinder, axle oils | 102,000  |
| Crude        | (Gasoline Remich)        | No            | Spindle, engine, cylinder, axle oils | 13,000   |
| Russian Sola | (Schriedler, Hamburg)    | No            | White, transformer, turbine oils    | 7,000    |
| Crude        | (Schlimann, Marburg)      | No            | White oils and spindles            | 11,000   |
| **Total on Imported Stocks** |                     |               |                                    | 223,000  |

* Represents difference between total reported capacity of 26,000 tons/yr. and estimated production of solvent-treated lube oils of 16,000 tons/yr.
## Table III

### Potential Lube Oil Production from Indigenous Crudes

<table>
<thead>
<tr>
<th>Field</th>
<th>Grade Oil Production Estimate for 1940</th>
<th>Estimated Lube Production</th>
<th>Yield</th>
<th>Bbls/yr.</th>
<th>Tons/yr.</th>
<th>Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bbls ('62's)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lemagen</td>
<td>2,300,000</td>
<td></td>
<td>24.0</td>
<td>550,000</td>
<td>76,500</td>
<td>Extr. to High Qa.</td>
</tr>
<tr>
<td>Ecklinger</td>
<td>250,000</td>
<td></td>
<td>12.0</td>
<td>55,000</td>
<td>7,600</td>
<td>Low Grade</td>
</tr>
<tr>
<td>Mets</td>
<td>100,000</td>
<td></td>
<td>15.0</td>
<td>15,000</td>
<td>2,200</td>
<td>Extr. to High Qa.</td>
</tr>
<tr>
<td>Berg</td>
<td>155,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dese-Calheim</td>
<td>75,000</td>
<td></td>
<td>24.0</td>
<td>540,000</td>
<td>120,000</td>
<td>L.C.T. oils</td>
</tr>
<tr>
<td>Else</td>
<td>3,500,000</td>
<td></td>
<td>24.0</td>
<td>540,000</td>
<td>75,500</td>
<td>L.C.T. oils</td>
</tr>
<tr>
<td>Westrock</td>
<td>250,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>authoritative</td>
<td>50,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>other Hanover</td>
<td>220,000</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Heiden</td>
<td>100,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>other Areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old Germany</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>7,190,000</td>
<td></td>
<td>1,520,000</td>
<td>217,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>2,380,000</td>
<td></td>
<td>140,000</td>
<td>20,000</td>
<td>L.C.T. oils</td>
<td></td>
</tr>
<tr>
<td>German Poland (Janow)</td>
<td>1,200,000</td>
<td></td>
<td>120,000</td>
<td>17,000</td>
<td>L.C.T. oils</td>
<td></td>
</tr>
<tr>
<td>Lorraine</td>
<td></td>
<td></td>
<td>24.0</td>
<td>120,000</td>
<td>3,600</td>
<td></td>
</tr>
<tr>
<td>Fochlebrosheim</td>
<td>160,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Greater Germany</td>
<td>11,430,000</td>
<td></td>
<td>1,604,000</td>
<td>257,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>220,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albania</td>
<td>1,460,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>80,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>1,990,000</td>
<td></td>
<td>14.0</td>
<td>270,000</td>
<td>39,000</td>
<td>Extr. to High Qa.</td>
</tr>
<tr>
<td>Roumania</td>
<td>42,750,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>57,490,000</td>
<td></td>
<td>2,074,000</td>
<td>296,500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Increased from 120,000 bbls, to allow for either new fields or deeper production from existing fields.
RUSSIA

Crude Oil Production
(Bbls, 42's Daily)

<table>
<thead>
<tr>
<th>Region</th>
<th>Year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baku</td>
<td>440,000</td>
</tr>
<tr>
<td>Grozny</td>
<td>45,000</td>
</tr>
<tr>
<td>Maikop</td>
<td>60,000</td>
</tr>
<tr>
<td>Emba</td>
<td>16,000</td>
</tr>
<tr>
<td>Ishembaev, etc. (Ural Region)</td>
<td>44,000</td>
</tr>
<tr>
<td>Middle Asia</td>
<td>3,500</td>
</tr>
<tr>
<td>Neftdag (Turkmenia)</td>
<td>9,000</td>
</tr>
<tr>
<td>Volga Region</td>
<td>6,000</td>
</tr>
<tr>
<td>Sub-total</td>
<td>534,000</td>
</tr>
<tr>
<td>Russian Poland</td>
<td>6,000</td>
</tr>
<tr>
<td>Total</td>
<td>540,000</td>
</tr>
</tbody>
</table>

December 13, 1941.


<table>
<thead>
<tr>
<th>Refineries</th>
<th>Barrels 42's Daily</th>
<th>Refineries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>January 1, 1937</strong></td>
<td><strong>January 1, 1938</strong></td>
<td><strong>January 1, 1939</strong></td>
</tr>
<tr>
<td>Trust</td>
<td>Location</td>
<td>Crude</td>
</tr>
<tr>
<td>-------</td>
<td>----------</td>
<td>--------</td>
</tr>
<tr>
<td>CASPI</td>
<td>Bakun</td>
<td>224,000</td>
</tr>
<tr>
<td>Krasn</td>
<td>Batum</td>
<td>55,720</td>
</tr>
<tr>
<td>Trans</td>
<td>Gromy</td>
<td>170,040</td>
</tr>
<tr>
<td>Trans</td>
<td>Tbilis</td>
<td>31,500</td>
</tr>
<tr>
<td>Trans</td>
<td>Makbanzh-Kale</td>
<td>3,660</td>
</tr>
<tr>
<td>Trans</td>
<td>Krasnodar</td>
<td>11,900</td>
</tr>
<tr>
<td>Trans</td>
<td>Yaroslavl</td>
<td>3,500</td>
</tr>
<tr>
<td>Trans</td>
<td>Nizhni-Novgorod</td>
<td>3,500</td>
</tr>
<tr>
<td>Trans</td>
<td>Oren</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Saratov</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Moscow</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Odessa</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Ermoupoli</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Heraklion</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Greece</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Kerch</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Odessa</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Odessa</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Transdnepr</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Tashkent</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Samarkand</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Turkestan</td>
<td>-</td>
</tr>
<tr>
<td>Trans</td>
<td>Altai Asia</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL RUSIA</strong></td>
<td>-</td>
<td>507,745</td>
</tr>
<tr>
<td><strong>Barrels 42's Daily</strong></td>
<td>-</td>
<td>529,975</td>
</tr>
</tbody>
</table>

*Includes a few old refineries, some of which have recently been modernised.*
INTERNATIONAL CATALYTIC OIL PROCESSES CORPORATION

REPORT
ON
LIQUID FUEL SUPPLIES OF CONTINENTAL EUROPE

Date: May 21, 1941
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<td>8</td>
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<td></td>
</tr>
<tr>
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</tr>
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<td>9</td>
</tr>
<tr>
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<td>9</td>
</tr>
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</tr>
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<td>XII. Potential Alkylate or Butane Production</td>
<td>11</td>
</tr>
<tr>
<td>XIII. Alternate Distribution of Potential Alkylate</td>
<td>12</td>
</tr>
<tr>
<td>XIV. T.E.L. Plants in Continental Europe</td>
<td>12</td>
</tr>
</tbody>
</table>

Regraded Unclassified
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1. INTRODUCTION

An estimate is presented of the production of liquid fuels in Continental Europe with a breakdown into the most important products: aviation gasoline, motor gasoline, light diesel fuel and heavy fuel. Allied products, lubricating oils, benzol and kerosene are also estimated.

The distribution of liquid fuels among the various categories is flexible and can be varied considerably to meet demand. The figures herein presented are predicated on the product qualities that are believed to prevail and are as follows:

Aviation Gasoline

Aviation gasoline quality is that specified just prior to the war although the Luftwaffe is reported to use somewhat inferior quality. The base fuel is a saturated product of boiling range 50°-180°C, with an A.S.T.M. Octane Number (O.N.) of 74-76 which is increased to 87 O.N. with tetraethyl lead (T.E.L.). The main source of aviation fuel is indicated to be the hydrogenation plants supplemented by small production from selected Romanian crude oils and possibly benzol.

Motor Gasoline

Motor gasoline supplies and quality are believed to be sacrificed for the production of aviation gasoline, on the one hand, and a satisfactory fuel for high speed diesels, on the other. It is taken to be a 86-88 O.N. product and composed largely of cracked gasoline.

Light Diesel Fuel

There is a relatively large demand for light diesel fuel for the operation of trucks, buses and other heavy land equipment. Especially important are the fuels for submarines and a considerable number of long range bombers and transport planes that are powered by diesels. The light diesel fuel corresponds roughly to light gas oil which occurs in amount from 33-50% of the available crude oils and is also produced in limited amounts in the various synthetic plants.
Heavy Fuel

Heavy fuel includes the heavy diesel and Bunker fuels required in marine service and stationary diesel engine plants.

Lubricating Oils

Europe produced only inferior grades of lubricating oils prior to the war, but extensive research work in Germany has supplemented this supply with high-grade synthetic products which are made from waxes and/or cracked gases. Other raw materials for synthesizing high-grade lubricants are fish oils and vegetable oils. The amount of synthetic lubricants is very uncertain for the reason that the raw materials are otherwise required for edible fats, synthetic rubber or premium aviation fuel. A separate section of this report deals with these raw materials for these alternate consumptions.

Benzol and Toluol

Benzol and Toluol are major raw materials for munitions production and are by-products of steel production. Toluol is the essential for munitions and in Germany large quantities of benzol are converted to toluol by alkylation with methanol. Benzol is also a good blending agent for aviation fuels. Only a limited amount of benzol may be added to aviation gasoline because of the freezing point. In normal times large quantities of benzol are used in motor gasoline.

2. SUMMARY

The various products are estimated to be produced in the following amounts.

<table>
<thead>
<tr>
<th>Product</th>
<th>B/D</th>
<th>T/Yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviation Gasoline (87 O.N.)</td>
<td>50,000</td>
<td>2,125,000</td>
</tr>
<tr>
<td>Motor Gasoline</td>
<td>63,000</td>
<td>2,900,000</td>
</tr>
<tr>
<td>Light Diesel Fuel</td>
<td>96,000</td>
<td>4,343,000</td>
</tr>
<tr>
<td>Heavy Fuel</td>
<td>30,000</td>
<td>1,700,000</td>
</tr>
<tr>
<td>Lubricating Oils and/or Waxes</td>
<td>13,000</td>
<td>640,000</td>
</tr>
<tr>
<td>Benzol and Toluol</td>
<td>17,000</td>
<td>835,000</td>
</tr>
<tr>
<td>Liquefiable Gases</td>
<td>34,000</td>
<td>1,100,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>303,000</td>
<td>13,643,000</td>
</tr>
</tbody>
</table>

* B/D - Barrels (42 gallons) per day.
T/Yr. - Metric Tons per year.
For conversion factor see Appendix I.
Succeeding sections discuss the various sources of these materials.

