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TREASURY DEPARTMENT
Washington

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FOR RELEASE, MORNING NEWSPAPERS,
Friday, December 19, 1941.

The Secretary of the Treasury, by this public notice, invites tenders for \$150,000,000, or thereabouts, of 82-day Treasury bills, to be issued on a discount basis under competitive bidding. The bills of this series will be dated December 24, 1941, and will mature March 16, 1942, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of \$1,000, \$5,000, \$10,000, \$100,000, \$500,000, and \$1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p. m., Eastern Standard time, Monday, December 22, 1941. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of \$1,000, and the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

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

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Payment of accepted tenders at the prices offered must be made or completed at the Federal Reserve Bank in cash or other immediately available funds on December 24, 1941, provided, however, any qualified depository will be permitted to make payment by credit for Treasury bills allotted to it for itself and its customers up to any amount for which it shall be qualified in excess of existing deposits when so notified by the Federal Reserve Bank of its district.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under Federal tax Acts now or hereafter enacted. The bills shall be subject to estate, inheritance, gift, or other

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

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

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December 19, 1941
10:56

RE ALIEN PROPERTY CUSTODIANSHIP

Present: Mr. Foley
Mrs. Klotz

H.M.Jr: Now, the President said did we know how many foreigners own securities and property in this country under dummy names. I said I didn't know, I didn't know whether it was our job or FBI but I would look into it. He said, "Well, now, you take the Queen of the Netherlands." She is no enemy, but he said, "I would like to know does she or doesn't she own property up on the top of the hill, there." He said, "Look into it for me." I said I would.

Now, where Jimmie Byrnes is on this, I don't know. Do you? Is he with us or against us?

Foley: Well, I haven't talked with him. Oscar indicated he would be with us.

H.M.Jr: You had better find out. Hopkins said as soon as he got through he would call me on the phone, but I have got to go on the Hill. That is the way it is done.

Foley: All right. There is an Executive Order, you know, to set up this procedure.

H.M.Jr: Well, what happened - I am past due on the Hill. Now, what happened last night?

Foley: The Justice people came over. Swidler, who is with Townsend, and we had a little talk, and then

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we want back to our respective offices to draft orders and we are going to have a meeting today.

H.M.Jr: Well, can't you find out from Oscar where the thing stands? Shall I call him up?

Foley: No, I can call him up. I understood from Oscar that he and Harry Hopkins and Jimmie Byrnes thought it ought to be in one place and that it all ought to be in the Treasury; in other words, that the AEC should be a part of the Treasury rather than a part of Justice.

H.M.Jr: Well, it was a lucky break I got to the President before. I don't think he would do anything after that without first saying something to me, but you never know.

O.K., Ed, I have got to move. I thought I would give you that.

December 19, 1941
10:58 a.m.

HMJr: Hello.

Operator: Mr. Cox.

HMJr: Go ahead. Hello.

Oscar
Cox: Mr. Secretary.

HMJr: Go ahead.

C: Can I bother you about several things? One,
in working on the next war powers bill.....

HMJr: Yes.

C:it occurred to me that one of the things
that might be done is to cover all the fiscal
powers that you might need.

HMJr: Yes.

C: Marriner Eccles had one minor one on this
authorization of the Federal Reserve Banks to
buy outside the open market.

HMJr: Yeah.

C: Now, I wondered if.....

HMJr: That was my okay.

C: Yeah. Now how about having your legislative
fellows - is it all right if I talk to them in
digging up any other fiscal legislation?

HMJr: Yes. Of course, the Attorney General, in my
presence, agreed to put young Spingarn on that
committee.

C: Yeah.

HMJr: But I don't know why he hasn't done it, and I
haven't had time to call him up.

C: All right.

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HMJr: He wrote me about it.

C: Yeah.

HMJr: But you talk with Ed. That'll be all right.

C: All right, fine. Now, the other thing is this. The Army is very interested in terms of the future appropriations to have them made to the Army instead of to Lend-Lease. Now, that presents a problem along the lines that you were interested in six months ago on this Department of Supply.

HMJr: That's right.

C: Now, here's the question I'd like to put up to you.

HMJr: Go ahead.

C: On stuff like machine tools, chemicals, non-military trucks and oil.

HMJr: Yeah.

C: Would you see any reason, if it can be worked out, why the Treasury shouldn't handle that?

HMJr: Well, the situation is this way. Do you know McKeachie?

C: Yeah.

HMJr: Well, McKeachie came to me last week and said that they'd been studying this at OPM for a long time and they now want us to buy all non-military supplies.

C: Yeah.

HMJr: That is, beginning with the departments. They started in by asking us to buy 150,000 desks.

C: Yeah.

HMJr: And I just talked to the President - just left there - and said what would he think of my - in the first instance - going on the air and

explaining to the people that the Treasury's going to do this - no matter how small a manufacturer he was, we'd want to give him first consideration.

C: Yeah.

HMJr: And he was crazy about the idea.

C: Wonderful.

HMJr: And, of course, he gave me some of his own ideas.

C: Fine.

HMJr: He said, "When you're talking about woodworking", he said, "that's down my alley."

C: Yeah.

HMJr: Then right away he wanted me to also say on the air that if anybody had any extra lathes, they should turn them in to the Government. Well, I said, "Now wait a minute, Mr. President, I don't know how OPM is going to like that." But he said, "Well, think about it." He said, "I wanted somebody to do that for a long time."

C: Yeah. There are a lot of them around loose, you know.

HMJr: He's right, but I don't want OPM thinking I'm crowding them. My attitude is, they've got to ask me "pretty please" to do this.

C: Right. I think you're smart.

HMJr: And I said we'd do one thing at a time.

C: Yeah.

HMJr: So.....

C: Well, I have the feeling that if you take on more of these, that you can do more efficiently than the Army can in any event.

HMJr: Well, that's no competition.

C: (Laughs) Well.....

HMJr: But the way I feel is this. This would be again something that I'd want the President to feel that he was pushing at me.

C: Yeah.

HMJr: I didn't seek out McKeachie; he sought me out.

C: Right. Well, suppose we get it up until the President asks you to take this on.

HMJr: Well, if he does, we'll be glad to do it.

C: All right.

HMJr: Now, can I ask you one?

C: Yes, sir.

HMJr: What is this? It's now one minute past eleven, and where do we stand at one minute past eleven on the alien property custodianship?

C: Well, your fellows, as you know, are over talking to.....

HMJr: Yeah, I know about my fellows; but what about you and Jimmie Byrnes and Harry Hopkins?

C: Well, can I tell you something completely off the record?

HMJr: Absolutely.

C: Jimmie feels as I do, that without any suggestion on your part, that it doesn't make any sense to split these functions - that you've got a continuous process there, which in many cases the freezing control is more important than the vesting control.

HMJr: Yes.

C: And that to take the half dollar and try to cut it in half, this is crazy.....

HMJr: Yeah.

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HMJr: Yeah.

C:particularly where the only rational basis for it is that Justice some 20 years ago handled something called alien property.

HMJr: That's right.

C: The whole world has moved on.

HMJr: Yeah.

C: And secondly, Jimmie feels the way I do, that Justice is not an administrative agency and he thinks it either ought to be in the Treasury or an independent office.

HMJr: Why don't you put it under Byron Price, the Censor?

C: (Laughs) I'm afraid it would just be beyond his depth, and my own personal thought is that it ought definitely to be in the Treasury and.....

HMJr: Well, Oscar, this is the way I feel. I can't - the thing that really shocks me - I can talk completely off the record to you.

C: Yeah.

HMJr: I have a luncheon, at which the Attorney General and Leo Crowley sit down with us. We're in complete agreement that we'll try this thing and see how it works, you see? Hello.

C: Yes.

HMJr: Everybody agrees.

C: Right.

HMJr: And then somebody gets hold of the Attorney General and he begins to wiggle.

C: Yeah.

HMJr: Well, in these times, that's no way to do business.

C: Well, I think that just proves the point doesn't it?

- HMJr: Well, I mean, if I changed my mind, I'd call up Francis and say, "Look, Francis, on Saturday I told you so and so but on Monday I feel this way and Tuesday I feel this way."
- C: Yeah. Well, I think it proves the point for this reason. Francis has got people in that office that are so emotional about this business, that if it's going to take you three weeks to work out an order splitting it up, then you've got as good proof as you want that the damn thing won't work on a split basis; because the top fellows can sit there at lunch and agree.....
- HMJr: Yeah.
- C:but there are a hell of a lot of other people involved in this thing who are like kids playing with a lollypop.
- HMJr: Well, and then - I agree with you entirely, Oscar. Then there's another thing. There are not many as good organizations as this fund-freezing organization are. They're really a top organization.
- C: Well, this - there isn't any organization administrative-wise that's as good as the Treasury under you. We've seen it in this thing very.....
- HMJr: Thank you, sweetheart.
- C: That's the honest truth.
- HMJr: Yeah. Well, I got my training under you.
- C: (Laughs) Ha Ha.
- HMJr: Ha Ha.
- C: I learned it the other way around.
- HMJr: Well, anyway - thanks for the flowers - but the point is, here is a good, well-run, highly efficient organization. Now, why destroy it because there are two or three whipper-snappers

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over there in the Department of Justice would like to have it.

C: Well, we all agree - I mean, Jimmie Byrnes and I are in a hundred per cent agreement on that.

HMJr: Yeah.

C: And the only reason that he suggested a possibility of an independent agency was, not knowing what the President had in mind on Crowley; but I think his recommendation will be that even though theoretically it might be better for Crowley to take over the freezing control staff, as a practical administrative matter, he ought to be put in the Treasury.

HMJr: Don't have any more independent agencies, Oscar.

C: No, sir. It's no good. I mean, even on the sheer problem of space and pencils, for example.

HMJr: Well, look at Export Control - what happened with that.

C: Oh, sure.

HMJr: What?

C: It's no good.

HMJr: Don't have any more independent agencies.

C: It means the waste of an organization like the Treasury to do this job.

HMJr: I agree with you. I mean, an independent - Crowley will be glad to come over with us.

C: I don't think there's any question about it.

HMJr: See?

C: Yeah.

HMJr: Crowley'd be glad to come with us. If it's a matter that centers around Crowley, he'd be

glad to come with us.

C: Well, I would be reasonably sure of that.

HMJr: Where does Harry stand?

C: We haven't talked to him very much in detail about it. I think Jimmie told him this morning not to have the President sign any orders on it until we got a chance to talk to him about it.

HMJr: Yeah.

C: I mean, he didn't want one of these Justice orders sort of slip through under the wire.

HMJr: I see.

C: And Jimmie feels strongly that certainly in these times you ought to do the job as honestly and as efficiently as you think it ought to be done.....

HMJr: Yes.

C:instead of compromising.

HMJr: Right.

C: There's just no use compromising.

HMJr: Right. Well.....

C: I'll let you know what happens on it.

HMJr: Will you? Because, Oscar, this is one of the things I'm really interested in.

C: Well, I think it's damned important.

HMJr: And - well, it's the human relationship. I don't want to see men that have put what they have into this thing just have their - after the months and months of days and nights actually sleeping there with this thing as they have - and have these boys just kicked in the gutter.

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- C: No, I think you're right; particularly since they've done a wonderful job.
- HMJr: Yeah. I mean - and - that's not right.
- C: The only criticism the boys down below in Justice had was that maybe this statute gave the President and the Government a little too much power, which is a unique complaint coming from such an agency.
- HMJr: Yeah. Well, I'm glad you're over there helping him, because God knows he needs some help.
- C: Well, all right. We'll try, anyway.
- HMJr: Okay.
- C: All right, sir.
- HMJr: All right.
- C: Good-bye.

DEC 19 1941

Dear Judge Sumners:

Mr. Spingarn has told me how generous you were with your time and energies in connection with the war powers bill. I would be remiss, indeed, if I did not send you, as I do, my warmest thanks and grateful appreciation for the grand work you did in piloting this vital legislation to enactment.

Sincerely yours,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Honorable Hatton W. Sumners,
Chairman, Committee on the Judiciary,
House of Representatives.

SJS:mfw
12/19/41

By Messenger *Manner*
12:55
cc Thompson
7 MC

[PUBLIC LAW 354—77TH CONGRESS]

[CHAPTER 593—1ST SESSION]

[H. R. 6233]

AN ACT

To expedite the prosecution of the war effort.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

**TITLE I—COORDINATION OF EXECUTIVE BUREAUS IN
THE INTEREST OF THE MORE EFFICIENT CONCEN-
TRATION OF THE GOVERNMENT**

SECTION 1. That for the national security and defense, for the successful prosecution of the war, for the support and maintenance of the Army and Navy, for the better utilization of resources and industries, and for the more effective exercise and more efficient administration by the President of his powers as Commander in Chief of the Army and Navy, the President is hereby authorized to make such redistribution of functions among executive agencies as he may deem necessary, including any functions, duties, and powers hitherto by law conferred upon any executive department, commission, bureau, agency, governmental corporation, office, or officer, in such manner as in his judgment shall seem best fitted to carry out the purposes of this title, and to this end is authorized to make such regulations and to issue such orders as he may deem necessary, which regulations and orders shall be in writing and shall be published in accordance with the Federal Register Act of 1935: *Provided*, That the termination of this title shall not affect any act done or any right or obligation accruing or accrued pursuant to this title and during the time that this title is in force: *Provided further*, That the authority by this title granted shall be exercised only in matters relating to the conduct of the present war: *Provided further*, That no redistribution of functions shall provide for the transfer, consolidation, or abolition of the whole or any part of the General Accounting Office or of all or any part of its functions.