3. CRUDE OIL SUPPLIES

The petroleum supplies of Continental Europe (and outside of U.S.S.R.) are estimated at 1939 production of 55,000,000 barrels/year (B/yr.) (7,500,000 metric tons) distributed as indicated in Table II. These crudes are predominantly of the mixed base paraffinic type that produce both low grade gasoline and lubricating oils but a good grade of diesel oil. There is a small production in Roumania of aviation gasoline of 74 O.N. which is increased to 87 O.N. with T.R.L.

<table>
<thead>
<tr>
<th>CRUDE OIL PRODUCTION IN EUROPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>T/yr.</td>
</tr>
<tr>
<td>1939</td>
</tr>
<tr>
<td>1940</td>
</tr>
</tbody>
</table>

| Germany (including Poland, Austria and Czechoslovakia) | 1,045,000 | 1,114,000 |
| France | 67,000 | 67,000 |
| Hungary | 147,000 | 275,000 |
| Italy (including Albania) | 143,000 | 188,000 |
| Roumania | 6,357,000 | 5,920,000 |
| TOTAL | 7,759,000 | 7,564,000 |

The refineries in Continental Europe have a rated capacity in excess of that required to refine this crude. Much of this equipment was obsolete but there are rumors to the effect that considerable new construction has been installed just.
## Table III

### Refinery Capacity of Continental Europe

<table>
<thead>
<tr>
<th>Country</th>
<th>No. of Refineries</th>
<th>Daily Crude Capacity - B/D</th>
<th>Daily Cracking Capacity - B/D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>7</td>
<td>12,175</td>
<td>2,300</td>
</tr>
<tr>
<td>Denmark</td>
<td>1</td>
<td>500</td>
<td>-</td>
</tr>
<tr>
<td>France</td>
<td>19</td>
<td>151,500</td>
<td>72,900</td>
</tr>
<tr>
<td>Germany</td>
<td>47</td>
<td>68,770</td>
<td>7,920</td>
</tr>
<tr>
<td>Hungary</td>
<td>7</td>
<td>11,670</td>
<td>350</td>
</tr>
<tr>
<td>Italy</td>
<td>10</td>
<td>57,300</td>
<td>28,600</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1</td>
<td>15,000</td>
<td>12,500</td>
</tr>
<tr>
<td>Norway</td>
<td>1</td>
<td>1,200</td>
<td>-</td>
</tr>
<tr>
<td>Poland</td>
<td>19</td>
<td>23,050</td>
<td>2,300</td>
</tr>
<tr>
<td>Roumania</td>
<td>48</td>
<td>224,200</td>
<td>49,200</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>3</td>
<td>4,800</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>163</strong></td>
<td><strong>570,165</strong></td>
<td><strong>176,070</strong></td>
</tr>
</tbody>
</table>

*Conversion Factor: Barrels/day x 50 = metric tons/year.*

Source: Oil & Gas Journal, 12/26/40, p. 56.
prior to and during the war. The distribution of products produced from this crude oil is estimated to be as follows:

**TABLE IV**

<table>
<thead>
<tr>
<th>Product</th>
<th>B/D</th>
<th>T/Yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviation Gasoline (74 O.N.)</td>
<td>3,000</td>
<td>125,000</td>
</tr>
<tr>
<td>Motor Gasoline (66-68 O.N.)</td>
<td>55,000</td>
<td>2,350,000</td>
</tr>
<tr>
<td>Light Diesel Fuel</td>
<td>60,000</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Heavy Fuel</td>
<td>30,000</td>
<td>1,700,000</td>
</tr>
<tr>
<td>Lubricating Oils</td>
<td>3,000</td>
<td>160,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>161,000</td>
<td>7,335,000</td>
</tr>
</tbody>
</table>

4. BENZOL AND TOLUOL

Benzol and Toluol are by-products from the production of metallurgical coke which is so essential for steel production. Toluol is a basic raw material for explosives and is produced to the amount of 12-20% of the benzol production. When toluol shortages exist, the German chemical industry has made it from benzol by alkylation with methanol. Consequently, any fraction of benzol production may be diverted to explosives, the remainder being consumed in aviation or motor fuel. Benzol has been widely used as a blending agent in aviation fuel, but the amount cannot exceed about 12% of the fuel without potential trouble from the benzol freezing out at flying temperatures.

The indicated production of benzol is at least equal to the largest production in each country prior to the war and is of the order of 835,000 tons which may be broken down into 700,000 tons of benzol and 135,000 tons of toluol.

Along with benzol production, there is about seven times as much coal tar (5,000,000 T/Yr.) which yields many raw materials for the chemical industry and more than adequate supply of tar for raw material for hydrogenation plants. Considerable coal tar may be worked up by distillation for road tar and heavy diesel fuel but such production is not included in this estimate.
### TABLE V

**Benzol Production**

<table>
<thead>
<tr>
<th>Country</th>
<th>Best Yearly Production</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>540,000</td>
<td>1938</td>
</tr>
<tr>
<td>France</td>
<td>78,000</td>
<td>1931</td>
</tr>
<tr>
<td>Belgium</td>
<td>41,000</td>
<td>1935</td>
</tr>
<tr>
<td>Holland</td>
<td>27,200</td>
<td>1935</td>
</tr>
<tr>
<td>Czechoslovakia</td>
<td>33,000</td>
<td>1937</td>
</tr>
<tr>
<td>Poland</td>
<td>23,700</td>
<td>1935</td>
</tr>
<tr>
<td>Austria</td>
<td>7,044</td>
<td>1934</td>
</tr>
<tr>
<td>Italy</td>
<td>13,253</td>
<td>1937</td>
</tr>
<tr>
<td>Denmark</td>
<td>683</td>
<td>1936-37</td>
</tr>
<tr>
<td>Yugoslavia</td>
<td>69,793</td>
<td>1933</td>
</tr>
<tr>
<td>Hungary</td>
<td>1,881</td>
<td>1936</td>
</tr>
</tbody>
</table>

**Total** 835,554

"Metric Tons."
5. HYDROGENATION

The major supply of aviation fuels is produced in the hydrogenation plants, of which there are seventeen. Hydro aviation gasoline is a stable, saturated product of about 74-76 C.N., reaching 87 C.N. with T.E.L. The hydro plants are quite flexible in that they can produce aviation gasoline, motor gasoline, diesel oil and light lubricating oils. The two main sources of raw material are bituminous coal and brown coal or lignite. The major production comes from the tars produced by the distillation of the raw materials although some of the hydro plants are designed to treat the coal directly without prior distillation. There is a consumption of energy in operating these plants equivalent to about three tons of coal per ton of gasoline produced. This and the demand for large quantities of fresh cooling water restrict the location of these plants to coal regions that are also close to rivers with adequate fresh water supply. The hydro plants and their locations are shown in Appendix II. The indicated production in hydrogenation plants is as follows:

**TABLE VI**

Products from Hydrogenation

<table>
<thead>
<tr>
<th></th>
<th>Gasoline</th>
<th>Diesel Oil</th>
<th>Lubricating Oils</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>German Plants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bituminous Coal and Bituminous Coal Tar</td>
<td>1,195,000</td>
<td>235,000</td>
<td>-</td>
</tr>
<tr>
<td>Brown Coal and Brown Coal Tar</td>
<td>1,370,000</td>
<td>540,000</td>
<td>170,000</td>
</tr>
<tr>
<td><strong>Italian Plants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albanian Crude Oil</td>
<td>250,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>French Plants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bituminous Coal</td>
<td>20,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,335,000</td>
<td>775,000</td>
<td>170,000</td>
</tr>
</tbody>
</table>
The aforementioned figures represent the rated capacities of these plants, and gasoline refers to motor quality. In the final estimate, the rated production of hydro gasoline has been redistributed to allow for maximum aviation gasoline production as follows:

**TABLE VII**

<table>
<thead>
<tr>
<th>Proration of Rated Gasoline Production of Hydro Plants</th>
<th>T/Yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviation Gasoline (80%)</td>
<td>2,268,000</td>
</tr>
<tr>
<td>Diesel Fuel (10%)</td>
<td>283,000</td>
</tr>
<tr>
<td>Liquefiable Gases (10%)</td>
<td>284,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,835,000</strong></td>
</tr>
</tbody>
</table>

In addition to the above-rated capacity of the hydrogenation plants, there is a large production of liquefiable gases that has been widely used as omnibus and truck fuel. This material may be processed to produce either premium aviation fuel, synthetic lubricants or synthetic rubber, but no information is available on such syntheses. The liquefiable gases are discussed in more detail in section 7.

6. HYDROCARBON SYNTHESIS PROCESS (FISCHER-TROPSCH PROCESS)

Hydrocarbon Synthesis Process, often called the Fischer-Tropsch Process, has been built up very rapidly in Germany. It is in the nature of a scavenger process and produces synthetic petroleum from almost any source of combustible carbon. The raw materials most widely used are coke, coke oven gas and lignite coal. The product distribution is as follows:

**TABLE VIII**

<table>
<thead>
<tr>
<th>Propane and Butanes</th>
<th>8%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>60%</td>
</tr>
<tr>
<td>Diesel Oils</td>
<td>22%</td>
</tr>
<tr>
<td>Waxes</td>
<td>10%</td>
</tr>
</tbody>
</table>
The gasoline is of very low octane number and must be cracked or reformed to produce a satisfactory motor fuel. The propane and butane fractions, together with the liquefiable gases from cracking, may be converted to aviation gasoline by selective polymerization or alkylation. Alternately these liquefiable gases and/or the wax production may be used for the synthesis of lubricating oils. Probably the most favorable distribution of products is attained with the combination of cracking and polymerization processes to produce:

**TABLE IX**

<table>
<thead>
<tr>
<th>Product</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polymer Gasoline</td>
<td>13%</td>
</tr>
<tr>
<td>Cracked Gasoline</td>
<td>34%</td>
</tr>
<tr>
<td>Diesel Fuel</td>
<td>35%</td>
</tr>
<tr>
<td>Lubricating Oils</td>
<td>20%</td>
</tr>
</tbody>
</table>

While most of the plants are operated in combination with cracking to produce maximum yield of gasoline, the total product is indicated to be as follows:

**TABLE X**

<table>
<thead>
<tr>
<th>Product</th>
<th>B/D</th>
<th>T/yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Gasoline</td>
<td>13,000</td>
<td>550,000</td>
</tr>
<tr>
<td>Light Diesel Fuel</td>
<td>6,000</td>
<td>285,000</td>
</tr>
<tr>
<td>Lubricating Oils and/or Wax</td>
<td>3,000</td>
<td>155,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>22,000</strong></td>
<td><strong>990,000</strong></td>
</tr>
</tbody>
</table>

7. **SYNTHESES FROM GASEOUS HYDROCARBONS**

There is associated with gasoline production by any method a substantial production of liquefiable gases - propane and butanes with their corresponding olefins. In the production of aviation gasoline or in the reforming (cracking) of naphthas to improve octane number, the yield of liquefiable gases is substantially increased. These condensable gases are not
included in the rated capacity of synthetic plants though they have been widely used for heavy motor transport fuel, replacing either light diesel fuel or motor gasoline. In the last few years there have been developed processes for converting these liquefiable gases to more useful products. These are:

1 - Non-Selective Polymerization which converts the olefines (propylene and butylenes) to 82-84 O.N. motor gasoline with about 80% yield. There are five known plants for this process.

<table>
<thead>
<tr>
<th>Country</th>
<th>Plant Details</th>
<th>Charging Capacity - B/D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roumania</td>
<td>Creditul Minier, Brazil</td>
<td>250</td>
</tr>
<tr>
<td>Germany</td>
<td>Krupp, A.G., Essen, Ruhr</td>
<td>550</td>
</tr>
<tr>
<td></td>
<td>(Hydrocarbon Synthesis)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Ruhrbenzin, A.G., Holten, Ruhr</td>
<td>900</td>
</tr>
<tr>
<td></td>
<td>(Hydrocarbon Synthesis)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deurag, Misburg near Hanover</td>
<td>490</td>
</tr>
<tr>
<td>France</td>
<td>Compagnie Francaise de Raf., Provence</td>
<td>1,380</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>3,550</td>
</tr>
</tbody>
</table>

2 - Selective Polymerization
This process converts isobutylene and some butylene to a polymer which is hydrogenated to iso-octanes. This product is a premium aviation gasoline of 94-96 O.N., but the yield is substantially lower than Non-selective Polymer Process. The non-selective polymer plants are readily converted to the selective process. There was one plant constructed at Pernis, Holland for the hydrogenation of selected polymers to iso-octanes but this plant probably has been either destroyed or moved to another location. The rated capacity of this plant was 1,000 B/D charging capacity.
3. Alkylation is the most recently developed process for converting condensable gases to aviation gasoline. This process produces a stable saturated gasoline of 92-94 Octane without hydrogenation. The olefins react with isobutane to form paraffin hydrocarbons with yields of about 160% on the olefins. The process as now operated does not use propylene because the product from reacting propylene and isobutane is of lower octane number than required for premium aviation fuels. The butanes and butylenes only are used. The liquefied gases from hydrogenation contain excess isobutane and no olefins. This requires a dehydrogenation process for about half of the butanes from hydrogenation to effect alkylation.

4. The gaseous olefins may also be polymerized by another process to produce either lubricating oils or synthetic rubber.

Since these processes may play an important part in the production of materials that are deficient in Europe, the raw materials for these processes have been estimated as "Potential Alkylate". This figure includes an estimate of the liquefiable olefins from refining petroleum and from the Hydrocarbon Synthesis Process, and the butanes produced by hydrogenation.

### TABLE XII

<table>
<thead>
<tr>
<th>Source:</th>
<th>T/yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum Refining</td>
<td>825,000</td>
</tr>
<tr>
<td>Hydrocarbon Synthesis and Cracking</td>
<td>133,000</td>
</tr>
<tr>
<td>Hydrogenation</td>
<td>750,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>1,108,000</td>
</tr>
</tbody>
</table>
The effective disposition of these condensible gases must include a factor of conversion and may be estimated as follows:

**TABLE XIII**

<table>
<thead>
<tr>
<th>Material Replaced</th>
<th>Conversion Efficiency (%)</th>
<th>T/Yr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Diesel Fuel or Motor Gasoline</td>
<td>100</td>
<td>1,100,000</td>
</tr>
<tr>
<td>Aviation Gasoline</td>
<td>75</td>
<td>830,000</td>
</tr>
<tr>
<td>Lubricating Oils</td>
<td>67.5</td>
<td>750,000</td>
</tr>
<tr>
<td>Synthetic Rubber</td>
<td>67.5</td>
<td>750,000</td>
</tr>
</tbody>
</table>

There would be a large investment required to build plants for the production of aviation gasoline from condensible gases and it is reasonable to assume that these plants will be built only in response to urgent need. The polymer plants are the cheapest to build in conjunction with cracking operations and these may be greatly expanded.

**4. TETRAETHYL LEAD (T.E.L.)**

Tetraethyl lead is indispensable for aviation gasoline and may be widely used in motor gasoline. It is reported that current German aviation gasoline contains 0.4% (wt.) of T.E.L. (7 cc./gallon) which might correspond to a consumption of 11,000 tons per year.

There were three plants in Europe prior to the war for the manufacture of T.E.L.

**TABLE XIV**

<table>
<thead>
<tr>
<th>Country</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Gapel (Between Brandenburg &amp; Rathenow)</td>
</tr>
<tr>
<td>France</td>
<td>Painboeuf (Between St. Nazaire &amp; Nantes)</td>
</tr>
<tr>
<td>Italy</td>
<td>Bussi (Near Pescara)</td>
</tr>
</tbody>
</table>
The normal storage at petroleum refineries is about three months' supply of raw materials and two-three months' supply of finished and semi-finished products. As early as 1935 the German Government requested the industry to provide a year's storage of products. It is believed that this storage was not generally attained and it is doubtful if storage exceeds six months' supply, except for the most deficient products such as premium lubricants.

It is believed that very large supplies of aviation lubricating oils were stored just prior to the present war. Lubricating oils are believed to be recovered after use in aviation and automotive equipment with about 60% recovery and at somewhat lower quality levels.
APPENDIX I

Abbreviations

B/D - Barrels per day. One barrel is 159 liters, 42 U.S. gallons or 35 Imperial gallons.

T/Yr. - Metric tons (2,204 lbs.) per year.

T.E.L. - Tetraethyl Lead

O.N. - Octane Number

c.c./gal. - Cubic centimeter per U.S. gallon.

Conversion Factors

To convert B/D to T/Yr., multiply by 58 times the density of the liquid.

For:

- Aviation Gasoline multiply by 42.0 (58 x 0.715)
- Motor Gasoline
  - " " 42.6
- Light Diesel Fuel
  - " " 49.2
- Heavy Fuel
  - " " 57.3
- Lubricating Oils
  - " " 52.7
- Butanes
  - " " 32.6
## SYNTHETIC OIL PLANTS - EUROPE

### Hydrogenation Process

<table>
<thead>
<tr>
<th>Site and Company</th>
<th>Raw Material</th>
<th>Capacity T/yr.</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RHEIN</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Gelsenkirchen - Gelsenburg Benzol A.G. (Vereinigte Stahlwerke-Thyssen)</td>
<td>Coal (Bituminous)</td>
<td>300,000</td>
<td>Gasoline.</td>
</tr>
<tr>
<td>2. Bottrop-Welheim - (Stinnes Muhlheimer Bergwerks A.G.)</td>
<td>Coal Extract and Crocote</td>
<td>100,000</td>
<td>Gasoline only.</td>
</tr>
<tr>
<td>3. Scholven-Recklingshausen Hydrierwerke Scholven A.G.-Hibernia</td>
<td>Coal (Bituminous)</td>
<td>400,000</td>
<td>Gasoline - rapid expansion.</td>
</tr>
<tr>
<td><strong>MIDDLE GERMANY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Leuna-Merseburg - I.G. Farben</td>
<td>Lignite and Lignite Tar</td>
<td>500,000</td>
<td>Gasoline only.</td>
</tr>
<tr>
<td>6. Leipzig-Boehlen-Rotha - Brabag I</td>
<td>Lignite Tar</td>
<td>200,000</td>
<td>Gasoline only.</td>
</tr>
<tr>
<td>7. Magdeburg-Rothensee - Brabag II</td>
<td>Lignite Tar</td>
<td>200,000</td>
<td>Gasoline only.</td>
</tr>
<tr>
<td>8. Schwarzeide or Offleben-Voelpke - Brabag III</td>
<td>Lignite Tar</td>
<td>150,000</td>
<td>Gasoline or Lube Oil or Gas Oil and Wax with small amount of gasoline.</td>
</tr>
<tr>
<td>9. Rehmadorf-Zehta - Brabag IV</td>
<td>Lignite Tar</td>
<td>150,000</td>
<td>Gasoline or Lube Oil or Gas Oil and Wax with small amount of gasoline.</td>
</tr>
<tr>
<td>Site and Company</td>
<td>Raw Material</td>
<td>Capacity T/Yr.</td>
<td>Remarks</td>
</tr>
<tr>
<td>------------------</td>
<td>--------------</td>
<td>---------------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>IDDLE GERMANY - Continued</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Wintershall-Geiseltal-Merseberg - Mines de Geiseltal (Mitteldeutsche Treibstoff und Oelwerke)</td>
<td>Lignite Tar</td>
<td>80,000</td>
<td>Gasoline.</td>
</tr>
<tr>
<td><strong>SOUTHERN GERMANY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Pölitz-Stettin - Hydro A.G. (I.G., Deutsche Gasolin, Länderbank, Delbrück Schickler)</td>
<td>Coal or Tar</td>
<td>530,000</td>
<td>200,000 tons Aviation Gasoline, 95,000 tons Motor Gasoline, 235,000 tons Diesel Oil</td>
</tr>
<tr>
<td>12. Brüx - Sudetenländische Bergbau A.G.</td>
<td>Lignite Tar</td>
<td>600,000</td>
<td>Gas Oil - little Gasoline. (May not be complete by December 1941.)</td>
</tr>
<tr>
<td>13. Bleichhammer - Oberschlesische Hydrierwerke (I.G.)</td>
<td>Tar</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td><strong>ITALY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Bari</td>
<td>Albanian Crude</td>
<td>125,000</td>
<td>Gasoline.</td>
</tr>
<tr>
<td>15. Leghorn</td>
<td>Crude</td>
<td>125,000</td>
<td>Gasoline.</td>
</tr>
<tr>
<td>Site and Company</td>
<td>Raw Material</td>
<td>Capacity T/Yr.</td>
<td>Remarks</td>
</tr>
<tr>
<td>------------------</td>
<td>--------------</td>
<td>----------------</td>
<td>---------</td>
</tr>
<tr>
<td>FRANCE</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Bethune</td>
<td>Tar</td>
<td>10,000</td>
<td>Gasoline.</td>
</tr>
<tr>
<td>17. Lievin</td>
<td>Tar</td>
<td>10,000</td>
<td>Gasoline.</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>3,780,000</td>
<td></td>
</tr>
</tbody>
</table>
FIG. 3  (PRACTICALLY IDENTICAL WITH MEM. CIV. PAGE 747)