SEC. 2. That in carrying out the purposes of this title the President is authorized to utilize, coordinate, or consolidate any executive or administrative commissions, bureaus, agencies, governmental corporations, offices, or officers now existing by law, to transfer any duties or powers from one existing department, commission, bureau, agency, governmental corporation, office, or officer to another, to transfer the personnel thereof or any part of it either by detail or assignment, together with the whole or any part of the records and public property belonging thereto.

SEC. 3. That for the purpose of carrying out the provisions of this title, any moneys heretofore and hereafter appropriated for the use

of any executive department, commission, bureau, agency, governmental corporation, office, or officer shall be expended only for the purposes for which it was appropriated under the direction of such other agency as may be directed by the President hereunder to perform and execute said functions, except to the extent hereafter authorized by the Congress in appropriation Acts or otherwise.

Sec. 4. That should the President, in redistributing the functions among the executive agencies as provided in this title, conclude that any bureau should be abolished and it or their duties and functions conferred upon some other department or bureau or eliminated entirely, he shall report his conclusions to Congress with such recommendations as he may deem proper.

Sec. 5. That all laws or parts of laws conflicting with the provisions of this title are to the extent of such conflict suspended while this title is in force.

Upon the termination of this title all executive or administrative agencies, governmental corporations, departments, commissions, bureaus, offices, or officers shall exercise the same functions, duties, and powers as heretofore or as hereafter by law may be provided, any authorization of the President under this title to the contrary notwithstanding.

TITLE II—CONTRACTS

Sec. 201. The President may authorize any department or agency of the Government exercising functions in connection with the prosecution of the war effort, in accordance with regulations prescribed by the President for the protection of the interests of the Government, to enter into contracts and into amendments or modifications of contracts heretofore or hereafter made and to make advance, progress and other payments (hereon, without regard to the provisions of law relating to the making, performance, amendment, or modification of contracts whenever he deems such action would facilitate the prosecution of the war: *Provided*, That nothing herein shall be construed to authorize the use of the cost-plus-a-percentage-of-cost system of contracting: *Provided further*, That nothing herein shall be construed to authorize any contracts in violation of existing law relating to limitation of profits: *Provided further*, That all acts under the authority of this section shall be made a matter of public record under regulations prescribed by the President and when deemed by him not to be incompatible with the public interest.

TITLE III—TRADING WITH THE ENEMY

Sec. 301. The first sentence of subdivision (b) of section 5 of the Trading With the Enemy Act of October 6, 1917 (40 Stat. 411), as amended, is hereby amended to read as follows:

"(1) During the time of war or during any other period of national emergency declared by the President, the President may, through any agency that he may designate, or otherwise, and under such rules and regulations as he may prescribe, by means of instructions, licenses, or otherwise—

"(A) investigate, regulate, or prohibit, any transactions in foreign exchange; transfers of credit or payments between, by, through, or to any banking institution, and the importing, exporting, hoarding, melting, or earmarking of gold or silver coin or bullion, currency or securities, and

"(B) investigate, regulate, direct and compel, nullify, void, prevent or prohibit, any acquisition holding, withholding, use, transfer, withdrawal, transportation, importation or exportation of, or dealing in, or exercising any right, power, or privilege with respect to, or transactions involving, any property in which any foreign country or a national thereof has any interest,

by any person, or with respect to any property, subject to the jurisdiction of the United States; and any property or interest of any foreign country or national thereof shall vest, when, as, and upon the terms, directed by the President, in such agency or person as may be designated from time to time by the President, and upon such terms and conditions as the President may prescribe such interest or property shall be held, used, administered, liquidated, sold, or otherwise dealt with in the interest of and for the benefit of the United States, and such designated agency or person may perform any and all acts incident to the accomplishment or furtherance of these purposes; and the President shall, in the manner hereinabove provided, require any person to keep a full record of, and to furnish under oath, in the form of reports or otherwise, complete information relative to any act or transaction referred to in this subdivision either before, during, or after the completion thereof, or relative to any interest in foreign property, or relative to any property in which any foreign country or any national thereof has or has had any interest, or as may be otherwise necessary to enforce the provisions of this subdivision, and in any case in which a report could be required, the President may, in the manner hereinabove provided, require the production, or if necessary to the national security or defense, the seizure, of any books of account, records, contracts, letters, memoranda, or other papers, in the custody or control of such person; and the President may, in the manner hereinabove provided, take other and further measures not inconsistent herewith for the enforcement of this subdivision.

"(2) Any payment, conveyance, transfer, assignment, or delivery of property or interest therein, made to or for the account of the United States, or as otherwise directed, pursuant to this subdivision or any rule, regulation, instruction, or direction issued hereunder shall to the extent thereof be a full acquittance and discharge for all purposes of the obligation of the person making the same; and no person shall be held liable in any court for or in respect to anything done or omitted in good faith in connection with the administration of, or in pursuance of and in reliance on, this subdivision, or any rule, regulation, instruction, or direction issued hereunder.

"(3) As used in this subdivision the term 'United States' means the United States and any place subject to the jurisdiction thereof, including the Philippine Islands, and the several courts of first instance of the Commonwealth of the Philippine Islands shall have jurisdiction in all cases, civil or criminal, arising under this subdivision in the Philippine Islands and concurrent jurisdiction with the district courts of the United States of all cases, civil or criminal, arising upon

the high seas: *Provided, however,* That the foregoing shall not be construed as a limitation upon the power of the President, which is hereby conferred, to prescribe from time to time, definitions, not inconsistent with the purposes of this subdivision, for any or all of the terms used in this subdivision."

Sec. 302. All acts, actions, regulations, rules, orders, and proclamations heretofore taken, promulgated, made, or issued by, or pursuant to the direction of, the President or the Secretary of the Treasury under the Trading With the Enemy Act of October 6, 1917 (40 Stat. 411), as amended, which would have been authorized if the provisions of this Act and the amendments made by it had been in effect, are hereby approved, ratified, and confirmed.

Sec. 303. Whenever, during the present war, the President shall deem that the public safety demands it, he may cause to be censored under such rules and regulations as he may from time to time establish, communications by mail, cable, radio, or other means of transmission passing between the United States and any foreign country he may from time to time specify, or which may be carried by any vessel or other means of transportation touching at any port, place, or Territory of the United States and bound to or from any foreign country. Any person who willfully evades or attempts to evade the submission of any such communication to such censorship or willfully uses or attempts to use any code or other device for the purpose of concealing from such censorship the intended meaning of such communication shall, upon conviction, be fined not more than \$10,000, or, if a natural person, imprisoned for not more than ten years, or both; and the officer, director, or agent of any corporation who knowingly participates in such violation shall be punished by a like fine, imprisonment, or both, and any property, funds, securities, papers, or other articles or documents, or any vessel, together with her tackle, apparel, furniture, and equipment, concerned in such violation shall be forfeited to the United States.

TITLE IV—TIME LIMIT AND SHORT TITLE

Sec. 401. Titles I and II of this Act shall remain in force during the continuance of the present war and for six months after the termination of the war, or until such earlier time as the Congress by concurrent resolution or the President may designate.

Sec. 402. This Act may be cited as the "First War Powers Act, 1941".

Approved, December 18, 1941.

December 19, 1941
11:00 a.m.

RE RADIO ADDRESS TO SMALL MANUFACTURERS

Present: Mr. Kuhn
Mrs. Klotz
Mr. Foley

H.M.Jr: Ferdie, if you don't mind listening, you make notes. I am an hour late on the Hill. I spoke to the President about my going on the air about these desks. The reason I spoke to the President was that I didn't want to have somebody running to the President that I was trying to step out.

He said, "Now, when you talk about woodworking, that is right down my alley." He says, "I think it is a swell idea." He is crazy about it. Then he said, "Can't you fix the price in advance and tell these people that the Government is willing to pay such and such a price which they have figured out would keep a small woodworking shop going?"

(Secretary held a telephone conversation with Oscar Cox.)

H.M.Jr: He called me.

Foley: Yes, I gathered he did.

H.M.Jr: Just stay here a minute and hear the rest of this, Ed.

Now, the President on this woodworking thing - it is sort of hard to get back to it. What had I told you?

- Kuhn: You said if anyone had any extra lathes they should turn them over and that the Government should pay such a price as would keep the small woodworker going.
- H.M.Jr: Set the price in advance. Now, I don't know whether that is good or not. I don't see how we could fix a price in advance for the desks. You might not get any bids.
- Kuhn: Then you have to come up to specifications set by the Government. If you go on the air, you have to specify--
- H.M.Jr: By sections, and we are doing it by districts, and, for instance, in the Northwest where they are close to the wood, they might be able to bid one price and in another section where they didn't have access to the wood, they couldn't, and the hardwood workers of New Hampshire and Vermont might go way below the fellows who had to work with pine in Georgia.
- Kuhn: Don't you have to state your specifications on the air when you go on the air?
- H.M.Jr: You ask them to write me - either ask for a copy of the speech or to go to the nearest Procurement Office. There are only seven of them. I will have to list them on the air.
- Kuhn: When you have finished, I have got one question that has been bothering me. That is, the Local Defense Councils in each of the forty-eight states exist for the purpose of putting the Government in touch with the small manufacturers.
- H.M.Jr: Don't make me laugh. I haven't got time. We will use them as well.
- Kuhn: That is what I mean.

- H.M.Jr: But I, Henry Morgenthau, Jr., with the President's hearty approval, am going to go on the air and say, "Now, we are in this business and we want to reach the small manufacturers."
- Kuhn: That is right, but I meant use the Defense Councils and direct some of your--
- H.M.Jr: We will use everybody. They will send them copies of my speech. I have got to go on the Hill. Have you started on this?
- Kuhn: Yes, I have, and I want to talk to the radio people about it. I have not yet talked to them about it, and I also wasn't clear whether you wanted to do this yourself or--
- H.M.Jr: I do.
- Kuhn: ... have announcers all over the country--
- H.M.Jr: No, I want to do it. I want to talk to the small manufacturers of the United States.
- Kuhn: O.K.
- H.M.Jr: I want something after Cabinet on this thing. You ought to see Cliff Mack and get the technique.

December 19, 1941
11:17 a.m.

Senator Byrd:explained it to me.

HMJr: Well, I just got back this second from the White House.

B: Uh huh.

HMJr: And I wanted to know whether there's still time to come up.

B: No. You see, the House members had a very important meeting of all the Appropriations Committee, and they had to leave at eleven o'clock.

HMJr: Oh.

B: They've adjourned now.

HMJr: Well, I'm sorry.

B: I told - so I told Dan what we were able to do on the farm business - not as much as I would have liked to have seen done. It'll recommend the abolition of the farm tenancy and the farm commodity, together with the loans.

HMJr: Oh, yes.

B: And then a hundred million dollar reduction in the exportation and domestic consumption of agricultural products, and that the overhead expense of the Department of Agri - I mean, the elimination of these Soil Conservation payments - those hundred thousand committeemen he cut out at a saving of forty-four million; the elimination of all land purchases during the period of the emergency; that the Federal Crop Insurance be made actuarially sound; and that the Rural Electrification all be deferred.

HMJr: I see.

B: I did the very best I could with them. That was a ticklish thing, and they had Wickard up here yesterday for two hours.

- 2 -

HMJr: So I heard.

B: And he argued and argued and wouldn't agree to make a single dollar reduction.

HMJr: I see.

B: So I thought - would it be satisfactory to you, Henry, if Dan Bell and I would work over this report and then send it up to you tomorrow?

HMJr: Absolutely.

B: Fine. Well, he's coming down this evening.

HMJr: Thank you.

B: You've been a great help. I tell you, if it hadn't been for you, we couldn't have done anything.

HMJr: Well, that's very nice of you. I'm sorry I - but I've been in Chicago and I've been - well, I haven't been loafing.

B: No. I know what a terrible strain you're under, but you've been invaluable.

HMJr: Well, thank you.

B: Thank you very much; and I'll get hold of Danny this evening and we'll submit it to you then.

HMJr: Thank you, Harry.

B: Good-bye.

December 19, 1941
11:39 a.m.

HMJr: Harold.

Harold
Graves: Yes, sir.

HMJr: Well, how's the great sales manager?

G: Oh, I'm fine, thank you, sir. How are you?

HMJr: I'm alive.

G: (Laughs)

HMJr: That was a good meeting. All the after-taste was good.

G: Yes, I thought it was good.

HMJr: Harold, this is just a little chore which is descriptive of you.

G: Yes.

HMJr: While waiting to see the President, Steve Early informed me that he'd had lunch down at Hogates Restaurant.

G: Yes.

HMJr: And that the manager of the restaurant told him that the restaurants in Washington do ten million dollars a month.

G: Yes.

HMJr: He's a member either of the local or national Restaurant Tariff Association.

G: Yes.

HMJr: And that they would like to have their patrons do all the tipping with Defense Savings Stamps.

G: Fine.

HMJr: Now, I didn't let on that I didn't think this was

an original idea.....

G: Yeah.

HMJr:but I think it's good business to contact the manager of Hogates.....

G: Yes.

HMJr:and tell him you're doing it at Mr. Steve Early's suggestion.

G: Yes.

HMJr: We'd like his cooperation - if he's a go-getter - he runs a good restaurant - maybe he can get all the restaurant people in the country and handle that for us.

G: Yes.

HMJr: And then when you get the thing done, fix up a little letter for me to Steve Early, giving him a report what we've done.

G: Yes.

HMJr: And thanking him for making the suggestion.

G: Yes, sir.

HMJr: Have you got it?

G: I have it.

HMJr: Now don't let that slip.

G: No, I won't. I'll take care of it right away.

HMJr: Then will you organize a meeting to be in my office at four-thirty.....

G: Yes, sir.

HMJr:between yourself and Bell and Broughton and Hall.

G: Yes.

HMJr: I want a report on what's happened in the last twenty-four hours on manufacturing and what's gone out.

G: Fine. We'll be there - four-thirty today.

HMJr: And anybody else that has anything to do with it.

G: Yes. Very good, sir.

HMJr: But at four-thirty I want a report. I'm going to get a daily report from now on until that gets on its feet.

G: Yes, sir.

HMJr: Thank you.

G: I'll take care of it. You're welcome. Good-bye.

December 19, 1941

TO: HAROLD N. GRAVES *AG*
SUBJECT: PROGRESS REPORT FROM DEFENSE SAVINGS STAFF

SALE OF BONDS

Actual cash receipts from the sale of E, F and G Bonds for the first sixteen working days of December were \$223,610,000, an increase of 33.4 per cent over the same period in November. Actual sales for the same period in November were \$167,587,000.

Actual cash receipts from the sale of Series E Bonds for the first sixteen working days in December were \$128,588,000, an increase of 65.8 per cent over the same period in November.

SPECIAL REPORTS ON SALE OF BONDS

The Federal Home Loan Bank Board reports an increase of 376 per cent in the sale of Bonds for the week, December 8 to 13, as compared with the week, December 1 to 6. Of the 120 cities, the highest increase was in the Los Angeles, California area, which was 1400 per cent; the lowest, in the Des Moines, Iowa area, showed an increase of 104 per cent.

12/19/41

ELW
12/22

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SPECIAL REPORTS ON SALE OF BONDS (Continued)

Reports from 89 major post offices showed an increase of 95 per cent in the sale of Defense Savings Stamps for the week, December 8 to 13, as compared with the week, December 1 to 6. The actual figures were:

December 1 to 6 - \$1,145,118.90

December 8 to 13 - \$2,236,431.04

This is an increase of \$1,091,312.14. Percentages ranged from a loss in some cities to more than a thousand per cent increase at Atlanta, Georgia.

CHICAGO MEETING

Those who read this report are generally familiar with the successful meeting held in Chicago; however, a special detailed report is being prepared and will be ready next week. This report is being made in the form of a four-page newspaper, copies of which will be distributed to all employees of the Defense Savings Staff in Washington and elsewhere, as well as volunteer workers.

COOPERATION

Telegrams and letters are pouring into the Defense Savings Staff from movie, radio and stage stars, individual business men, corporations and numerous organizations offering assistance in the Bond and Stamp Campaign.

Among the stars are Dorothy Lamour, Ronald Coleman, Jack Benny, Lily Pons, Andre Kostelanetz, and Brian Donlevy.

NATION'S ENTERTAINERS PLAN AID

Leading representatives of the amusement industry have offered the aid of 165,000 entertainers and have promised that they will launch a plan immediately to get Defense Savings speeches, skits, songs and mention into every show, concert and other amusement acts given in the country. This is on a continuing basis. Plans were completed at a meeting in New York today, Friday, December 19. These plans are being put into operation by the following: Paul Dulzell, Executive Secretary of Actors' Equity; Leo Cluesmann, assistant to the president of the American Federation of Musicians; Gerald Griffin, Executive Secretary of the American Guild of Variety Artists; and Blanche Witherspoon, Executive Secretary of the American Guild of Musical Artists.

RADIO

The Rudy Vallee show on Christmas night will be dedicated to Defense Bonds and Stamps, with Lionel Barrymore reading Dicken's Christmas Carol.

The Columbia Broadcasting System has turned over seven one-half hour late evening dance programs to the promotion of Bonds and Stamps. These will be broadcast on coast-to-coast networks and will include such band leaders as Bennie Goodman, Jimmy Dorsey, Harry James, Cab Calloway, Guy Lombardo, and Glenn Miller. The band leaders will personally read Bond and Stamp announcements.

All radio stations have been contacted and asked to sell Bonds and Stamps directly to the public, following up the plan used by Station WFVA in Fredericksburg, Virginia.

David Sarnoff, president of the Radio Corporation of America, has been named chairman of a committee to organize MINUTE MEN speakers throughout the United States. These speakers will include nationally known men and women who will speak over the networks, and prominent people in local communities who will speak over local stations. MINUTE MEN speakers will also be furnished over stations broadcasting in foreign languages.

RADIO (Continued)

For use ten days before Christmas special announcements were prepared urging people to give Bonds and Stamps as Christmas presents. (Samples of these announcements attached).

Special Pay Roll Allotment Programs of approximately three minutes are being used in the next week on fifty-one network programs.

RADIO DAILY, trade newspaper of the radio industry, is carrying a two-column box daily, showing what stations are doing individually to promote the sale of Bonds and Stamps. This is in addition to the material furnished by the Treasury Department. (Sample copy attached).

Every network children's program is promoting the sale of Defense Bonds and Stamps as follows:

American School of the Air - Monday through Friday, on CBS (Direct to Classrooms)

Superman - Monday through Friday - 500 stations

Tom Mix - Monday through Friday - NBC-Blue

Walter Damrosch Music Appreciation Hour - every Friday over NBC-Blue

Jack Armstrong - every week

The Lone Ranger - every week

Captain Midnight - three times a week

MAGAZINES

The Saturday Evening Post, Newsweek, and the Heart's magazines are using Defense Savings emblems on either the front cover or inside pages. Attached is a copy of The Saturday Evening Post issue of December 20, 1941.

Pay Roll Allotment advertisements are running in December and January in 575 business and trade publications. The combined circulation is 5,900,000. Attached are sample copies of advertisements appearing in Business Week and Printers' Ink.

More than 550 house organs are publishing one column feature entitled "Defense Bonds buy".

A special Pay Roll Allotment advertisement was mailed to 550 labor papers this week. (Copy attached).

PRESS

Cooperation from newspapers continues in a most spectacular way. Editorials, cartoons, special boxes, news stories and clippings of cartoons are coming into the Defense Savings Staff by the hundreds.

Special cartoons by twenty-five of the country's leading cartoonists have been made for the Defense Savings Staff and these are being matted and sent to daily newspapers.

PRESS (Continued)

Attached is a copy of a series of boxes which have been sent out to all newspapers. These boxes will supplant the feature "WAR NEEDS MONEY" sent out a week ago. Attached are a few selected clippings, particularly from Chicago and the Chicago meeting.

A full page advertisement of Defense Bonds was carried in the Journal American of Monday, December 15. (Clipping attached).

LABOR PRESS

Attached are the picture and cartoon sent out to labor newspapers.

PLEDGES

Plans are being made in connection with the campaign to get 35 million American citizens to subscribe to a pledge to buy Defense Savings Bonds and Stamps on a regular basis. These plans will be given in detail in a later report.

RETAILERS FOR DEFENSE

The F. W. Woolworth Company announced that on January 2, 1942 they will give to each of eighty thousand employees a twenty-five cent Defense Stamp in an album at a store meeting, at which time all employees will be urged to buy Defense Stamps on a regular basis each pay day from a cashier in the store. In every major store, an employee has been placed in a booth full time to sell stamps during the Christmas period. Sales in New York City in major stores are running more than \$600 daily.

Sears, Roebuck & Company announced the inauguration of a pay roll allotment plan for all employees in their 900 stores. Starting January 1, 1942 a Defense Window will be established in all stores for the sale of Defense Bonds and Stamps.

Retailers for Defense Committees are asking local and national advertisers to use the small Minute Man cut in all advertisements in newspapers and magazines.

MOTION PICTURES

Walt Disney has offered his personal services and the services of his entire organization to make movie shorts. Plans to accomplish this are being worked out.

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SPECIAL ACTIVITIES

Joe Williams, noted sports writer, has been named chairman of a committee to promote Bonds and Stamps through sports activities. Mr. Williams is coming to Washington on Monday, December 22, to work out plans.

Irving Berlin is writing a new patter for the song ANY BONDS TODAY.

The print of Leon Schlesinger's cartoon has been received and will be screened.

Defense Houses are being operated in Los Angeles, California and Oklahoma City, Oklahoma.

Des Moines, Iowa; Sarasota, Florida; and Hagerstown, Maryland have formed committees patterned after the Buffalo committee and are buying planes and tanks for the Army.

MAIL ORDER DIVISIONS

The mail order division reports the total sales as of December 18 - \$11,053,091. This total has been obtained as follows:

- First Industrial mailing - \$3,191,441 in 86 days
- Second Industrial Mailing - \$1,382,722 in 29 days
- First Customer Mailing - \$3,833,036 in 76 days

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MAIL ORDER DIVISIONS (Continued)

Regular Purchase Distribution - \$304,598
in 34 days

Acknowledgement Distribution - \$144,337
in 41 days

Enclosures to Outside Advertisers - \$12,563

Second Customer Mailing - \$341,898 - in 9
days with 894,000 new names
available

First Prospect Mailing - \$1,441,532 - in
22 days

A large early mailing for 1942, starting December 30,
to customers and prospects totalling 12,000,000 is in prospect.

December 19, 1941
11:41 a.m.

HMJr: Hello.

Colonel
Smith: Yes. Smith, Mr. Secretary.

HMJr: Look, Colonel, I'd like to make a couple little suggestions after my inspection yesterday, see? Hello.

S: Yes, Mr. Secretary.

HMJr: And I'm making them to you and to nobody else. I didn't say anything to the President, I didn't say anything to General Watson, see?

S: All right, sir. Let me get a pencil here a minute. I have one.

HMJr: I feel this way, that for the Army's sake first and for the defense of the President - or let's say the defense of the President first and the Army second - if I had that responsibility of that battery, I would send each group.....

S: Yes.

HMJr:at once, without fail, to some place where they could fire one of those guns. There isn't one of those men, including their officers, that's ever fired a 90 millimeter gun.

S: That's right, sir.

HMJr: And I certainly wouldn't sleep until I had sent each man and the battery, including their officers, to some place - somebody said Indian Head - I don't know if it's Indian Head or where it is.....

S: Yes, sir.

HMJr:so that they had experience and knew how to fire that gun and didn't wait to experiment on any enemy.

S: Yes, sir. Well, that's being taken care of, Mr. Secretary.

HMJr: Well, I gathered it wasn't going to be done in any great hurry.

S: Well, it will be done by instruments as rapidly as it can be.

HMJr: Yeah. Well.....

S: They go down to Norfolk, to the Coast Artillery School down there where there are those guns, and they go down by detachments and will fire them.

HMJr: But I gathered, the way the thing was being handled, that it might be weeks.

S: Well, I'll find out. I don't know how long it will take, sir.

HMJr: Well, I'm bringing it to your attention and to nobody else's, see?

S: Yes, sir.

HMJr: And the other thing, I also gathered that with these ears that they have there - these mechanical ears - they don't get - it's a matter of only a few seconds' notice that they have until they get up this electrical device.

S: Yes, sir.

HMJr: And I'd also like to suggest that somebody put some heat on them to get up what in the Navy they call a raid-eye - I don't know what you call it in the Army.

S: Yes. Those are the ones that they said they hadn't yet received.

HMJr: No, pardon me. They said they'd received them.....

S: Oh, they had to fix them up, that was right.

HMJr:but they didn't seem to know just how to fix them up.

S: That's right, sir.

HMJr: And so I just want to make those two suggestions.

S: Yes, indeed, Mr. Secretary.

HMJr: Because until the men know how to fire the gun or they know how to detect a plane at least more than a - what is it, four or five seconds, I think, is all the warning they have now - it must be more than that, isn't it?

S: Well, they said five miles. I don't know how many seconds that will give them; that won't give them very much.

HMJr: Five miles at 300 miles an hour isn't - well, it's only a couple of seconds.

S: Yes, I get your point, Mr. Secretary.

HMJr: You see? And until they have those electrical raid-eyes up, the batteries are ornamental.

S: Yes, sir. Well, General Jarman will be down, I think, tomorrow or next day, and I'll take this up with him then.

HMJr: Are you going to wait that long?

S: Well, no, I can telephone him, Mr. Secretary.

HMJr: That's better. Thank you.

S: Yes, sir. You're quite welcome, sir.

HMJr: Thank you.

December 19, 1941

1:00 P.M.

Memorandum for the Secretary:

Colonel Smith telephoned and asked me to give you the following message from him:

"I have taken up the points you mentioned in connection with your inspection of anti-aircraft installations yesterday. The Deputy Chief of Staff, General Bryden, and the Chief of Coast Artillery are in conference now making immediate arrangements to put your suggestions into effect."

Mrs. McHugh

December 19, 1941
1:05 p.m.

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HMJr: This is Secretary Morgenthau.

Eacy. to

Sen. Walsh: Yes, sir.

HMJr: Mr. Walsh promised me yesterday when I saw him at four that he would call me before I went to Cabinet.

S: Yes, sir. What time do you go to Cabinet, sir?

HMJr: Well, I go at two o'clock.

S: Two o'clock. Well, he's either on the Floor, sir, or he went to early luncheon. I can reach him before two o'clock, and I'll have him call you.