PLAN OF THE LIÉVIN PLANT (HANDED TO "CI")

1/2000

CONCIERGE
PORTER
BUREAUX
OFFICE
GAZOMÈTRE
GASHOLDER
SERVICES GÉNÉRAUX
GENERAL SERVICES
CHAUFFERIE
BOILER HOUSE
BAINS DOUCHES
BATHS AND SHOWERS
PRÉPARATION ET POMPAGE DES PRODUITS
PREPARATION AND PUMPING OF PASTE
HYDROGÉNATION
HYDROGENATION
STALLS
REFRIGÉRANT
COOLERS
STOCKAGE HUILES
STORAGE OF OILS
STOCKAGE PRODUITS BRUTS
STORAGE OF RAW PRODUCTS
FRACTIONNEMENT
DISTILLATION
RAFFINAGE
REFINING
STOCKAGE ESSENCES
STORAGE OF FINISHED PRODUCTS

ARRIVÉE DU CHARBON
ARRIVAL OF COAL

ARRIVÉE DE L'HYDROGÈNE
ARRIVAL OF HYDROGEN

ENTRÉE DE L'USINE
ENTRY TO THE PLANT

EXPÉDITION DES ESSENCES
TRANSPORT OF FINISHED PRODUCTS

Regraded Unclassified
FIG 5a.
SC IND '37 P 165 AND MEM CIV P 754
BIRDS EYE VIEW OF THE LIEVIN PLANT

FIG 6a.
SC IND '37 P 78
ANOTHER BIRDS EYE VIEW

FIG 7a.
SC IND '38 P 163
GENERAL VIEW OF LIEVIN PLANT

Regraded Unclassified
Von großem Erfolg begleitet waren auch die Forschungen auf photographischem Gebiete. Von Erzeugnissen, die besondere Bedeutung erlangt haben, seien genannt: Photographische Entwickler (Metol, Rodinal usw.), optische Sensibilisatoren (Pina- 
chorm usw.), lichtstofffreie Trockenplatten (Isolaplatte), Desensibilisatoren (Pheno- 
safranin, Pinakryptol Grün und Gelb), Filme und Kino-Filme (Agfa, Berlin).

Auch das Gebiet der Kunstseide wurde eingehend bearbeitet, wobei verschiedene 
Verfahren zur Herstellung derselben erschlossen werden konnten.

Die deutschen Tonerfarbenfabriken standen bis zum Anfang dieses Jahrhunderts 
miteinander in allerschärfstem Wettbewerb. Infolge der Fülle und Größe der zu be-
Gesamtausicht des Ammoniakwerkes Merseburg (Leunawerke)
## APPENDIX III

### SYNTHETIC OIL PLANTS – EUROPE

**Fischer-Tropsch Process**

<table>
<thead>
<tr>
<th>Site and Company</th>
<th>Raw Material</th>
<th>Capacity T/yr.</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RUHR</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Oberhausen-Holten – Ruhrbenzin A.G.</td>
<td>Coke or Coke Oven Gas</td>
<td>70,000</td>
<td>See foot-note.</td>
</tr>
<tr>
<td>b. Homberg/Meers-Neerbeck – Rheinpreussen</td>
<td>&quot;</td>
<td>70,000</td>
<td>Gasoline only.</td>
</tr>
<tr>
<td>c. Rauxel-Castrop – Gewerkschaft Viktor (Wintershall, Kloeckner)</td>
<td>&quot;</td>
<td>80,000</td>
<td>Gasoline only.</td>
</tr>
<tr>
<td>d. Kamen-Essen – Chemische Werke Essener Steinkohle A.G.</td>
<td>&quot;</td>
<td>50,000</td>
<td>Gasoline and Wax.</td>
</tr>
<tr>
<td>e. Wanne-Kickel – Krupp Treibstoffwerke G.m.b.H. (Krupp)</td>
<td>&quot;</td>
<td>100,000</td>
<td>Gasoline only. Large expansion under way.</td>
</tr>
<tr>
<td>g. Sterkrade-Bottrop, near Oberhausen</td>
<td>&quot;</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>h. Essen – Krupp Treibstoffwerk G.m.b.H. (Krupp)</td>
<td>&quot;</td>
<td>100,000</td>
<td>Large expansion under way.</td>
</tr>
<tr>
<td>i. Dortmund – Hoessch Benzin G.m.b.H. II</td>
<td>&quot;</td>
<td>50,000</td>
<td>Gasoline.</td>
</tr>
<tr>
<td>Site and Company</td>
<td>Raw Material</td>
<td>Capacity T/Yr.</td>
<td>Remarks</td>
</tr>
<tr>
<td>------------------</td>
<td>--------------</td>
<td>----------------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>MIDDLE GERMANY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>j. Seftenburg-Ruhland - Brabag</td>
<td>Lignite</td>
<td>200,000</td>
<td>See foot-note.</td>
</tr>
<tr>
<td>k. Lutzkendorf-Mücheln-Kruppa - Mitteldeutsche Treibstoff u. Oelwerke A.G. (Wintershall)</td>
<td>Coke or Coke Oven Gas</td>
<td>100,000</td>
<td>See foot-note. Large expansion under way.</td>
</tr>
<tr>
<td><strong>EASTERN GERMANY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>l. Gleiwitz-Deschowitz - Schaffgottsächsche Benzin G.m.b.H.</td>
<td>&quot;</td>
<td>50,000</td>
<td>Gasoline and Wax.</td>
</tr>
<tr>
<td><strong>SAAR</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>m. Lintfort-Camperbusch - Benzinfabrik A.B.C. (de Wendel)</td>
<td>&quot;</td>
<td>20,000</td>
<td>Gasoline.</td>
</tr>
<tr>
<td><strong>FRANCE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>n. Courrieres, S. A. Kuhlman</td>
<td>Coke</td>
<td>30,000</td>
<td>Mostly gas oil, some gasoline.</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>1,020,000</td>
<td></td>
</tr>
</tbody>
</table>

**Foot-note:**
- 30% - Lube Oil
- 15% - Gasoline
- 50% - Gas Oil
- 5% - Wax
APPENDIX IV

STATUS OF POLYMERIZATION PLANTS - EUROPE

AS OF ABOUT JANUARY 1, 1940

1 - Compagnie Francaise de Raf., Provence

Type       - One Non-selective Polymerization Unit also designed for selective operation.
Contractor - Arthur G. McKee & Company
Status     - Believed operating - completion date unknown.
Capacity   - 1380 barrels/stream day liquid charge.

2 - Compagnie Francaise de Raf., Normandie

Type       - One Non-selective Polymerization Unit also designed for selective operation.
Contractor - The Lummus Company
Status     - This unit was never built as all materials had not been shipped prior to invasion of France. A low pressure Hydrogenation Unit was also designed for this refinery to handle both the material from the Normandie and Provence units. However, this unit was never built.
Capacity   -

3 - Deurag, Misburg bei Hanover, Germany

Type       - One Non-selective Polymerization Unit.
Contractor - None.
Status     - Believed operating although completion date unknown.
Capacity   - 490 barrels/stream day liquid charge.

4 - Krupp, A.G., Essen, Germany

Type       - One Non-selective Polymerization Unit.
Contractor - None.
Status     - Operating.
Capacity   - 530 barrels/stream day liquid charge.
5 - Ruhrbenzin, A.G., Holten, Germany

Type - One Non-selective Polymerization Unit.
Contractor - None.
Status - Operating.
Capacity - 900 barrels/stream day liquid charge.

6 - Bataafsche, Fennis

Type - One Selective Polymerization Unit, together with a Hydrogenation Unit for conversion to iso-octanes.
Contractor -
Status - Believed Operating.
Capacity - 1,000 barrels/stream day liquid charge.
CONFIDENTIAL

Mr. Harry White,
Assistant to the Secretary of the Treasury,
Treasury Department,
Washington, D. C.

Dear Mr. White:

I have gone over the memoranda sent you yesterday covering oil supplies in Japan, Asia and Oceania; and, in this connection, also confirm that the figures given on crude oil production in the various areas are probably quite dependable.

I notice in the memorandum that Japanese refineries are said to produce approximately 41% of the product requirements. My information of a year or two ago was that the Japanese market was supplied 73% in the form of crude and 27% in the form of products, so that I would have used a substantially higher figure for the capacity of Japanese refineries.

This matter is important because the most vulnerable part of the oil industry, from a sabotage or bombing standpoint, is the manufacturing plants. Of course, in some cases, transportation is difficult or impossible, as is the case in Japan, but the utilization of crude stocks depends on refineries and they are particularly vulnerable.

On Page 3 of the memorandum the imports into Japan are listed for an eleven-year period. Up to 1932 it is evident that little storage was being accumulated. Taking, therefore, the eight years subsequent to 1932, the imports total 230 million barrels, or at the rate of 35 million barrels a year. If consumption had been held down to 20 million barrels a year from 1932 on, accumulation would have been possible at the rate of 15 million barrels a year, or 120 million barrels. Undoubtedly, local consumption was less than 20 million barrels a year but it would seem obvious from an analysis of these figures, that aggregate accumulation could have been greater than 10 million barrels.

My own reaction to the statement on Page 4 that the estimated minimum civilian and industrial requirement would be 1,250,000 barrels a month, is that, under severe restriction, this minimum could be lower.

You will appreciate, of course, that in the analyses given, consumption figures are merely assumed; and my own personal opinion is perhaps even less worthy of consideration than those in the memorandum. I only give them as the result of our observations in various European countries on which we have had knowledge during the course of the present war.

Sincerely yours,

E. J. SADLER
The attached exhibits (1) and (2) are maps of Asia and Oceania which, together with Tables 1 to 3 inclusive, show the principal producing and refinery centres and districts within Japan itself and in the areas where petroleum supplies might be made available to Japan by conquest, or which might serve as sources of supply to anti-Axis forces. The estimated proven reserves of crude oil and present, daily production are indicated by principal areas. Refinery locations are shown, together with daily refining capacities.

As the result of a nationalistic policy over the last ten years Japan has built up her refining industry, so that her refineries produced approximately 41% of her total petroleum product requirements of approximately 110,000 B/D, prior to the outbreak of war with this country. Her own crude production, including the production from the Japanese portion of Sakhalin Island, is only capable of supplying 9% of her total product requirements when processed in refineries in Japan, leaving these refineries primarily dependent upon imported crude. These crude oil imports have in the past come primarily from California, and refined products primarily from refineries in the Netherlands East Indies.

If Japan were successful in invading the N.E.I., it is probable that the refinery capacity there of 177,750 B/D could be so effectively destroyed by retreating forces that it would take 18 months to 2 years to replace it even with available steel productive facilities, and probably longer when considering Japan’s industrial position. Crude production and pipeline facilities, or a present capacity of 161,000 B/D, even though sabotaged, could be brought back into operation in a much shorter time, even though new wells had to be drilled, so that crude oil could thus be made available to supply the Japanese refineries. In this case, the most effective interference would be aerial attack of the Japanese refineries themselves. (In this connection it should be pointed out that 14,800 B/D of the heavy crude from the Tarakan field in Netherlands Borneo is of such a nature that it can be used without refining for navy bunker and heavy diesel fuel.) Substantially the same considerations apply to the refinery capacity in India and Burma of 37,950 B/D, and crude producing capacity of 28,500 B/D.

It will be noted that the crude producing and refinery capacity in the Persian Gulf of 257,500 B/D is substantially greater than Japan’s requirements, and is so much further removed from Japan that it may be considered, together with California, as a source of supply for operations against the Axis.
Estimate of Japanese Supplies under Blockade Conditions

The following table represents an estimate of petroleum supplies (crude oil and finished products) to Japan and Manchukuo in 1940, together with an estimate of supplies which would be available if all imports were cut off with the exception of production from Sakhalin Island.

<table>
<thead>
<tr>
<th>Supplies</th>
<th>1940</th>
<th>Estimated Barrels Annually</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Crude Oil Production</td>
<td>2,317,000</td>
<td>2,250,000</td>
<td>2,500,000</td>
<td></td>
</tr>
<tr>
<td>Natural Gasoline</td>
<td>300,000</td>
<td>300,000</td>
<td>325,000</td>
<td></td>
</tr>
<tr>
<td>Synthetic Oil from Coal</td>
<td>1,000,000</td>
<td>2,000,000</td>
<td>3,000,000</td>
<td></td>
</tr>
<tr>
<td>Alcohol</td>
<td>500,000</td>
<td>300,000</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>Total Domestic Supplies</td>
<td>4,117,000</td>
<td>4,850,000</td>
<td>6,325,000</td>
<td></td>
</tr>
<tr>
<td>Imports</td>
<td>17,319,000</td>
<td>1,000,000*</td>
<td>4,000,000*</td>
<td></td>
</tr>
<tr>
<td>Total Supplies</td>
<td>41,326,000</td>
<td>5,850,000</td>
<td>10,325,000</td>
<td></td>
</tr>
<tr>
<td>Monthly Average</td>
<td>3,453,000</td>
<td>487,500</td>
<td>860,500</td>
<td></td>
</tr>
</tbody>
</table>

Average of minimum and maximum supplies - barrels per month

* Imports under conditions of complete blockade are assumed to come only from Sakhalin Island. The minimum figure corresponds to production from only the Japanese portion of the island; the maximum figure assumes that Japan would control the Russian portion of the island in addition.

It is apparent from the above that Japan has been largely dependent upon imports, only approximately 10% of her total requirements in 1940 being from domestic sources.

Estimate of Minimum Civilian and Industrial Consumption Requirements

Estimates of Japanese consumption are subject to considerable error due to lack of adequate data on military and naval consumption, which in 1940 is estimated at 15 - 20,000,000 barrels. Civilian and industrial consumption in 1940 is estimated at 22,000,000 barrels, so that total consumption was probably around 40,000,000 barrels. Civilian and industrial consumption for the last several years, while no estimate is available, was approximately 50% of the 1940 level.
In 1939, the breakdown of civilian and industrial consumption by products was as follows:

<table>
<thead>
<tr>
<th>Product</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>6,300,000 barrels</td>
</tr>
<tr>
<td>Kerosene</td>
<td>2,200,000</td>
</tr>
<tr>
<td>Industrial fuel &amp; diesel oil</td>
<td>8,600,000</td>
</tr>
<tr>
<td>Bunker fuel and diesel oil</td>
<td>2,600,000</td>
</tr>
<tr>
<td>Lubricating oil and grease</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Neutral and light oils</td>
<td>800,000</td>
</tr>
<tr>
<td>Wax, asphalt and miscellaneous</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

From a consideration of the possibilities of reduction of these quantities, it is estimated that, under conditions of blockade and severe restriction, the total civilian and industrial oil consumption could be reduced to a minimum of 15,000,000 barrels annually, or a monthly requirement of 1,250,000 barrels.

Estimate of Petroleum Stocks in Japan

Japan's total useable stocks of crude and products are estimated at the outbreak of hostilities with this country to be 40,000,000 barrels. Japan has been building stocks over a number of years, as may be indicated from the following table showing imports for the period 1930 - 1940.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Barrels 42's</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930</td>
<td>16,304,000</td>
</tr>
<tr>
<td>1931</td>
<td>16,717,000</td>
</tr>
<tr>
<td>1932</td>
<td>20,925,000</td>
</tr>
<tr>
<td>1933</td>
<td>24,050,000</td>
</tr>
<tr>
<td>1934</td>
<td>27,359,000</td>
</tr>
<tr>
<td>1935</td>
<td>35,209,000</td>
</tr>
<tr>
<td>1936</td>
<td>33,482,000</td>
</tr>
<tr>
<td>1937</td>
<td>42,887,000</td>
</tr>
<tr>
<td>1938</td>
<td>43,640,000</td>
</tr>
<tr>
<td>1939</td>
<td>36,197,000</td>
</tr>
<tr>
<td>1940</td>
<td>37,319,000</td>
</tr>
<tr>
<td>14-Year Total</td>
<td>334,059,000</td>
</tr>
</tbody>
</table>

Includes Formosa and Chosen, and Manchukuo, commencing July 1, 1932
The above stock figure was arrived at by starting with an estimate of normal commercial stocks in 1930 prior to the invasion of Manchuria, and determining the addition to stocks each year by a comparison of total known supplies with estimates of consumption. It is recognized that other estimates of stocks in Japan have been considerably higher (70 - 75,000,000 barrels, compared with the 40,000,000 figure) but it is difficult, on the basis of the data available to see how more than 40,000,000 barrels could have been accumulated. Higher estimates could only be justified on the basis of information not available in making this study.

No data are available on the location of military stocks, but Table 9 shows as of December 1938 the amount and location of the then existing commercial stocks.

Comparison of Supplies, Requirements and Stocks

Before any consideration of military and naval requirements it is apparent that estimated minimum civilian and industrial requirements of 1,250,000 barrels per month exceed current available supplies under blockade conditions, of approximately 675,000 (using the average of minimum and maximum supplies) by 575,000 barrels per month, to be met by withdrawal from stocks. To this shortage must be added, by those best qualified, an estimate of Japan's military and naval requirements under present conditions. For example, if such military and naval requirements were 1,500,000 barrels per month (18,000,000 barrels per year) the total shortage to be met by stock withdrawal would be 2,075,000 barrels per month. Under these conditions, assuming Japan were unable to receive imports other than from Sakhalin Island, the estimated stocks of 40,000,000 barrels would be exhausted in 19 months. If, for example, military and naval requirements were 2,500,000 barrels per month (30,000,000 barrels per year) the 40,000,000 barrel available stock would be exhausted within 3,075,000 barrels in 13 months. To the extent that stocks might be higher than the 40,000,000 barrel figure estimated, they would last correspondingly longer.

Lubricating Oil and Aviation Gasoline

Regarding lubricating oils, Japan's refinery capacity is estimated at 2,200,000 barrels per year. No data on stocks are available, but imports in 1939 were 390,000 barrels, and are estimated in 1940 at 1,100,000 barrels. While the quality of available lubricants might suffer under blockade conditions, there would probably be no shortage in comparison with other products.
The supply of high quality aviation gasoline (90 - 100 octane) is doubtless limited, but there should be no serious limitations on supplies of lower quality, of 87 octane and below. Stocks of tetra-ethyl lead are unknown, but imports have undoubtedly exceeded the demand.

**Tanker Capacity**

Japan has 56 tankers (including six whalers), totaling approximately 485,000 gross tons. These have a total daily carrying capacity on the basis of the normal run between the N.E.I., California and Japan of about 36,000,000 barrels annually.
<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>January 1, 1959</th>
<th>January 1, 1960</th>
<th>Crude</th>
<th>Cracking</th>
<th>Crude</th>
<th>Cracking</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Texas Pet. Co., Ltd.</td>
<td>Bahrain Islands</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total Bahrain Islands</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude</td>
<td>Cracking</td>
<td>Crude</td>
<td>Cracking</td>
</tr>
<tr>
<td>20,000</td>
<td>5,000</td>
<td>50,000</td>
<td>5,000</td>
</tr>
<tr>
<td>a 50,000</td>
<td>b 12,000</td>
<td>c 32,500</td>
<td>a 12,000</td>
</tr>
</tbody>
</table>

a Estimated
b World Pet., Feb., 1969
c Oil and Gas Journal 12/88/39
<table>
<thead>
<tr>
<th>Table No. 2</th>
</tr>
</thead>
</table>

### India & Burma

#### Refineries

<table>
<thead>
<tr>
<th>Company</th>
<th>January 1, 1939</th>
<th>January 1, 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude</td>
<td>Cracking</td>
<td>Crude</td>
</tr>
<tr>
<td>-------</td>
<td>----------</td>
<td>-------</td>
</tr>
<tr>
<td>British Burmah Pet. Co. Ltd.</td>
<td>8,000</td>
<td>8,000</td>
</tr>
<tr>
<td>Sree Oil Co.</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Thilawa</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Himsalpeti (India)</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Inde-Pelize (Inde)</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Vakala</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>West India (b)</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>TOTAL INDIA &amp; BURMA</td>
<td>29,000</td>
<td>29,000</td>
</tr>
</tbody>
</table>

* Estimated: Prior to Jan. 1, 1929 this refinery was owned by the Pet. Time 3/28/26 United Ref. Ltd., and was located at Chittagong.