HMJr: Well, he promised me faithfully he'd call me before I went to Cabinet.

S: If he promised you that, he will call you, sir.

HMJr: I hope so.

S: I know so.

HMJr: All right.

S: Okay.

1:48 p.m.

HMJr: Hello.

Operator: Yes, sir.

HMJr: Go ahead.

Operator: I have to get him on. He hung up.

HMJr: Hello.

Senator
Walsh:

Hello, Mr. Secretary.

HMJr:

Henry speaking.

W:

Yes, I'm sorry I've had to delay. I've been downtown. Just got back this moment.

HMJr:

Right.

W:

I rushed back so as to get here before two o'clock.

HMJr:

Right.

W:

I am not prepared to give my consent today, and I'll have to ask you to let that go until next week. I'll just say this to you. In the meantime, I talked to Representative Dies and asked him about the conduct of that Bridges case by Mr. Landis. He said he would publicly state that he was most unfair and showed marked prejudice in favor of Bridges during the whole hearing. I want to look into that more. I'm just telling you what he said.

HMJr:

Yeah.

W:

I don't know whether Dies - I don't know him personally at all, or whether his judgment is worth relying upon at all; but it's apparent - it looks to me as if that issue would be raised. I suggest you let the matter go for a few days until I get back from Massachusetts the first of next week.

HMJr:

Well, it's very disappointing.

W:

Yes, well I'm sorry too. I appreciate your position. It's very troublesome to me. It's been a source of very great trouble.

HMJr:

Yes. Well.....

W:

I'll take it up with you as soon as I come back on Tuesday of next week.

HMJr:

You'll be back Tuesday.

W:

Yes.

HMJr:

Thank you.

December 19, 1941

To: The Secretary
From: Mordecai Ezekiel
Subject: Tax Policy and the Budget Message

Yesterday Dr. Hansen of the Federal Reserve Board staff called a meeting to consider tax policy and the coming budget message in relation to inflation prospects. Economists from the Budget Bureau, OPM, and OPA were also present, among others.

A review of the existing situation led to agreement that:

- (1) The price increase had slowed down markedly since September, reflecting increased supplies and a cessation of stocking-up.
- (2) Future increases in defense employment will be partially offset by priority unemployment, leaving only slight net gain in consumer buying power.
- (3) Quantities of food, clothing, and services available for domestic consumers can continue to expand throughout our war effort. At the same time, defense expenditures themselves will provide food, clothing, and shelter for a rising proportion of the population.
- (4) Reduction or elimination of consumers' durables will not divert an equal amount of buying power to food and other perishables (a) because these durables are usually bought on installment credit and with the cessation of their sale the credit will contract, and (b) because durables are bought largely by middle- and upper-income groups which already buy about as much food as they need.

These facts led to a conclusion that consumer buying power is not likely to rise very much faster than the quantity of commodities and services available for sale to consumers for quite a period ahead.

In view of these facts, it was the general consensus of the group that:

- (1) Inflationary pressures toward a continuing upward price movement were less marked now than had seemed likely several months ago, and the

Stand page not attached
12-19-41

6 Positives given to Mr. Bell today
in accordance with Mrs. Klotz's
instructions.

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THE WHITE HOUSE
WASHINGTON

December 19, 1941.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I enclose memorandum from Harold Smith and have asked him to cooperate with you in letting me have a general outline of the tax policy or program for inclusion in my Budget Message.

F. D. R.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D. C.

OFFICE OF
THE DIRECTOR

December 17, 1941

THE WHITE HOUSE
DEC 18 12 38 PM '41
RECEIVED

MEMORANDUM TO THE PRESIDENT:

The proposed Budget Message for 1943 has gone through several drafts here in the office. It seems quite clear that the Budget Message should be used as a vehicle to set forth a more comprehensive statement of the fiscal situation and of fiscal policy than has ever been done before.

The Budget picture is affected by price control, priorities and allocations, credit control, as well as the obvious expenditure and revenue aspects. In view of a possible deficit of 38 billion dollars for 1943, based on present revenue measures, I feel that an integrated financial program should be incorporated in the Budget Message. I believe that it will give the country a feeling of confidence that such a program is being formulated for adoption.

We have already drafted the Message tentatively to include what we believe to be the general outline of the Treasury tax program. If you agree that there is advantage in a rather comprehensive statement of the fiscal situation, I will be glad to try to iron out the text with the Treasury in advance of presentation to you, in order to conserve your time.

Harold D. Smith

December 19, 1941
4:45 p.m.

HMJr: Hello.

Operator: Harold Smith.

HMJr: Hello.

Harold
Smith: Hello.

HMJr: Henry Morgenthau.

S: Yeah.

HMJr: I've just gotten this note from the President
in regard to his message, and he spoke to me
about it this morning.

S: Yeah.

HMJr: Also, he enclosed your note to him.

S: I just saw it right this minute, myself.

HMJr: Pardon?

S: This is the first time - I see I have a copy
of it here. I hadn't seen it until this minute.

HMJr: Yes. Well, any time that you want to sit down
with our people, they're available.

S: Yeah.

HMJr: I'm available.

S: Well, I think that we'll have to make some - we've
got a tentative draft of a Budget message.....

HMJr: Yes.

S:and my general feeling is that the Budget
message ought to be more comprehensive than
it's been in the past because of this particular
situation. You remember what I said in the
memorandum to him.

HMJr: Yes.

S: And that was the point I had in mind, and we're running against time on it; and let me see where the draft stands and then I'll get in touch with you or shall I get in touch with Bell.....

HMJr: Either one of us.

S:and see what the next move - I think possibly you and I ought to sit down and talk about it a little.

HMJr: I think you and I should.

S: Yeah.

HMJr: But if there's going to be anything in there about taxes, why I want to be sure it's.....

S: Yeah.

HMJr:in agreement with what we here in the Treasury feel.

S: Yes. Yes.

HMJr: And so any time you're ready, if you'll just give me a little notice I'd like to sit down.....

S: Yeah, I'll do that.

HMJr:I'd like to sit down with you myself.

S: Yeah. Well, I'd like to talk to you about it. Now, let me remind you - maybe you don't need to be reminded - about that speech in New York. Have you got it all written?

HMJr: No. Now, let's see, what night is that?

S: That's Sunday night, as I recall; I think that's about the twenty-eighth of December.

HMJr: Yes. No, but we've made a start on it.

S: Good. Good.

The radio time, I understand, is fixed up.

HMJr: That's right.

S: Yeah.

HMJr: Now, there'll be some people from the Treasury that would like to go.

S: Yeah.

HMJr: Do you suppose there could be a Treasury table?

S: Why, I would think so, yes.

HMJr: What?

S: Well, I would think so. Now, I don't know the arrangement of the hall.

HMJr: Well, who takes care of.....

S: It's not a dinner meeting, you know.

HMJr: Oh, I thought it was a dinner meeting.

S: No, no.

HMJr: Oh.

S: It's a big assembly of the two organizations.

HMJr: Oh.

S: Yeah.

HMJr: Well.....

S: Do you recall the radio time, whether it's.....

HMJr: I think it's eight-thirty.

S: Yeah. Well, that's what I was thinking.

HMJr: Well, if anybody at the Treasury wants to go, how will they get in?

S: Oh, easy enough. There are no limitations.

HMJr: Well, I mean, how - do they have to have tickets or what?

S: I don't think so.

HMJr: I see.

S: One of the groups, I don't think, is even registering people.

HMJr: I see.

S: No, this is pretty much of an open meeting.

HMJr: Oh.

S: But I'll check into that and get the arrangements to somebody over - over to your secretary so they can take care of it.

HMJr: Right. And if you - now, on this thing, I'm ready any time if you'll just give me a little notice.

S: Yeah. Well, what I was thinking of, of course, we're running into the Christmas and these other responsibilities.

HMJr: Well, if your draft is ready on the fiscal part and the tax part, why we're ready to discuss it.

S: Yeah. Fine. All right, I'll get in touch with you.

HMJr: Thank you.

S: Good-bye.

December 19, 1941
4:55 p.m.

RE DEFENSE SAVINGS BONDS

Present: Mrs. Klotz
Mr. Bell
Mr. Graves
Mr. Broughton
Mr. Haas
Mr. Kilby
Mr. Hall

H.M. Jr: Well, I see we are still selling them. This last day's is the biggest, isn't it?

Graves: The best day was really Monday, looking at the E Bond column. Eighteen million E Bonds Monday, as I recall it, and thirteen million yesterday.

H.M. Jr: But the total is --

Haas: The total is the biggest yesterday.

H.M. Jr: It doesn't give the total. Yes, it is all right. Now, how many did you produce?

Hall: We turned out one hundred twenty thousand already and they were delivered today.

H.M. Jr: Now, have you got a sheet for me like you gave me yesterday?

Hall: Mr. Broughton submitted that this morning.

Broughton: You have got that report, haven't you? That is it. Here is what the Bureau plans for the next three days.

H.M.Jr: Well, what did they do?

Hall: We did that today.

H.M.Jr: Well, how many have you sent out?

Broughton: I haven't got the figures, but it is about two hundred and fifty thousand in round numbers, two hundred fifty thousand pieces in round numbers.

H.M.Jr: How can you do that?

Broughton: Well, we shift in our stock, you see.

H.M.Jr: Well, you have only got nine thousand --

Broughton: That is the --

H.M.Jr: But how many of the one hundred twenty thousand is twenty-five dollars?

Hall: All twenty-five's.

H.M.Jr: A hundred and twenty thousand?

Broughton: Yes, sir.

H.M.Jr: Then you shifted.

Hall: No, that figure shows all twenty-fives. It comes under that column, you see.

H.M.Jr: Oh, I thought you said you didn't have the plates.

Hall: No, I didn't say that.

H.M.Jr: I understood you didn't have the plates.

Hall: No, I never said anything about not having plates. We have got plenty of plates.

- Bell: Mr. Secretary, he is on a production basis today of how many?
- Hall: Five hundred fifty thousand bonds are being plate burned by the day.
- H.M.Jr: What does that mean?
- Hall: That means they are being actually printed. The finishing operations is where we will be having the bottlenecks.
- H.M.Jr: I understood you said you had only so many master plates. Now, you used that twenty-five dollar plates - I mean, you couldn't increase them because you were limited in the number of plates that you had. We were talking about going up to four hundred thousand.
- Hall: No, I don't recall saying --
- H.M.Jr: I wouldn't know what a master plate was.
- Hall: Well, we don't print with a master plate. I don't know how that came into the conversation.
- H.M.Jr: You said you made twenty-five dollar plates.
- Hall: I think I know what you are referring to now. We have master plates in the bath, depositing plates, and we are taking them out in one day rather than allowing them to deposit for two days, cutting down the time.
- H.M.Jr: Well, I won't argue with you. I got the impression you were limited --
- Hall: Our plates are in excellent shape, Mr. Secretary. We are in excellent shape on plates.
- H.M.Jr: But these you are going to concentrate on that?

Hall: There are hundreds now being called for, so we will have to get twenty-five, fifty and one hundreds.

H.M.Jr: Let me ask you, George, if they - just take your pencil. How much is a hundred and fifty times twenty-five dollars.

Bell: A hundred and fifty what, thousand?

H.M.Jr: A hundred and fifty thousand times twenty-five dollars. You have got to take off a quarter. Then you have got to deduct a quarter.

Haas: Thirty-seven fifty.

H.M.Jr: Thirty-seven fifty what?

Haas: Well, you have got thousands up here, have you?

H.M.Jr: A hundred and fifty thousand at eighteen-seventy-five.

Bell: Three million seven hundred fifty thousand dollars.

Graves: Now take a quarter off, George.

Haas: One quarter of that amount?

Graves: Yes, because that is face value.

Bell: You want the cash value?

H.M.Jr: And then if you do fifty thousand --

Haas: It is about two, six.

H.M.Jr: Then fifty thousand, fifty dollars. That is two and a half million, isn't it? And you take a quarter off that and it makes it two million, roughly. So how much is that - I am getting at it --

Haas: About five, now.

H.M.Jr: You are producing about five million dollars worth of bonds a day and you are selling twenty-five million.

Graves: No - well, that is correct, but the point is that the production in the high denominations isn't in that calculation.

Bell: That is all bonds, you are selling twenty-five million.

H.M.Jr: But Harold, he has got down here on Friday he produced a hundred and twenty thousand twenty-five dollar bonds. Saturday he is going to produce a hundred and fifty and fifty. The next time a hundred and seventy-five and seventy-five. I was trying to get the monetary value of that.

Graves: And relate it to this actual daily receipt.

Hall: There are two other denominations, Mr. Secretary, of which they have stock in the banks.

Graves: Sixty percent of our dollar volume, Mr. Morgenthau, comes or has been coming in thousand and five hundred dollar bonds.

Here is a table showing the percentage of dollar volume by denominations in twenty-five and fifty in relation to the total sales of the E Bond. You see, the twenty-five dollar bond is only ten percent.

H.M.Jr: Well, Harold, how many complaints are you getting from people that haven't been getting them?

Graves: Well, we get our complaints pretty well channelized through the Post Office Department

here and through the Federal Reserve Banks, and I guess all of them are complaining. Dan will know that better than I because he contacted them, the twelve banks, the other day.

- Bell: No, Kilby did, but he said that they all thought that the situation was pretty well in hand, and they were satisfied, as I understand it, when he talked to all of them.
- Kilby: That is right.
- Broughton: Two days ago the Post Office called up and their urgent requirements were three hundred thousand twenty-fives and sixty thousand twenty-fives. A lot of the requisitions are in hand and the Federal gets us on the wire, on the telephone, when they are out, and it is all twenty-fives and fifty's at the moment.
- H.M. Jr: Who gave the order to Hall to stop printing? Did you?
- Bell: There was no order given.
- Hall: Mr. Secretary, let me explain.
- Broughton: Never heard of it.
- Hall: There must have been a misinterpretation of what I said.
- H.M. Jr: There is no misinterpretation. If you want some witnesses I can bring in Kuhn and Buffington.
- Hall: Well, I wish they would come in because --
- H.M. Jr: No, my word --
- Hall: I would like to relate what I said. This is the point I was making. I made the point that

we were misled on the production program. We hadn't any idea of what was ahead of us. We had an order for five million bonds to be delivered before Christmas, for the Christmas rush. That order was well in hand in the early part of December. As a matter of fact, I related the same thing in these talks that I made before the four groups. The first part of September we completed that order on the first operation, wound it up.

There were five or six operations that followed. Before we took the plates off the press, we called up either Spencer Thompson or Mr. Broughton - someone in his office, Spencer Thompson, I guess, who is handling the matter for you (Broughton) and asked him whether another order was coming through to keep the presses going, so we wouldn't have to take the plates off. He said, "No, there is nothing in the making." So we took the plates off and put other work - presses on the first operation.

Bell: Up to that time the requisitions hadn't begun to flow in.

Hall: No, there was no sign of any --

H.M.Jr: But you stopped printing them.

Hall: On the first operation. It didn't hurt our program. I am explaining how it misled us.

H.M.Jr: But if you stopped on the first operation you stopped printing bonds.

Hall: No, the first operation runs about four or five times as fast as the other operation, so it is a matter of catching up.

H.M.Jr: You didn't say anything about the first

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operation. You said you had stopped printing. You simply said that you had been told to complete five million bonds and you told me sometime after the first of December you did it. You filled the orders you got and you were told to get that many and so you stopped.

Hall: I am sorry that you misunderstood me, Mr. Secretary. I meant the first operation --

H.M.Jr: Well, you never mentioned the word "first operation." I never heard it before.

Hall: ...because following the first operation is the most important printing operation.

H.M.Jr: Well, you didn't - you most likely thought I knew what the first operation was, but you left the impression with me that the orders were to get out five million bonds and you got those out and then you stopped.

Hall: Well, I couldn't make that - if I made that statement I didn't know what I was talking about, because there are so many operations - printing operations that follow that operation. The plate printing operation was next.

Bell: Then there was a requisition put in on the third. It went astray, however, in the Printing Division.

H.M.Jr: That is the impression I had and that is

why I told you to go to four hundred thousand a day and buy enough machinery so you could go to eight hundred thousand. I told you to send a telegram out.

Hall: I did send a telegram out.

Bell: But he is on a production basis today of five hundred fifty thousand in bonds a day.

H.M.Jr: I can't help it. I got the impression from him that he stopped. He didn't say anything more about first operations - I said, "Can you go up to eight hundred thousand now?"

He said, "I can't make any more twenty-five dollar plates because I haven't got enough master plates.

Bell: Mr. Secretary, all these orders in here, these requisitions, don't mean that they are out of bonds.

It means that they are sending them in ahead of time. Now, some of them are out of bonds.

- H.M.Jr: Now, Dan, this is a meeting for what? So that we don't get caught in this same position again, see.
- Bell: That is right, I agree with that.
- H.M.Jr: That is the whole purpose. I am not trying to - I am not creating an alibi for myself because if Hall is criticized, who comes to his defense? I do, publicly, but I don't want - I don't care whether you have got ten operations or five operations. We ought to have enough stuff on hand and that is where somebody, I think, fell down, and I don't care what anybody says. In this room, somebody fell down. We should have had enough stock on hand for three months.
- Hall: We have. We have three months' stock in the banks.
- H.M.Jr: Now, Hall, I am going to begin to get irritated, because you told me you only were told to have enough for two months. Now, you are telling me an entirely different story here than you told me in my room on the train. Don't drive me, because I have got--
- Hall: Mr. Secretary--
- H.M.Jr: Look, these men who work for me every day never try to trip me up on my memory. They know my memory. Now, there is something wrong here and this comes under Bell, and I want - I mean, don't - on these things, the men that work with me every day, they know my memory. I have got a lot of weak points, but one of the things isn't a conversation that I had two nights ago.
- Now, Bell, please build this thing up, will you, so that each denomination - in the first

place, the stuff so it can cure.

Bell: Now let me explain to you a little what position we are in.

H.M.Jr: There should be three months' stock in.

Bell: We get the best estimates we can on the requirements, and we get that from Mr. Graves' section, Gene Sloan, who gives the best estimate he can on what we need for a year. Now, that has been changed two or three times since we put in our estimate last spring. At the present time we are on an eighteen million dollar bond program for the year.

H.M.Jr: Eighteen--

Bell: Eighteen million pieces. Sixteen million of those are twenty-five dollar pieces - Series E, I should say, Series E Bonds.

Now, Harold tells us--

H.M.Jr: You see, I don't know pieces. If you talk to me in terms of billions of dollars--

Bell: Well, you can't because they are different denominations.

H.M.Jr: Well, give me a percentage of the thing. I mean, talk to me - if you are going to sell five billion or ten billion - I mean, translate it. Here are your percentages.

Bell: Well, it is a little difficult to translate it as I go along.

Graves: I think the fact is that what I told Dan is not to be found there because we are expecting a complete shift.

H.M.Jr: Let's put it this way, Dan. What is the best guess for the first six months? How many billions of dollars of bonds are we going to sell from January to July 1?

Bell: Harold says that we are going to sell - the goal is now to sell four hundred million dollars a month.

Graves: At least, E Bonds.

Bell: Now, Mr. Secretary, on the average that is fifty million pieces a year.

H.M.Jr: Now, may I make it - instead of four, will you make it five hundred million? I am raising it.

Broughton: Five hundred million?

Graves: Yes.

Bell: We have got to have some more money, immediately.

H.M.Jr: All right, then, something will come out of me. Let's make it five hundred million. Now, how many--

Graves: We will give the distribution by denominations in pieces.

Bell: That is right, yes, that is what we have got here.

H.M.Jr: But I would say the way the thing is going now that is low.

Bell: Well, I am sure in a week - in five days we will have the full situation clear.

H.M.Jr: That is low.

Broughton: Well, do you think it would be safe to assume an average denomination of a hundred dollars.

H.M.Jr: Now, I am no good at that.

Broughton: You are not?

H.M.Jr: I am no good at that.

Graves: We can give that distribution.

H.M.Jr: But I certainly would do this. I am going to put down, until they tell me I am crazy, and then if we get too many, that is all right, see. I am going to give you a figure of seven hundred fifty million dollars.

Bell: On E Bonds alone?

Graves: E Bonds?

H.M.Jr: Yes, sir.

Bell: We can build up the stock.

Graves: On that basis?

Bell: Yes.

H.M.Jr: Now, I want seven hundred fifty million.

Broughton: A month?

H.M.Jr: A month, and when you have enough on hand for three months' supply, then, Hall, come around and see Papa, and in writing I will tell you to slow down.

Hall: It will be in writing, you can make up your mind to that.

H.M.Jr: In writing, see, in writing. Then you and I

won't have any misunderstandings.

- Hall: I am sorry about it.
- H.M.Jr: That is all right. You go on another trip with me anyway.
- Hall: I enjoyed that.
- H.M.Jr: You are talking technical printing language and I am talking dollars, but I would aim for seven hundred fifty million dollar E Bonds and cut your cloth to suit that, and then after you have got three months' supply on hand, then you can begin to slow down. Will you do that, Dan?
- Broughton: Yes, sir.
- Bell: It is done. We will get the money later.
- Graves: Don't you think we had better talk a little to the Secretary about money or do you want to do that later?
- Klotz: They are talking together about it. I love that. You are not supposed to be listening to that Mr. Secretary.
- H.M.Jr: I know.
- Bell: We have got to go get money, and we might as well make up our minds to get it now. I think that is right.
- Graves: Get it quick.
- H.M.Jr: That is what I - I don't know now many pieces that is.
- Hall: I just made an inquiry. How many pieces? Yes, sir.

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H.M.Jr: I may be crazy but--

Broughton: No.

H.M.Jr: Old Lloyd George, he asked his whole general staff to give him estimates. The story is an old one. And then he said, "The amount of ammunition they need," he said, "I multiply it by four," and he gave it to them during the World War and then they were short. He just multiplied it by four and then they were short. I am saying seven hundred fifty until we get three months supply.

Broughton: Right.

H.M.Jr: And the stuff ought to cure anyway.

Gosh, when I came in here they told me a dollar bill had to cure six months before you could use it.

Broughton: That is our old bond.

Bell: That is a little different.

Graves: You can do that.

Haas: What?

Bell: You see, this is a new process we have got out here. We are really in a better position because of this new program than we otherwise would be.

Kilby: We have got three million more bonds than we otherwise would have had.

Hall: You have got to match the numbers up with the bond. That is what slows us up.

Bell: And it has to be checked in Loans and Currency

before it is shipped out.

H.M.Jr: All right, it was a good meeting. Good night.

Hall: Good night.

Kilby: Good night, sir.

(Mr. Broughton, Mr. Kilby, and Mr. Hall left the conference.)

Haas: We have had several different plans, and I think the most satisfactory procedure is to get it direct from the corporations, the statistics you want. Here would be the information you get from each corporation which is using the plan.

H.M.Jr: Total number of employees, amount of payroll, number of employees pledged, amount of aggregate, amount of bonds purchased by employees on the payroll.

Have any of you gentlemen seen this?

Graves: Yes, I have seen it.

H.M.Jr: Do you approve of it?

Graves: Yes.

H.M.Jr: Do you approve of it?

Bell: George just told me about it, and I have the general idea. It sounded all right. I don't think you could put that on the agency system.

Haas: The agency does not have--

Graves: This is a short cut.

Bell: That is right.

Graves: This is more direct to the employers.

Haas: And then, Mr. Secretary, the question of - I don't think we could get this unless we use your signature addressing the corporations. If that is agreeable to you, I could - I would go over the draft of a letter with Kuhn and with Harold Graves and so on.

H.M.Jr: Well, look, one, two, three, anything the three of you agree to suits me, as long as I get it.

Haas: The other thing was your particular thing. You wanted weekly - I am inclined to think it is impractical except monthly.

H.M.Jr: O.K.

Haas: O.K., all right, fine. Thank you very much.

TO: Secretary Morgenthau
FROM: George Buffington

DATE December 19, 1941.

Walt Disney agrees to produce and deliver on or before February 15, 1942, 700 to 800 feet of film in technicolor with a tentative title "The New Spirit" at a cost not to exceed \$40,000. The Walt Disney production will consist of one negative and one print. The production cost will include only out of pocket expense and does not include anything for Mr. Disney's personal services.

Mr. Disney is particularly anxious to produce a picture that will be a credit to his name and will make every effort to keep the cost below \$40,000.

In order to cover the key motion picture theatres as promptly as possible, Mr. Disney suggests that we will need 1,000 extra prints. The regular cost of producing this number would be \$40,000 in addition to Mr. Disney's charges, making a total cost of \$80,000. Mr. Disney believes he can reduce the cost of prints somewhat.

He points out also that with very little added expense he believes this picture can later be adapted for Defense Savings Bond purposes.

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
First Sixteen Business Days of December, November and October, 1941
(October 1-18, November 1-21, December 1-18)
On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	December	November	October	December over November	November over October	December over November	November over October
	Series E - Post Offices	\$ 44,197	\$ 27,551	\$ 25,006	\$16,646	\$ 2,545	60.4%	10.2%
Series E - Banks	<u>84,391</u>	<u>50,003</u>	<u>48,107</u>	<u>34,388</u>	<u>1,896</u>	<u>68.8</u>	<u>3.9</u>
Series E - Total	128,588	77,555	73,113	51,033	4,442	65.8	6.1
Series F - Banks	13,856	13,007	13,804	849	- 797	6.5	- 5.8
Series G - Banks	<u>81,166</u>	<u>77,025</u>	<u>75,024</u>	<u>4,141</u>	<u>2,001</u>	<u>5.4</u>	<u>2.7</u>
Total	<u>\$223,610</u>	<u>\$167,587</u>	<u>\$161,942</u>	<u>\$56,023</u>	<u>\$ 5,645</u>	<u>33.4%</u>	<u>3.5%</u>

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

December 19, 1941.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - December 1941
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales	Bank Bond Sales				All Bond Sales			
	Series E	Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
December 1941									
1	\$ 2,976	\$ 3,904	\$ 1,333	\$ 7,220	\$ 12,458	\$ 6,880	\$ 1,333	\$ 7,220	\$ 15,434
2	1,229	2,592	623	5,750	8,964	3,821	623	5,750	10,193
3	1,510	2,734	870	5,289	8,893	4,244	870	5,289	10,403
4	2,411	4,036	726	7,530	12,292	6,447	726	7,530	14,703
5	2,015	4,805	1,152	12,357	18,314	6,820	1,152	12,357	20,329
6	1,001	2,293	656	2,776	5,725	3,294	656	2,776	6,726
8	3,282	4,764	1,011	3,810	9,585	8,046	1,011	3,810	12,866
9	1,828	3,877	601	4,996	9,475	5,706	601	4,996	11,304
10	1,651	3,566	491	2,612	6,668	5,217	491	2,612	8,320
11	1,909	4,763	719	3,423	8,905	6,672	719	3,423	10,814
12	2,773	5,012	658	3,768	9,437	7,785	658	3,768	12,211
13	2,767	5,030	584	2,120	7,734	7,798	584	2,120	10,501
15	7,185	11,679	1,022	4,462	17,162	18,864	1,022	4,462	24,347
16	2,113	3,956	893	1,901	6,750	6,069	893	1,901	8,863
17	4,164	9,750	1,180	6,327	17,257	13,914	1,180	6,327	21,421
18	5,382	11,630	1,337	6,826	19,793	17,012	1,337	6,826	25,175
Total	\$ 44,197	\$ 84,391	\$ 13,856	\$ 81,166	\$179,413	\$128,588	\$ 13,856	\$ 81,166	\$223,610

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

December 19, 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.