---

### USA

#### Refineries

<table>
<thead>
<tr>
<th>Company</th>
<th>January 1, 1939</th>
<th>January 1, 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude</td>
<td>Cracking</td>
<td>Crude</td>
</tr>
<tr>
<td>-------</td>
<td>----------</td>
<td>-------</td>
</tr>
<tr>
<td>Emirgin Oil Co. Ltd.</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>california</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,000</td>
<td>3,000</td>
</tr>
</tbody>
</table>

* Estimated

---

Regraded Unclassified
<table>
<thead>
<tr>
<th>JAPAN REFINERIES</th>
<th>January 1, 1936</th>
<th>January 1, 1936</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Grades</td>
<td>Grock</td>
</tr>
<tr>
<td>Suntory (Ishinomaki)</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Mitsubishi (Fukuoka)</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Asahi</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Akita (Tomakomai)</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Sumitomo (Takamatsu)</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Shionogi (Nagoya)</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Shikoku (Sagami)</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Total Chisso Oil Co.</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Total</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Total</td>
<td>20,000</td>
<td>8,000</td>
</tr>
</tbody>
</table>

**TABLE No. 5**

<table>
<thead>
<tr>
<th>JAPAN REFINERIES</th>
<th>January 1, 1937</th>
<th>January 1, 1938</th>
<th>January 1, 1939</th>
<th>January 1, 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Grades</td>
<td>Grock</td>
<td>Grades</td>
<td>Grock</td>
</tr>
<tr>
<td>Suntory (Ishinomaki)</td>
<td>5,000</td>
<td>2,000</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Mitsubishi (Fukuoka)</td>
<td>5,000</td>
<td>2,000</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Asahi</td>
<td>5,000</td>
<td>2,000</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Akita (Tomakomai)</td>
<td>5,000</td>
<td>2,000</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Sumitomo (Takamatsu)</td>
<td>5,000</td>
<td>2,000</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Shionogi (Nagoya)</td>
<td>5,000</td>
<td>2,000</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Shikoku (Sagami)</td>
<td>5,000</td>
<td>2,000</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Total Chisso Oil Co.</td>
<td>5,000</td>
<td>2,000</td>
<td>5,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Total</td>
<td>5,000</td>
<td>2,000</td>
<td>5,000</td>
<td>2,000</td>
</tr>
</tbody>
</table>

**Includes small plants at Kure and Niigata.**

**Figures now represent the potential production of cracked gasoline whereas heretofore they represented the potential daily capacity.**

* Includes 500 barrel plant at Niigata.
<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>January 1, 1935</th>
<th>January 1, 1936</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shells &amp; Revis</td>
<td>Ruis</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL SHELLS</td>
<td>Ruis</td>
<td>-</td>
<td>5,000</td>
</tr>
<tr>
<td>K.R. Shale Oil Plant</td>
<td>Raswan</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: Figure now represents the potential production of cracked gasoline whereas heretofore it represented the potential charge of cracking stock.

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>January 1, 1935</th>
<th>January 1, 1936</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arabia</td>
<td>Abadan</td>
<td>180,000</td>
<td>185,000</td>
</tr>
<tr>
<td>TOTAL ARABIA</td>
<td>Abadan</td>
<td>180,000</td>
<td>185,000</td>
</tr>
</tbody>
</table>
### Table No. 5

<table>
<thead>
<tr>
<th>Company</th>
<th>Location</th>
<th>January 1, 1940</th>
<th>January 1, 1941</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Refineries, Ltd.</td>
<td>Haifa</td>
<td>41,500</td>
<td>-</td>
</tr>
<tr>
<td>(Anglo-Iranian &amp; Shell)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Palestine**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL PALESTINE</strong></td>
<td></td>
<td><strong>41,500</strong></td>
</tr>
<tr>
<td>Companies</td>
<td>Location</td>
<td>January 1, 1957 Crude</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>----------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>Commonwealth Oil Ref. Ltd. *</td>
<td>Laverton</td>
<td>2,027</td>
</tr>
<tr>
<td>Oil Co. of Australia, Ltd. (B.D.)</td>
<td>Clyde</td>
<td>2,700</td>
</tr>
<tr>
<td>Tregaspe Company &amp; Shale Oil Co.</td>
<td>Newport</td>
<td>145</td>
</tr>
<tr>
<td></td>
<td>Hemnes</td>
<td>500</td>
</tr>
</tbody>
</table>

| Total Australia               |          | 5,600                 | -        | 6,685                 | -        |

*High Iranian and Government each have a half interest in company.*

---

**TABLE No. 6**

<table>
<thead>
<tr>
<th>Companies</th>
<th>Location</th>
<th>January 1, 1960 Crude</th>
<th>Cracking</th>
<th>January 1, 1961 Crude</th>
<th>Cracking</th>
<th>January 1, 1962 Crude</th>
<th>Cracking</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>5,500</td>
<td>-</td>
<td>5,500</td>
<td>-</td>
<td>5,500</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,700</td>
<td>-</td>
<td>2,700</td>
<td>-</td>
<td>2,700</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>145</td>
<td>-</td>
<td>145</td>
<td>-</td>
<td>145</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>300</td>
<td>-</td>
<td>300</td>
<td>-</td>
<td>300</td>
<td>-</td>
</tr>
</tbody>
</table>

| Total Australia               |          | 6,895                 | -        | 6,895                 | -        | 6,895                 | -        |
### Table No. 7

#### Refineries

<table>
<thead>
<tr>
<th>Companies</th>
<th>Location</th>
<th>January 1, 1957</th>
<th>January 1, 1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>S.E. Pet. Mfg. (B.D.)</td>
<td>Tjepoe</td>
<td>14,000</td>
<td>14,000</td>
</tr>
<tr>
<td></td>
<td>Wonakroen</td>
<td>5,000</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td>Pidajoe</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td></td>
<td>Fanakenan</td>
<td>16,000</td>
<td>16,000</td>
</tr>
<tr>
<td></td>
<td>Balik Papan</td>
<td>35,000</td>
<td>35,000</td>
</tr>
<tr>
<td></td>
<td>Emanon</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>105,100</td>
<td>105,100</td>
</tr>
</tbody>
</table>

#### Refineries

<table>
<thead>
<tr>
<th>Companies</th>
<th>Location</th>
<th>January 1, 1957</th>
<th>January 1, 1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>T.F.R. (Standard-Vacuum)</td>
<td>Songel</td>
<td>$46,000</td>
<td>$41,800</td>
</tr>
<tr>
<td></td>
<td>Geroeng</td>
<td>$800</td>
<td>$800</td>
</tr>
<tr>
<td></td>
<td>Exoean</td>
<td>$5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>154,400</td>
<td>154,400</td>
</tr>
</tbody>
</table>

### Notes

- Figures now represent the potential production of cracked gasoline whereas heretofore they represented the potential charge of cracking stock.

#### Refineries

<table>
<thead>
<tr>
<th>Companies</th>
<th>Location</th>
<th>January 1, 1957</th>
<th>January 1, 1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Borneo</td>
<td>Erii,Bawak</td>
<td>18,000</td>
<td>18,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>18,000</td>
<td>18,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>18,000</td>
<td>18,000</td>
</tr>
</tbody>
</table>
### TABLE 8

#### Estimated Proved Crude Oil Reserves and Production

<table>
<thead>
<tr>
<th>Country</th>
<th>Proved Grade Oil Reserves Jan. 1, 1941</th>
<th>Total Production Year 1940</th>
<th>Da. Avg. Production Year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Netherlands</strong></td>
<td>67,358,000</td>
<td>5,727,000</td>
<td>12,864</td>
</tr>
<tr>
<td><strong>United States</strong></td>
<td>10,018,000</td>
<td>1,336,000</td>
<td>15,300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>77,376,000</td>
<td>7,063,000</td>
<td>28,164</td>
</tr>
</tbody>
</table>

#### British Possessions

<table>
<thead>
<tr>
<th>Country</th>
<th>Proved Grade Oil Reserves Jan. 1, 1941</th>
<th>Total Production Year 1940</th>
<th>Da. Avg. Production Year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bahrain</strong></td>
<td>11,377,000</td>
<td>207,000</td>
<td>1,778</td>
</tr>
<tr>
<td><strong>Sudan</strong></td>
<td>4,553,000</td>
<td>204,000</td>
<td>517</td>
</tr>
<tr>
<td><strong>Other Possessions</strong></td>
<td>1,039,000</td>
<td>240,000</td>
<td>593</td>
</tr>
<tr>
<td><strong>Total Possessions</strong></td>
<td>17,979,000</td>
<td>551,000</td>
<td>2,320</td>
</tr>
</tbody>
</table>

#### European Possessions

<table>
<thead>
<tr>
<th>Country</th>
<th>Proved Grade Oil Reserves Jan. 1, 1941</th>
<th>Total Production Year 1940</th>
<th>Da. Avg. Production Year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Netherlands</strong></td>
<td>4,924,000</td>
<td>50,000</td>
<td>115</td>
</tr>
<tr>
<td><strong>Belgium</strong></td>
<td>2,855,000</td>
<td>203,000</td>
<td>482</td>
</tr>
<tr>
<td><strong>Total Netherlands</strong></td>
<td>7,779,000</td>
<td>253,000</td>
<td>603</td>
</tr>
</tbody>
</table>

#### Total Netherland's Possessions

<table>
<thead>
<tr>
<th>Country</th>
<th>Proved Grade Oil Reserves Jan. 1, 1941</th>
<th>Total Production Year 1940</th>
<th>Da. Avg. Production Year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Netherland's Possessions</strong></td>
<td>26,935,000</td>
<td>8,820,000</td>
<td>28,666</td>
</tr>
</tbody>
</table>

#### Total British Possessions

<table>
<thead>
<tr>
<th>Country</th>
<th>Proved Grade Oil Reserves Jan. 1, 1941</th>
<th>Total Production Year 1940</th>
<th>Da. Avg. Production Year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total British Possessions</strong></td>
<td>10,018,000</td>
<td>1,336,000</td>
<td>15,300</td>
</tr>
</tbody>
</table>

#### Total European Possessions

<table>
<thead>
<tr>
<th>Country</th>
<th>Proved Grade Oil Reserves Jan. 1, 1941</th>
<th>Total Production Year 1940</th>
<th>Da. Avg. Production Year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total European Possessions</strong></td>
<td>36,953,000</td>
<td>10,156,000</td>
<td>28,164</td>
</tr>
</tbody>
</table>

#### Total Possessions

<table>
<thead>
<tr>
<th>Country</th>
<th>Proved Grade Oil Reserves Jan. 1, 1941</th>
<th>Total Production Year 1940</th>
<th>Da. Avg. Production Year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Possessions</strong></td>
<td>47,968,000</td>
<td>11,552,000</td>
<td>33,500</td>
</tr>
</tbody>
</table>

#### Grand Total of Above Areas

<table>
<thead>
<tr>
<th>Country</th>
<th>Proved Grade Oil Reserves Jan. 1, 1941</th>
<th>Total Production Year 1940</th>
<th>Da. Avg. Production Year 1940</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grand Total of Above Areas</strong></td>
<td>58,086,000</td>
<td>12,678,000</td>
<td>36,054</td>
</tr>
</tbody>
</table>
### Storage Capacity - Japan - December 1938

(in total barrels of 42 gals.)

<table>
<thead>
<tr>
<th>SHELL</th>
<th>White Oil</th>
<th>Black Oil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tsurumi</td>
<td>370,425</td>
<td>311,175</td>
</tr>
<tr>
<td>Taketoyo</td>
<td>82,500</td>
<td>21,600</td>
</tr>
<tr>
<td>Nonai</td>
<td>90,525</td>
<td>117,450</td>
</tr>
<tr>
<td>Noda</td>
<td>210,875</td>
<td>221,400</td>
</tr>
<tr>
<td>Oake</td>
<td>70,850</td>
<td>22,275</td>
</tr>
<tr>
<td>Saitozaki</td>
<td>149,325</td>
<td>151,625</td>
</tr>
<tr>
<td>Nagasaki</td>
<td>-</td>
<td>99,900</td>
</tr>
<tr>
<td>Hikoshima</td>
<td>-</td>
<td>147,150</td>
</tr>
<tr>
<td>Korea</td>
<td>127,875</td>
<td>32,400</td>
</tr>
<tr>
<td>Formosa</td>
<td>35,000</td>
<td>17,550</td>
</tr>
<tr>
<td>Dairen</td>
<td>24,750</td>
<td>57,125</td>
</tr>
<tr>
<td>Bungyo</td>
<td>-</td>
<td>85,725</td>
</tr>
<tr>
<td><strong>Total Shell</strong></td>
<td><strong>1,165,725</strong></td>
<td><strong>1,245,575</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHERS</th>
<th>White Oil</th>
<th>Black Oil</th>
<th>Crude</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hokkaido</td>
<td>17,325</td>
<td>205,850</td>
<td>18,125</td>
</tr>
<tr>
<td>Sandai</td>
<td>305,250</td>
<td>178,538</td>
<td>549,550</td>
</tr>
<tr>
<td>Tokyo</td>
<td>1,969,275</td>
<td>1,821,150</td>
<td>6,915,050</td>
</tr>
<tr>
<td>Nagoya</td>
<td>5,775</td>
<td>294,500</td>
<td>-</td>
</tr>
<tr>
<td>Osaka</td>
<td>407,550</td>
<td>1,015,175</td>
<td>5,654,725</td>
</tr>
<tr>
<td>Hakata</td>
<td>229,350</td>
<td>708,075</td>
<td>-</td>
</tr>
<tr>
<td>Chosen</td>
<td>364,650</td>
<td>154,325</td>
<td>1,504,275</td>
</tr>
<tr>
<td>Formosa</td>
<td>4,125</td>
<td>258,500</td>
<td>-</td>
</tr>
<tr>
<td>K. L. T.</td>
<td>1,210,275</td>
<td>127,575</td>
<td>515,575</td>
</tr>
<tr>
<td><strong>Total Others</strong></td>
<td><strong>4,515,575</strong></td>
<td><strong>4,757,488</strong></td>
<td><strong>12,757,100</strong></td>
</tr>
<tr>
<td><strong>Total Including Shell</strong></td>
<td><strong>5,679,500</strong></td>
<td><strong>5,982,865</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Black Oils** ........................................... 5,962,865  
**White Oils** ......................................... 5,679,300  
**TOTAL** ........................................ 24,419,265

Regraded Unclassified
EXHIBITS No. I and II
Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £71,000
Purchased from commercial concerns £15,000

Open market sterling closed at 4 03-3/4, and there were no reported transactions.

The Canadian dollar closed at a discount of 13%, the widest discount since last May, when the quotation was 13-1/6s. Some of the New York banks attributed the current weakness in the Canadian dollar to selling of the proceeds of Canadian securities liquidated by American holders "for year-end purposes".

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

- Argentine peso (free) $2390
- Brazilian milreis (free) $0516
- Colombian peso $5775
- Mexican peso $2065
- Uruguayan peso (free) $5310
- Venezuelan bolivar $2725
- Cuban peso 1/4% premium

The Federal Reserve Bank of New York purchased 117,000 Swedish kronor in New York at .2387, by order and for account of the Central Bank of the Uruguayan Republic.

We sold $997,000 in gold to the Central Bank of Bolivia, which was added to its earmarked account.

The Federal Reserve Bank of New York reported that the Bank of Canada shipped $4,610,000 from Canada to the Federal for account of the Government of Canada, for sale to the New York Assay Office.

In London, spot silver remained at 23-1/2d, equivalent to 42.67%. The forward quotation advanced 1/16d. to 23-9/16d., equivalent to 42.73%.

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 35-1/2d.

We made no purchases of silver today.
BRITISH EMBASSY
WASHINGTON, D.C.

Personal and
Secret

18th December, 1941.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

[Signature]

The Honourable
Henry Morgenthau, Jr.
United States Treasury,
Washington, D.C.
Information received up to 7 a.m., 17 December, 1941.

(I) NAVAL

Home Waters - 16th. The PRINZ EUGEN has left dry dock and is reported alongside the coaling jetty at BRISTOL.

CHINA - 16th. HONG KONG. One of H.M. destroyers shelled two river boats in KOUKON BAY and blew them up.

(II) MILITARY

LIBYA. Our attack on the enemy line between GAZALA and the TRIGH EL AEED was continued, and progress was made in the area East and South of GAZALA. The position here and in the South where other Indian troops had attacked in the TRIGH EL AEED area, was considered satisfactory. Enemy casualties were thought to have been heavy. In the meantime an armoured force had worked round the enemy's Southern flank and reached its objective at HIR LAHEL EL ALEBA (nearly 40 miles west of GAZALA) where it engaged ten enemy tanks and some guns. It is thought that prior to this action the enemy was unaware of this new threat to his rear. During the 13th and 14th, New Zealand troops captured nearly 1,100 prisoners, and Polish troops 200. On 14th we destroyed six enemy tanks and 300 tons of ammunition.

MALAYA. 16th December. KEDAH - Heavy fighting continues. Our forces at present on line of River LUMA, to North-East of PEWAN, but our losses in men and equipment have been heavy, and a further withdrawal is likely to be necessary. In KELANTAN, there was some patrol activity, but elsewhere nothing to report. Air reconnaissance showed a large concentration of enemy transports off KOTA BHARU and PATANI.

HONG KONG. 16th. Bombing and shelling on an increased scale took place. Enemy's fire was accurate but apart from some damage to ABERDEEN Dock, military damage or casualties do not appear to have been severe. Public morale is generally high and satisfaction at rejection of proposals for parley widely expressed. One enemy aircraft was shot down into the sea off LAMIAS Island.

SARAWAK. Enemy troops have landed North of LIPI and there are reports of landings at LUPONG (further to North). Ten large Japanese war-ships, one tanker and one submarine have been reported off this area.
BURMA. No activity beyond an exchange of shots between one of our patrols and a Thai post at MYIADI (a few miles North of BEECO).

RUSSIA. The German withdrawal in the MOSCOW front is continuing. The Russian claim to have recaptured KALININ is considered to be correct.

(III) AIR OPERATIONS

15th/16th. 20 tons of bombs were dropped at OSTEND and bursts were seen in the dock area. At BREST 32 tons of bombs were dropped but accurate observation of results was not possible owing to cloud. Eight R.A.A.F. aircraft took part in these operations. 16th. A Beaufort hit a Flak ship off the Dutch Coast with a torpedo. Two Spitfires were shot down near CALAIS.

16th/17th. 173 aircraft despatched to WILHELMSHAVEN 89; OSTEND 32, BREST 22, Sea-mining, BREST 18, DUNKIRK 14, Leaflets (PARIS area) 4. One bomber is missing, one came down in the sea and a third crashed but the crew is safe.

CENTRAL MEDITERRANEAN. 15th/16th. 20 Wellingtons attacked Naval shipping at TARANTO. Bombs fell in the target area but a smoke-screen prevented detailed observation of results.

(IV) ENEMY ACTIVITY

16th/17th. 41 aircraft operated against the U.K., of which 14 made landfall.

MALAYA. 15th. Enemy fighters carried out a low-flying attack on the aerodrome at KUANTAN but no damage or casualties are reported. 16th. Enemy air activity on a limited scale only.
TO

Secretary Morgenthau

FROM

Mr. Kamarck

Subject: Summary of O.C.I. Weekly Bulletin, "The War This Week, December 11-18, 1941".

(It is obvious from the contents that the writers of this Bulletin have access to the information furnished to us by the British Embassy, to Military and Naval Intelligence data, as well as reports secured from the foreign representatives of O.C.I. itself.)

The most important information contained in the report that we had not received before follows:

1. General Sikorski (Polish Commander-in-Chief, now in Russia) reports that:

   (a) Germans still have superiority in tanks and have plenty of fuel and munitions.

   (b) The German prisoners, however, complain of the food and their clothing is inadequate.

2. The French are sending substantial reinforcements to French North Africa. There are supposed to be 30,000 soldiers, veterans of the Syrian campaign against the British, who are now being sent to North Africa. Dakar was reinforced by 1,200 Senegalese from Casablanca. The French have nine submarines in the harbor.
THE WAR
THIS WEEK
December 11–18, 1941

Printed for the Board of Analysts
THE WAR THIS WEEK

Boldly seizing the initiative, the Japanese have threatened the balance of naval power in the western Pacific, have cut vital lines of communication, and are steadily pressing an offensive which, if it cannot be stopped, may well engulf great parts of southeastern Asia. Simultaneously the Russian Army has thrown the enemy back from the gates of Moscow and delivered the capital in a dramatic counter-offensive whose full significance cannot yet be measured. In the western desert the British have renewed their drive and are pushing the forces of the Axis back on Derna. But preparation, rumor, and the logic of the situation suggest that the Germans are planning an early counter-thrust based on an occupation of North Africa.

War in the Pacific

The first 10 days of the new war in the Pacific have witnessed a wide-ranging Japanese offensive. The Japanese have inflicted severe losses on American air and naval forces in Hawaii. They have disrupted aerial communications with the Far East via the Hawaii-Midway-Wake-Guam-Philippine route. They have invaded the Philippine Islands. They have occupied Thailand, and secured the active cooperation of the Thai government. They have invaded Burma and the Malay Peninsula. They have laid siege to Hong Kong. They have destroyed two British capital ships near Singapore.