U. S. SAVINGS BONDS, SERIES E, TYPE A
STOCK ACCOUNT OF LOANS AND CURRENCY VAULT

Report for December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
On hand c.o.b. Dec. 18	9,653	9,722	102,126	45,149	128,181	294,831
Received from Bureau Dec. 19	120,000	.....	.....	.....	.....	120,000
Total	129,653	9,722	102,126	45,149	128,181	414,831
Shipments	123,640	1,460	59,955	22,167	23,211	230,433
On hand c.o.b. Dec. 19	6,013	8,262	42,171	22,982	104,970	184,398

Estimated deliveries to be received from Bureau of Engraving and Printing:

Saturday, Dec. 20	150,000	50,000	.....	.....	.....	200,000
Sunday, Dec. 21	175,000	75,000	.....	.....	.....	250,000
Monday, Dec. 22	150,000	75,000	25,000	.....	.....	250,000

U. S. SAVINGS BONDS, SERIES E, TYPE A 60
REQUISITION ACCOUNT OF ISSUING AGENTS

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 18						
Federal Reserve Banks.....	324,040	254,060	204,655	45,037	45,061	872,853
F. O. Department.....	706,000	305,000	275,000	30,000	30,000	1,346,000
Others.....	.....	.....	.....	.....	.....	.....
Total.....	1,030,040	559,060	479,655	75,037	75,061	2,218,853
Requisitions received Dec. 19						
Federal Reserve Banks.....	110,600	68,400	66,300	31,130	35,150	311,580
F. O. Department.....	.....	.....	.....	.....	.....	.....
Others.....	800	200	100	20	.....	1,120
Total.....	111,400	68,600	66,400	31,150	35,150	312,700
Totals -						
Federal Reserve Banks.....	434,640	322,460	270,955	76,167	80,211	1,184,433
F. O. Department.....	706,000	305,000	275,000	30,000	30,000	1,346,000
Others.....	800	200	100	20	.....	1,120
Total.....	1,141,440	627,660	546,055	106,187	110,211	2,531,553
Shipments Dec. 19						
Federal Reserve Banks.....	63,640	1,460	39,955	17,167	18,211	140,433
F. O. Department.....	60,000	.....	20,000	5,000	5,000	90,000
Others.....	.....	.....	.....	.....	.....	.....
Total.....	123,640	1,460	59,955	22,167	23,211	230,433
Due on requisitions c.o.b. Dec. 19						
Federal Reserve Banks.....	371,000	321,000	231,000	59,000	62,000	1,044,000
F. O. Department.....	646,000	305,000	255,000	25,000	25,000	1,256,000
Others.....	800	200	100	20	.....	1,120
Total.....	1,017,800	626,200	486,100	84,020	87,000	2,301,120

U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF BOSTON

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 18.....	22,000	....	10,000	....	....	32,000
Requisitions received Dec. 19.....	....	....	....	....	....	....
Total.....	22,000	....	10,000	....	....	32,000
Shipments Dec. 19.....	5,000	....	5,000	....	....	10,000
Due on requisitions c.o.b. Dec. 19.....	17,000	....	5,000	....	....	22,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF NEW YORK

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 18.....	110,000	72,000	115,000	35,000	40,000	372,000
Requisitions received Dec. 19.....	....	....	....	....	....	....
Total.....	110,000	72,000	115,000	35,000	40,000	372,000
Shipments Dec. 19.....	15,000	....	10,000	5,000	10,000	40,000
Due on requisitions c.o.b. Dec. 19.....	95,000	72,000	105,000	30,000	30,000	332,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF PHILADELPHIA

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 18.....	3,000	10,000	....	....	....	13,000
Requisitions received Dec. 19.....	25,000	25,000	25,000	15,000	25,000	115,000
Total.....	28,000	35,000	25,000	15,000	25,000	128,000
Shipments Dec. 19.....	....	....	....	....	....	....
Due on requisitions c.o.b. Dec. 19.....	28,000	35,000	25,000	15,000	25,000	128,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF CLEVELAND

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 18.....	35,000	20,000	....	....	....	55,000
Requisitions received Dec. 19.....	50,000	25,000	25,000	10,000	5,000	115,000
Total.....	85,000	45,000	25,000	10,000	5,000	170,000
Shipments Dec. 19.....	5,000	....	....	....	....	5,000
Due on requisitions c.o.b. Dec. 19.....	80,000	45,000	25,000	10,000	5,000	165,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF RICHMOND

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 18.....	23,640	9,060	695	37	61	32,853
Requisitions received Dec. 19.....	600	400	300	130	150	1,980
Total.....	23,640	9,460	995	167	211	34,833
Shipped Dec. 19.....	7,640	1,460	995	167	211	10,433
Due on requisitions c.o.b. Dec. 19.....	16,000	8,000	...	...	...	24,000

U. S. SAVINGS BONDS, SERIES B, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF ATLANTA

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 18.....	5,000	10,000	5,000	...	...	23,000
Requisitions received Dec. 19.....	...	...	...	...	...	...
Total.....	5,000	10,000	5,000	...	...	23,000
Shipped Dec. 19.....	2,000	...	...	...	...	2,000
Due on requisitions c.o.b. Dec. 19.....	6,000	10,000	5,000	...	...	21,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF ATLANTA, NEW ORLEANS BRANCH

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 18.....	13,000	5,000	...	...	...	18,000
Requisitions received Dec. 19.....	...	...	...	...	...	...
Total.....	13,000	5,000	...	...	...	18,000
Shipped Dec. 19.....	2,000	...	...	...	...	2,000
Due on requisitions c.o.b. Dec. 19.....	11,000	5,000	...	...	...	16,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF CHICAGO

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 15.....	10,000	15,000	...	5,000	...	30,000
Requisitions received Dec. 19.....	...	...	...	...	...	...
Total.....	10,000	15,000	...	5,000	...	30,000
Shipped Dec. 19.....	5,000	...	...	5,000	...	10,000
Due on requisitions c.o.b. Dec. 19.....	5,000	15,000	...	...	...	20,000

U. S. SAVINGS BONDS, SERIES B, TYPE A
ACQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF ST. LOUIS

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions a. c. b. Dec. 18.....	9,000	13,000	4,000	...	...	26,000
Requisitions received Dec. 19.....	15,000	8,000	8,000	4,000	3,000	38,000
Total.....	24,000	21,000	12,000	4,000	3,000	64,000
Shipments Dec. 19.....	2,000	...	4,000	2,000	3,000	11,000
Due on requisitions a. c. b. Dec. 19.....	22,000	21,000	8,000	2,000	...	53,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 15.....	15,000	15,000	10,000	...	...	40,000
Requisitions received Dec. 19.....	...	...	...	...	...	...
Total.....	15,000	15,000	10,000	...	...	40,000
Shipments Dec. 19.....	5,000	...	5,000	...	...	10,000
Due on requisitions c.o.b. Dec. 19.....	10,000	15,000	5,000	...	...	30,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF KANSAS CITY

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.o.b. Dec. 14.....	7,000	10,000	5,000	...	...	22,000
Requisitions received Dec. 19.....	20,000	10,000	3,000	2,000	2,000	37,000
Total.....	27,000	20,000	13,000	2,000	2,000	64,000
Shipments Dec. 19.....	2,000	...	...	...	...	2,000
Due on requisitions c.o.b. Dec. 19.....	25,000	20,000	13,000	2,000	2,000	62,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF DALLAS

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.e.b. Dec. 18.....	29,000	25,000	15,000	...	...	69,000
Requisitions received Dec. 19.....	...	...	...	...	...	...
Total.....	29,000	25,000	15,000	...	...	69,000
Shipments Dec. 19.....	5,000	...	5,000	...	...	10,000
Due on requisitions c.e.b. Dec. 19.....	24,000	25,000	10,000	...	...	59,000

U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF FEDERAL RESERVE BANK OF SAN FRANCISCO

Report of December 19, 1941

	\$25	\$50	\$100	\$500	\$1,000	Total Pieces
Due on requisitions c.e.b. Dec. 18	40,000	50,000	40,000	5,000	5,000	140,000
Requisitions received Dec. 19,.....	.....	.....	.....	.....	.....	.....
Total	40,000	50,000	40,000	5,000	5,000	140,000
Shipped December 19	8,000	.....	10,000	5,000	5,000	28,000
Due on requisitions c.e.b. Dec. 19	32,000	50,000	30,000	.....	.....	112,000

Henry M.

Cabinet

Dec 19th

1941

12/19/41

Given to HM, Jr at Cabinet today by
Secretary Wickard.

THE WHITE HOUSE
WASHINGTON

Henry -

You weren't
here just now
when I announced
that we are selling
government wheat
since last Monday.
Futures only fluctuate
a fraction of a cent a
day now. Claude W.

December 19, 1941

Dear Claude:

Dan Bell has told me of the statement made by Sen. Nye at yesterday's hearing before Sen. Byrd. I understand that Sen. Nye indicated I had made the statement that larger savings could be made in the Department of Agriculture.

In order to keep the record straight, I would like you to know it was my suggestion that you be invited to appear before the Committee before any action was taken on your appropriations, and that you be asked to show where specific cuts could be made on a basis of saving \$500,000,000 or more.

Yours sincerely,

Henry

Honorable Claude R. Wickard,
The Secretary of Agriculture,
Washington, D.C.

By messenger 11:40 A.M.

THE SECRETARY OF THE TREASURY
WASHINGTON

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December 19, 1941

Sen. Bell has told me
of the statement made
by Sen. Nye at

Dear Claude:

indicated
that I had
made the statement
that large savings

~~I have just read the minutes of
yesterday's hearing before Sen. Byrd.
I notice that Sen. Nye tried to give
you the impression that it was his
suggestion that you appear before the
Committee and explain how much money
you could save. In order to keep the
record straight, I would like you to
know it was my suggestion that you be
invited to appear before the Committee
and not Sen. Nye's.~~

could be
made in
The Dept
of Agr.

if you find

Yours sincerely,

of about
\$100 million
amount.

before any
action was
taken on your
appropriations
and that you be
asked to show
where specific cuts
could be made on a basis

Honorable Claude R. Wickard,
Secretary of Agriculture,
Washington, D.C.

MEMORANDUM

TO: Secretary Morgenthau

December 19, 1941.

FROM: Mr. Sullivan *JLS*For your information re State Taxation of Defense Activities.

The War and Navy Departments are proposing that legislation be enacted relieving defense activities from State sales taxation. This would in effect reverse the result of the Supreme Court's decision in the King & Boozer et al. case, which subjected such defense activities to State sales taxation (with the exception of the situation in which the State sales tax was on the purchaser and the United States was the purchaser).

The Treasury Department has reported to the Bureau of the Budget that it is opposed to such legislation on the ground that it would deprive the States of needed revenues and interfere with our position respecting tax exempt State securities.

In order to eliminate administrative problems that may arise in this field, because of the difficulty of ascertaining whether or not a State sales tax is applicable, some legislation may be necessary to clarify the situation. You will recall that after the above decision was rendered the President asked you to study the type of legislation which would be desirable. It is my suggestion that this could be done by having the Federal Government consent to State sales taxation in all cases, regardless of the legal incidence of the tax and regardless of whether the United States or the defense contractor is the

purchaser of the commodities in question. Since at present defense activities are subject to State sales taxation in all cases except where the tax is on the purchaser and the United States is the purchaser, the additional burden would not be significant. By thus making all transactions taxable, the legal questions that now arise as to the scope of State sales taxes would be eliminated.

The policy question, therefore, is whether to clarify the situation by subjecting defense activities to State sales taxation as is suggested above or by withdrawing such activities from State taxation as the War and Navy Departments recommend. After a conference in the Bureau of the Budget yesterday, it was decided that the Bureau Director would submit the above question of policy to the President.

Treasury Department
Division of Monetary Research

79

Date December 20, 19
41

To: Secretary Morgenthau
From: H. D. White

British joint taxation of husband and wife as possible deterrent to employment of married women.

Reports from Mr. Casaday reveal Parliamentary and press criticism that joint taxation deters married women from working outside the home, alleging that the additional tax plus extra expenses (due to the wife's absence from home) may exceed the wife's contribution to the family income.

In reply to this criticism, the Chancellor of the Exchequer says the tax paid by a married couple is often less under joint taxation than it would be under separate assessment, due to the exemption of nine-tenths of the wife's earned income up to stipulated limits.

Some sections at least of the financial press are not satisfied with the Chancellor's reply, and urge him to "take fresh advice on this really urgent question".

Copies to: Mr. Bell
Mr. Foley
Mr. Sullivan
Mr. Paul

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE December 19, 1941

TO Secretary Morgenthau

FROM H. D. White

Subject: British joint taxation of husband and wife as a possible deterrent to the employment of married women.

Information received from Mr. Casaday reveals that allegations have been made in Parliament and the press, and by Inland Revenue experts, that joint taxation is a serious obstacle to the Government's plan to attract women into industry. These critics hold that in many cases the present tax penalizes married women who work outside the home, alleging that the additional income tax plus extra expenses (due to the wife's absence from home) may exceed the wife's contribution to the family income.

In reply to this criticism, the Chancellor of the Exchequer states that, in many cases, the tax burden is less under joint taxation than it would be under separate assessment. In support of this statement, he points out that, under the present law, a married couple is allowed an exemption of \$560, if the husband alone receives an income. But if the wife is working this exemption may be increased to a maximum of \$740 (by nine-tenths of the wife's earned income, but not more than \$180. $\$560 + \$180 = \$740$). On the other hand, if each were assessed as a single person with \$320 exemption, their combined exemption would amount to only \$640.

Some sections at least of the financial press are not satisfied with the Chancellor's reply. An editorial in the Financial News states that the Treasury has always refused to treat married women's incomes separately on the grounds that the Exchequer cannot afford the financial sacrifice, rejects the Chancellor's statement that joint assessment is not a deterrent to production, and urges the Chancellor to "take fresh advice on this really urgent question".

THE WHITE HOUSE
WASHINGTON

December 19, 1941

My dear Mr. Secretary:

By virtue of the authority vested in me by the provisions of the appropriation entitled "Emergency Fund for the President" contained in the Independent Offices Appropriation Act, 1942, approved April 5, 1941, I hereby allocate from the fund of \$100,000,000 provided by the said appropriation as follows:

To	Amount
The Director of Censorship	\$100,000

to be expended by the Director of Censorship, or such officer or employee as he may designate for the purpose, for carrying out the functions and duties prescribed in the Executive order establishing the Office of Censorship and prescribing its functions and duties, issued by the President December 19, 1941.

The funds hereby allocated shall be available for all necessary expenses of the Director of Censorship in carrying out the above-described activities, including not to exceed \$20,000 for the temporary employment of persons or organizations by contract or otherwise without regard to section 3709 of the Revised Statutes, or the classification laws; travel expenses, including actual transportation expenses, and not to exceed \$10 per diem in lieu of subsistence and other expenses of persons serving as advisers while away from their homes without other compensation from the United States; printing and binding; the purchase of one automobile, law books, books of reference, and newspapers and periodicals.

Very sincerely yours,



The Honorable,

The Secretary of the Treasury.

THE ATTORNEY GENERAL
WASHINGTON

December 19, 1941

Henry

My dear Mr. Secretary:

I am inclosing you herewith a copy of an Executive order signed today by the President, with reference to the Office of Censorship. I am also sending a copy to the other members of the Censorship Policy Board.

Sincerely yours,

Wm. C. Clegg

The Honorable,

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

EXECUTIVE ORDER

ESTABLISHING THE OFFICE OF CENSORSHIP AND PRESCRIBING ITS FUNCTIONS AND DUTIES

By virtue of the authority vested in me by the Constitution and the statutes of the United States, and particularly by section 303, Title III of the act of December 18, 1941, Public Law 354, 77th Congress, 1st Session, and deeming that the public safety demands it, I hereby order as follows:

1. There is hereby established the Office of Censorship, at the head of which shall be a Director of Censorship. The Director of Censorship shall cause to be censored, in his absolute discretion, communications by mail, cable, radio, or other means of transmission passing between the United States and any foreign country or which may be carried by any vessel or other means of transportation touching at any port, place, or Territory of the United States and bound to or from any foreign country, in accordance with such rules and regulations as the President shall from time to time prescribe. The establishment of rules and regulations in addition to the provisions of this order shall not be a condition to the exercise of the powers herein granted or the censorship by this order directed. The scope of this order shall include all foreign countries except such as may hereafter be expressly excluded by regulation.
2. There is hereby created a Censorship Policy Board, which shall consist of the Vice-President of the United States, the Secretary of the Treasury, the Secretary of War, the Attorney General, the Postmaster General, the Secretary of the Navy, the Director of the Office of Government Reports, and the Director of the Office of Facts and Figures. The Postmaster General shall act as Chairman of the Board. The Censorship Policy Board shall advise the Director of Censorship with respect to policy and the coordination and integration of the censorship herein directed.
3. The Director of Censorship shall establish a Censorship Operating Board, which shall consist of representatives of such departments and agencies of the Government as the Director shall specify. Each representative shall be designated by the head of the department or agency which he represents. The Censorship Operating Board shall, under the supervision of the Director, perform such duties with respect to operations as the Director shall determine.
4. The Director of Censorship is authorized to take all such measures as may be necessary or expedient to administer the powers hereby conferred, and, in addition to the utilization of existing personnel of any department or agency available therefor, to employ, or authorize the employment of, such additional personnel as he may deem requisite.
5. As used in this order the term "United States" shall be construed to include the Territories and possessions of the United States, including the Philippine Islands.

THE WHITE HOUSE,

December 19, 1941

DEC 19 1941

Memorandum for the President

Attached are draft cables to the High Commissioner of the Philippines and the Governor of Hawaii providing a procedure for the destruction by burning there, and the reissuance hers, of checks, currency and public and private securities. The destruction would take place in the presence of a Destruction Committee of United States Government officials in the event the military situation makes such action necessary.

The procedure has been worked out jointly by the Bureau of Insular Affairs, the Department of the Interior, and the Treasury Department, and has the approval of Secretary Ickes and myself.

If you approve, the necessary instructions to set up the procedure will be sent to the respective High Commissioner and the Governor today.

Approved

(Signed) E. C. Worzenhaus, Jr.

*Delivered by Secret Service
LWS*

Attachments.
EHF:mp 12/19/41

DRAFT OF CABLE TO BE TRANSMITTED
TO THE GOVERNOR OF HAWAII

Re my radio of December 19 , President directs that you make adequate arrangements in cooperation with the military authorities, if necessary, for complete destruction by burning of all securities, checks and currency deposited if, in your judgment, the military situation so requires and that you or your designated agent immediately thereupon certify to the Treasury Department all securities, checks and currency which are listed on affidavits previously filed with the Treasury Department that have been so destroyed. For this purpose you should designate a group of United States Government officials to act as a special destruction committee and such committee, if possible, should also certify to the destruction.

FHurd - 12/18/41.

DRAFT OF CABLE TO BE TRANSMITTED
TO THE GOVERNOR OF HAWAII

In order to protect the interests of owners or holders of United States Government securities, checks and currency in Hawaii the Treasury Department has approved the following procedure for deposit and safekeeping of such securities, checks and currency during the national emergency declared by the President on May 27, 1941. This procedure applies to all United States Government securities, checks and currency, even though blocked countries or nationals thereof have an interest therein or such securities have stamped thereon or otherwise attached thereto any tax or other stamp or notarial or similar seal of any blocked country. This procedure is to be administered by you and such members of your staff or agents as you may designate.

- A. The owner or holder of United States Government securities, checks or currency to be deposited should prepare an affidavit in six counterparts setting forth:
 1. Name, address and citizenship of affiant and of all persons having any interest in securities, checks or currency listed and nature of such interests.
 2. List of securities by title, loan, interest rate, denomination, serial number, form of registration if registered, number and dates of coupons of coupon securities, and a description of any tax or other stamp or notarial or similar seal of a blocked country which may appear on such securities.
 3. Date and source of acquisition of coupon securities by present owner or holder.
 4. In the case of currency, a list of such currency by kinds and

designations, and, in the case of Federal Reserve notes, the name of the bank of issue.

5. In the case of Government checks, that is Government checks drawn on the Treasurer of the United States or other authorized depository, a list of such checks by dates, amounts, name of payee, name of drawer, symbol number (if any), and names of indorsers (if any).
6. A request that the securities, checks or currency be accepted for safekeeping during the national emergency declared by the President on May 27, 1941.
7. A request that, in the event of destruction of such securities, checks or currency, substitute securities, checks or currency or check in payment be issued by the Treasury Department and be held for the account of the depositor or delivered to a designated bank, corporation or individual in the continental United States.

All of the foregoing information is essential.

8. The affiant should execute each counterpart of the affidavit, which shall be numbered 1 to 6, under oath in the presence of a designated officer or agent. The list of securities, checks and currency shall be checked against the items deposited and the designated officer or agent shall certify under official seal on each counterpart as to the deposit and verification. Counterparts numbered 1 through 3 shall be forwarded by separate means to Treasury Department, Washington, D.C.; counterpart numbered 4 shall be retained by the designated officer or agent; counterpart numbered 5 shall be delivered to the depository counterpart numbered 6 shall be placed with the securities, checks and currency in a sealed envelope which shall be properly identified.
9. In the event of destruction of securities, checks or currency so deposited, if the evidence is satisfactory and acceptable to the Secretary of the Treasury, and subject to all applicable law, substitute securities, checks or currency or

-3-

check in payment will be issued by the Treasury Department and be held for the account of the depositor or delivered to the designated bank, corporation or individual in the continental United States.

You may also accept for safekeeping, under a procedure similar to that outlined above, securities other than those of the United States Government, provided it is understood by the depositor that neither you nor the United States Government assume any responsibility.

The President approves this procedure and, unless there are strong reasons which in your opinion would make this action inadvisable, desires that you put it into effect immediately and that you make arrangements, with the military authorities, if necessary, for the safekeeping of such securities and currency at such place as you may deem advisable.

Seal)
The Secretary of the Interior
Washington

December 18, 1941.

Dear Henry:

The proposed cablegram to the High Commissioner of the Philippine Islands and the Governor of Hawaii regarding the safekeeping of securities and currency during the national emergency, which has been drafted jointly by members of your staff and mine, meets with my approval. If you also approve the draft, I will appreciate it if you will discuss it with the President when you see him tomorrow morning, as I do not expect to have an early appointment with him.

Sincerely yours,

/s/ HAROLD L. ICKES

Secretary of the Interior

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

THE SECRETARY OF THE TREASURY
WASHINGTON

DEC 19 1941

Memorandum for the President

Attached are draft cables to the High Commissioner of the Philippines and the Governor of Hawaii providing a procedure for the destruction by burning there, and the reissuance here, of checks, currency and public and private securities. The destruction would take place in the presence of a Destruction Committee of United States Government officials in the event the military situation makes such action necessary.

The procedure has been worked out jointly by the Bureau of Insular Affairs, the Department of the Interior, and the Treasury Department, and has the approval of Secretary Ickes and myself.

If you approve, the necessary instructions to set up the procedure will be sent to the respective High Commissioner and the Governor today.

Approved


Franklin D. Roosevelt

Attachments.

Translation of Radiogram in Code Sent December 19, 1941. 46b

AMTZ, AATLA.
December 19 - No. 719.

In order to protect the interests of owners or holders of United States Government securities, checks and currency in Philippines the Treasury Department has approved the following procedure for deposit and safekeeping of such securities, checks and currency during the national emergency declared by the President on May 27, 1941. This procedure applies to all United States Government securities, checks and currency, even though blocked countries or nationals thereof have an interest therein or such securities have stamps thereon or otherwise attached thereto any tax or other stamp or notarial or similar seal of any blocked country. This procedure is to be administered by you and such members of your staff or agents as you may designate.

1. The owner or holder of United States Government securities, checks or currency to be deposited should prepare an affidavit in six counterparts setting forth:
 1. Name, address and citizenship of affiant and of all persons having any interest in securities, checks or currency listed and nature of such interests.
 2. List of securities by title, loan, interest rate, denomination, serial number, form of registration if registered, number and dates of coupons of coupon securities, and a description of any tax or other stamp or notarial or similar seal of a blocked country which may appear on such securities.
 3. Date and source of acquisition of coupon securities by present owner or holder.
 4. In the case of currency, a list of such currency by kinds and denominations, and, in the case of Federal Reserve notes, the name of the bank of issue.
 5. In the case of Government checks, that is, Government checks drawn on the Treasurer of the United States or other authorized depository, a list of such checks by dates, amounts, name of payee, name of drawer, symbol number (if any), and names of indorsers (if any).
 6. A request that the securities, checks or currency be accepted for safekeeping during the national emergency declared by the President on May 27, 1941.
 7. A request that, in the event of destruction of such securities, checks or currency, substitute securities, checks, or currency or check in payment be issued by the Treasury Department and be held for the account of the depositor or delivered to a designated bank, corporation or individual in the continental United States.

All of the foregoing information is essential.

- B. The affiant should execute each counterpart of the affidavit, which shall be numbered 1 to 6, under oath in the presence of a designated officer or agent. The list of securities, checks and currency shall be checked against the items deposited and the designated officer or agent shall certify under official seal on each counterpart as to the deposit and verification. Counterparts numbered 1 through 3 shall be forwarded by separate means to "Treasury Department, Washington, D. C."; counterpart numbered 4 shall be retained by the designated officer or agent; counterpart numbered 5 shall be delivered to the depositor; counterpart numbered 6 shall be placed with the securities, checks and currency in a sealed envelope which shall be properly identified.
- C. In the event of destruction of securities, checks or currency so deposited, if the evidence is satisfactory and acceptable to the Secretary of the Treasury, and subject to all applicable law, substitute securities, checks or currency or check in payment will be issued by the Treasury Department and be held for the account of the depositor or delivered to the designated bank, corporation or individual in the continental United States.