The Allies on the Defensive

The immediate result of these events has been to place the United States and its allies on the defensive, and a successful continuation of this forward move would win the Japanese certain new and notable advantages.
The occupation of Hong Kong and the Philippines, where the Japanese have suffered severe losses, would not only deprive the allies of valuable bases, but would give Japan an advantageous position for the protection of its line of communications through the South China Sea to the Singapore area. The domination of the latter region would enable Japan seriously to threaten the lines of communications from the Far East to the Near and Middle East, to Europe, and to the United States. At the very least the result would be greatly to increase the difficulty of relieving the Philippines and of delivering aid to China over the Burma Road.

The Threat to China

Even more serious developments may be in the making. The occupation of Burma or Japanese domination of the sea routes to that country would block deliveries to China over the Burma Road. The spirit of resistance in China would then be sapped, and those elements which seek a compromise peace with Japan would be strengthened. This development would come at a time when Japan can, without loss of face, offer China peace terms on the basis of partial withdrawal from her territory. A serious impairment of the fighting power of China or the establishment of a modus vivendi between China and Japan would release important Japanese forces and material for use elsewhere.

Of critical importance in the entire Far Eastern situation is Russian policy regarding the use of her Siberian military and naval establishments, but as yet no announcement has been made of any prospective action by Russia against Japan.

The Delivery of Moscow

In the eleventh hour Moscow has been rescued from the maw of the invader, as Paris was rescued in September 1914. What Hitler himself described as the greatest offensive of all time has been so convincingly blunted that the British ambassador and his staff have already set out on the uncomfortable trek from Kuibyshev back to the old capital. Authoritative sources believe that the Russians have now established air superiority along the entire front, and notably in the Moscow area. The Russians have in fact delivered against the German front by far the heaviest blow yet struck against Nazi forces in the present World War.

In the north the Soviets have captured Klin, Kalinin, and Volkov, and the Finns are now lamenting the fact that the ancient capital of the Tsars cannot now be wrested from the Russians before the spring.

In the south the Soviet armies continue to press the enemy westward from Taganrog, where the Germans have lost an important advance air base. Military objectives to the east of Rostov can now be reached only by long-range bombers. The timetable for the attack on Caucasus has been retarded several weeks and perhaps completely disrupted. Berlin radio commentators are saying less and less about the Russian war.

The Future of the Soviet Offensive

It would be idle to speculate on how long the Russians can maintain the tempo of the present drive. Foreign opinion at Kuibyshev varies. Some observers believe merely that the Nazis cannot resume the offensive until the winter is over. Others contend that the Germans will find tenable winter positions only far to the west, and hence that it is perfectly possible that Russian cavalry and other units with great striking power—prepared for just this eventuality—may transform the withdrawal into disaster. The harassing attacks by the Cossacks on the retiring Germans already suggest the well-remembered tactics of 1812.
German Losses in Russia

The Nazis are explaining the reversal by the cold, the Russians by heroism and bold generalship. Available evidence clearly indicates that the Germans have suffered severely, but their losses can readily be overstated. General Sikorski, who is currently negotiating with Stalin on behalf of the Polish Army in Russia, reports that the Nazis still enjoy superiority in tanks, that they have plenty of fuel and munitions, but that prisoners complain of the food, and that their clothing is inadequate. In this connection it should be emphasized that the Germany supply situation is basically weak with respect to all textile fibres, and signs are mounting that this weakness has taken a sharp turn for the worse as a result of the unexpected prolongation of the Russian campaign.

Nazi Casualties

German losses in manpower and matériel during the Russian campaign have just been the subject of an extended report by the Coordinator of Information. A tentative estimate places German battle casualties to December 10 (in killed, wounded, and prisoners) at 1,500,000. This estimate does not include losses due to other than battle injuries, such as accidents, cold, and disease, and these also are likely to have been high, according to a statement from the Office of the Surgeon General. Some confirmation of this view comes in a report that Paris hospitals are jammed with German soldiers suffering from frostbite.

Losses in Matériel

It is estimated that Germany had approximately 24,000 combat planes of all types at the outbreak of the Russian war, and that she has suffered total losses during the sub-

sequent 6 months of about 4,500 planes. Perhaps 10 to 15 percent of this equipment could be made serviceable by repairs. The monthly rate of loss appears in fact to have been less than the monthly production rate, which is estimated currently at approximately 2,000 combat planes of all types. Although data on losses of other types of equipment is lacking, military advice would indicate that replacements can be made from existing stocks and current production.

In conclusion, however, various increased strains on the German economy are noted in the Coordinator’s report. And it is suggested that while the Germans need a period of respite from operations on the present scale, they also need an accretion of new raw material stocks or resources if these strains are not to become progressively more serious. This would point to military action designed to acquire the maximum in raw materials and resources at the minimum cost in manpower, transport, and petroleum.

German Intentions

News of growing Russian superiority in the air has a “sinister ring” for a BBC commentator, who interprets it as a sign that the Germans are shifting their air strength to another theater. If the Russian front were to be stabilized, and particularly if the Russians were to do the incomprehensible and accept a Nazi peace, MID believes that the Germans might well launch a powerful attack against the British Middle East, driving through Turkey toward the Persian Gulf and hoping to join hands with the Japanese in the Indian Ocean area. On the other hand, it should be emphasized that Asiatic Turkey is a mountainous and roadless plateau with winters of snow and mud. There is good reason to believe that the Turkish army, if strengthened by lend-lease arms, would resist stubbornly.
French North Africa Next?

In North Africa the situation is very different. Winter
and early spring are good seasons for campaigning in much
of this area. Conquest of Morocco, Algeria, and Tunis
would be inexpensive, would result in the loss of Gibraltar
as a naval base, would confine the British Navy largely to
the eastern Mediterranean, and would provide ideal bases
from which to interrupt, if not to destroy, north-south
convoys which assemble at Freetown and Bathurst. Such
a conquest also would provide bases for a renewed assault
to the east on Suez and for a drive southward into tropical
Africa.

Despite the steady British successes in Libya, it is be-
coming increasingly obvious that final victory in North
Africa will depend on which of the two opponents can
assemble and maintain the greatest striking force in that
area. The British have it now. A Nazi occupation of
French North Africa might promptly reverse the situation.

Fresh "Resistance" at Vichy

For the moment there are at Vichy mild signs of fresh
resistance. Pétain has despatched a "very strong" note
of protest against the threatened renewal of Nazi execu-
tions of hostages. The Marshal brusquely pointed out that
collaboration is impossible under such conditions, and the
German authorities refused to receive the note. Moreover,
Pétain declares that if the Germans press the French for
measures restricting the freedom of action of the Ameri-
can Embassy, he will not accept notification through the
French delegation in Paris this time, but will insist on a
written ultimatum from the German authorities (which
would presumably serve to justify his position to both
French and Americans). Finally, the Minister of Foreign
Affairs at Vichy has informed our Ambassador that
France will remain neutral in the war between the United
States and Japan.

On the other hand, an impressive and rapidly accumu-
lating array of evidence suggests that German action in
Africa is in preparation and that it will have French mili-
tary and naval cooperation in one form or another. Ger-
mans pressure will probably soon oblige Vichy to modify
its relations with this country.

New Evidence of Collaboration

Elements of a German Panzer division are reported
as having recently passed through Angoulême in the direc-
tion of Bordeaux. E-boats are reported at Chalons-sur-
Saône waiting for higher water to move down the Rhone.
Spanish espionage is increasing in French North Africa,
and French authorities believe that the Spaniards are
verifying military information for the Armistice Commissi-
on and are engaged as well in other subversive activities
for the Germans.

At the same time the appearance of substantial French
reinforcements in North Africa can only mean that they
are being sent for purposes approved by the Germans.
More than 7,000 troops have recently debarked at Algiers,
3,600 of these being part of a contingent of 30,000 which
is being transferred from Syria to Algeria by way of
Marseille. Eighty-two railway cars and four Diesel loco-
motives were also recently landed at Algiers.

Dakar is not being neglected. Nine French submarines
are anchored in the harbor, and on December 12 four ships
were suddenly diverted from other runs to take 1,200
Senegalese troops from Casablanca to augment the already
formidable garrison at Dakar.

Latin-American Reaction to the Japanese Attack

The Japanese attack on Pearl Harbor has intensi-
ﬁed the conﬂict between our friends and our foes in the Latin-
American countries, according to a current situation re-
port from the Latin-American section of the Coordinator's office. In the Middle American region, which lies within our sphere of special military and economic interests and which includes Colombia and Venezuela, our friends seem strong enough to assure us the continued support of their governments. There is continuing danger, however, that domestic fascist movements, such as Sinarquismo in Mexico, may adversely affect our position.

Of the remaining Spanish-speaking countries of South America, only two—Uruguay and Chile—have strongly supported the United States. And even in Chile, the Foreign Minister was able to obtain Government backing only after we had made certain economic concessions which we had refused to grant before the Japanese attack.

The Pearl Harbor attack definitely lowered our prestige in South America and strengthened the position of those elements which favor the Axis either on ideological grounds or because they believe that it will win the war in the end. In the countries on the west coast at least the defeat has fortified existing doubts of our ability to defend them against attack, and has enhanced their desire for adequate assurances of support from the United States.
SITUATION REPORT

I. Pacific Theater.

Philippines: No apparent enemy effort during yesterday. Situation around Aparri, Vigan and Legaspi remained inactive. British Borneo: Japanese have landed parties north of Miri, in northwest Borneo. Netherlands East Indies: Australian and Dutch troops occupied Portuguese Timor 17th. Malaya: Heavy fighting continues in the Kedah area. According to the press Japanese troops are threatening Penang. In the Kelantan sector, the press reports Japanese have suffered heavy casualties in attacks on British positions. Hawaii: No further reports of enemy activity have been received. Hong Kong: Serious fighting continues with no clear picture of the situation. West Coast: No further reports have been received.

II. Eastern Theater.

Ground: The situation at Leningrad continues unchanged.

The German withdrawal to a previously selected line for winter stabilization continues along the general line: Kursk-Moscow-Kalinin.

There is no information covering the Donets Basin.

Air: The German High Command announced that units of the Finnish air force yesterday attacked the Turmanak railway south of Soroka and the railway station at karna. Two trains, one a supply train, were bombed.

III. Western Theater.

No further reports have been received.

IV. Middle Eastern Theater.

Ground: Axis rear guard in Gazala area has given way. British advance elements have reached Timimi-Mechili road. Direction of withdrawal of Axis main body not clear at this time.

Air: According to the British Air Ministry, R.A.F. attacks on Axis motorized columns in Libya are continuing. The German High Command claims that German torpedo planes scored two hits on a British heavy cruiser in the Mediterranean yesterday. The Italian High Command admitted another R.A.F. attack on the Italian naval base at Taranto.