You may also accept for safekeeping, under a procedure similar to that outlined above, securities other than those of the United States Government, provided it is understood by the depositor that neither you nor the United States Government assume any responsibility.

The President approves this procedure and, unless there are strong reasons which in your opinion would make this action inadvisable, desires that you put it into effect immediately and that you make arrangements with the military authorities for the safekeeping of such securities and currency at Corregidor. Harold L. Ickes.

SWOPE.

sh:copy
1-3-43

Translation of Radiogram in Code Sent December 19, 1941.

deb.

SAYRE, MANILA.
December 19 - No. 720.

Re my radio of December 19, President directs that you make adequate arrangements in cooperation with military authorities for complete destruction by burning of all securities, checks and currency deposited if, in your judgment, the military situation so requires and that you or your designated agent immediately thereupon certify to the Treasury Department all securities, checks and currency which are listed on affidavits previously filed with the Treasury Department that have been so destroyed. For this purpose you should designate a group of United States Government officials to act as a special destruction committee and such committee, if possible, should also certify to the destruction.

Harold L. Ickes.

SWOPE.

Copy:lc:1/5/42

OFFICE OF PRODUCTION MANAGEMENT
SOCIAL SECURITY BUILDING
WASHINGTON, D. C.

OFFICE OF
DOUGLAS C. MACKEACHIE
DIRECTOR OF PURCHASES

December 19, 1941

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

Dear Mr. Morgenthau:

You mentioned quinine the other night and I am happy to call to your attention the attached report which I believe indicates that we are reasonably well supplied with this important product.

Very truly yours,



Douglas C. MacKeachie

Attachment

C
O
F
F
YRoom 2615, Social Security Bldg.
December 16, 1941MEMORANDUM

TO: Mr. Douglas C. MacKeachie
Director of Purchases
Room 5027, Social Security Bldg.

FROM: William M. Bristol, Jr.

SUBJECT: Quinine

In response to your telephone call of today, I am pleased to give you the following information:

By Executive Order, the Treasury Department established a stockpile of 7,200,000 ounces of quine. This is frozen and cannot be removed except by Government order. Collaborating with the Defense Supplies Corporation, there has been authorized an additional stockpile of 2 million ounces, of which 500,000 ounces are afloat. In the meantime, there have been additional quantities coming in regularly, which have been permitted to flow through the usual trade channels.

The estimated annual consumption amounts to from 3 to 3½ million ounces. Therefore, we believe we have more than three years' available supply in the country or afloat at the present time.

It is my intention to bring this matter up before the Technical Council at its next meeting, to determine whether restrictive orders should be issued.

/s/ WILLIAM M. BRISTOL, Jr.
Assistant Director of Purchases
In charge of Health Supplies Branch

December 19, 1941.

The Honorable,
The Secretary of War.

Dear Mr. Secretary:

I have your letter of December 17, 1941, relating to the requested closing agreement covering the Pan-American Airways matter.

I have asked Mr. John L. Sullivan, Assistant Secretary of the Treasury, to represent me in resolving this problem. Mr. Sullivan will telephone Mr. Amberg and arrange for a conference at which I hope this matter can be settled.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

CLK:gmb 12/18/41

By Messenger *Sturges* 6:40
pm

WAR DEPARTMENT
WASHINGTON

CONFIDENTIAL

WD 580.82 (11-25-41)MC-D

7-1-41
DEC 17 1941

The Honorable,
The Secretary of the Treasury.

Dear Mr. Secretary:

As a result of the outbreak of hostilities involving the United States, the necessity for expediting the development of air fields in the Caribbean and South American areas as mentioned in your letter of November 25, 1941 has assumed new importance. The interests of National Defense demand the earliest possible execution of the proposed supplement to the War Department - Pan American Airports Corporation contract of November 2, 1940.

I regret that the existing state of War places such demands upon us both as to preclude the possibility of our conferring together with respect to the extension to the modified contract of the tax indemnification features of the original contract.

As an alternative method of responding to the request in the closing paragraph of your letter of November 25, 1941, I am designating Mr. Julius H. Amberg, Special Assistant to the Secretary of War, as my authorized representative to present to your authorized representative my views on this subject.

If this arrangement meets with your approval, I would suggest that your representative communicate with Mr. Amberg and arrange a meeting at the earliest possible date.

Sincerely yours,



Secretary of War.

CONFIDENTIAL

December 19, 1941.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Mrs. Betsy Cushing Roosevelt and her two children live at 520 East 86th Street, New York, in Yorkville. This building and two connecting buildings, operated as a unit by the Astor estate, are staffed largely by men of German origin. Some are suspected Nazis. Secret Service has reported observations about them to F.B.I. and Chief Wilson has suggested to Captain James Roosevelt that it would be better if the family moved to another locality. I have the report of the agents if you would care to see it.

MEMORANDUM FOR THE SECRETARY.

December 19, 1941.

Mail Report

Reading the mail as it has come in this week, it has proved difficult not to put aside most of it for quotations on the abstract. The whole tenor has changed from that of sharp criticism to the heartiest support.

The great majority of the letters speak of Defense Bonds and Stamps. Report after report tells of increased sales, and the only complaints are those of the mechanics of handling the bonds; insufficient force at Post Office windows; insufficient supply of bonds on hand at banks, etc.

The suggestion which appears most often is that the name be changed from Defense Bonds to Victory Bonds. The next most frequent term is, "Remember Pearl Harbor". There are all sorts of suggestions for stamps, buttons, windshield stickers, with the "Remember Pearl Harbor" slogan, to be sold at anywhere from a cent to fifty-cents a piece. A number of firms and individuals have asked for permission to issue such souvenirs, the proceeds to be turned over to the Government.

Cash contributions have been coming in every mail. Some "sample" letters transmitting money are included, but here again, it is hard to pick and choose. Amounts vary from 10¢ to \$1,000. There are a great many Bonds and Defense Stamps sent in to be cancelled. A tabulation of gifts received the first four days of this week will be found at the end of the report.

Abusive mail has practically ceased, although there have been one or two nasty anonymous letters.

Tax mail has also practically ceased to exist, although the few letters that do come in, contain pledges

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Memorandum for the Secretary.

December 19, 1941.

of willingness to pay or suggestions as to raising money. The economy note continues to run through these letters, even though it is mentioned less often and less urgently.



Holiday Note: The soldiers quartered on the fourth floor have hopefully hung a large spray of mistletoe over the door entering their quarters. Come up and see them sometime!

Comments from Letters OFFERING SUPPORT in
Present Emergency

David Higuera, Barre, Vermont. In the heart of this city there is a Spanish Club. The members of this Club for the past five years have been active against our enemy, Hitler. We have been giving money to different organizations. Now more than ever we want to destroy Hitler and his servants by giving direct aid to our Government. I would like to know if the Treasury Department would accept money as a gift. If not, which national organization will accept money.

Virgil H. Frazier, President, Aga Aviation Corp., Willow Grove, Pa. * * * In line with the timely and worthy suggestion of Drew and Allen we discussed that proposal in our fifteen minute meeting of the entire personnel. Each and every person agreed to give New Year's Day to the Government. We will all work that day, and the checks for that day's wages will be endorsed by the workers and sent to the Treasury of the United States. The Company will donate its profit for that day and send this to the Treasury. * * * Every person here wants to help. We are making arrangements to purchase Defense Bonds and Stamps. The workers themselves are arranging to put aside a certain amount of their overtime to purchase Bonds and Stamps.

W. A. Crain, Fort Worth, Texas. * * * I was retired from actual duty as a railroad fireman on account of having lost my eyesight and hearing; have since (by an operation) regained my sight, but not my hearing. I was placed on the Railroad Pension Rolls for the amount of \$25 per month, to receive that amount for life. This, and \$2 per month that I receive from my Masonic Lodge is my entire income. * * * Like the widow who gave her mite, I want you to deduct one dollar per month from my pension check, and this letter will be authority for the Railroad Retirement Board to deduct, and pay over to you, one dollar per month from my pension check, for the entire duration; and please understand that I want to give this amount to my Country - don't want any stamps or anything.

Offers of Support Accompanied by ACTUAL CONTRIBUTIONS

Felix Brunner, N.Y.C. As a Czechoslovak and as an immigrant who is happy to have found shelter in this country for his family, and for himself, I was deeply impressed by Hitler's declaration of war against the United States. Feeling that an all out effort is necessary to crush Hitlerism, I beg to accept my enclosed check per \$100 as a modest and wholehearted contribution to America's great task of arming against all her enemies.

Aline Rather, Principal, San Antonio Independent School District, San Antonio, Texas. I am enclosing a check in the amount of \$50 which is a contribution from the children and the P.T.A. of the John J. Pershing Elementary School to our Government to aid the National Defense Fund. We are sending this with great pleasure, and in honor of General John J. Pershing, for whom our school was named.

Dr. Anson Hoyt, Pasadena, Calif., sends his check for \$125, the difference between the issue price and the maturity value of a \$500 Defense Bond, which he has just purchased, and suggests that individuals be urged to buy such bonds at the issue price, and in addition, donate to the U. S. Government the difference between the purchase price and the maturity value. This would amount to a ten-year loan to the Government, without interest, which would help in the present crisis, as well as reduce future interest payments.

Frank L. Frazin, Chicago, Ill. * * * In memory of my dad, who immigrated from Russia some 60 years ago, I am enclosing a cashier's check in the amount of \$250, payable to "WINGS FOR AMERICA - U. S. Treasury Department". * * * Good luck to you, Mr. Secretary. "LET'S KEEP 'EM FLYING", so we may pass on this great and noble heritage to our children and their children's children.

John K. Collings, President, The Turbine Engineering Corp., Hoboken, N. J. Please accept this check in the amount of \$2,000, which is made in the national war interest and effort. It occurred to the writer, that in addition, an appeal might be made sometime in the future to the many of us who may be so disposed to refund to the Government, during the emergency, interest checks which accrue to the holders from the "Series G" bonds which they may hold. * * *

Hon. John H. Folger, House of Representatives, Washington, D. C. I have just finished my day's work. I calculate my day's pay is \$33.34 and herewith enclose check for that amount - for defense - a voluntary contribution. I do remember this injunction: "Do noble things; not dream them all day long; and thus make life and that grand forever one sweet song." With great respect - John H. Folger.

Anton J. Klemm, Camden, N. J. I have just made the final payment on a \$25 Defense Savings Bond at the RCA Victor plant in Camden, where I work as a tool maker on radio equipment for the National Defense. Last Monday all of the workers at RCA Victor assembled in Johnson Park, opposite the plant, and there they stood with their hats off and their hands raised and pledged allegiance to the Flag. It was a wonderful meeting. There were more than 12,000 of us. * * * Mr. Morgenthau, I am a naturalized citizen of our great country. I came here after I was old enough to understand the freedoms and liberties we enjoy in America that people in many foreign countries do not have. I want you to accept the return of my Defense Bond so that it can be sold again and the money used for our national defense.

Paul Sounnaire, Pittsburgh, Pa. (Letter addressed to the President) Enclose check for \$1,000 for Secretary's entire disposition to the benefit of the nation. French American have been waiting to do such gift - since gangster Hitler and his companions have invaded his mother country. Please accept sincere consideration and full esteem to U. S. May the French Ambassador (Gaston Henri Hays) at Washington will take notice.

Elizabeth Archer, Norristown, Pa. You have protected me for seventy years. At long last I am glad to contribute for defense. Enclosed herewith is a check for \$10.00.

Brice Bowie, Clerk of the Circuit Court of Prince George's Co., Md. Enclosed find check for \$50 toward the purchase of a bomber to help to set the "Rising Sun". * * * The Clerk and the clerks in the office, following an old custom, usually exchange small gifts at Christmas time, and after hearing the broadcast, decided that we would derive much more pleasure out of this small contribution to the cause of national defense. We wish no publicity as a result of this action, but do think the idea of making this small donation to our Government would be an excellent plan for others to follow.

G. B. Williams, Geneva Daily Times, Geneva, N.Y. A couple of nights ago we were discussing Defense Savings Stamps and I asked our young son, aged 5, if he wanted to invest in some. He did not, but wanted to give some money to the Government "for keeps". (The printed letter from Master Samuel Williams, accompanied by 15¢, was evidently a real one, and not a fake as some of the letters, supposedly written by children, are.)

Mr. and Mrs. F. D. Snell, Lansdowne, Pa. Instead of our usual \$2 Christmas tree, we offer these Defense Stamps for cancellation. We hope this small donation will help "Beat those Japs".

Henry J. Abrahams, Omaha, Neb. Enclosed to you please find Treasury Check #42047 for \$50 recently received from you in payment of interest on U. S. Savings Bonds. In view of the extraordinary emergency now existing and in the realization that the best efforts and unified action by each one of us is of vital necessity in prosecuting this war to complete victory, I wish to return this check to you. I ask only that its proceeds be used for our defense, and am pleased to make this contribution. God Bless America.

DISAGREEABLE Comments on the Present Emergency

Philip E. Hamilton, Attorney at Law, Beaver Falls, Pa.
(Sends copy of letter addressed to Senator Barkley.) This day I took the money saved for my daughter's education in college and placed it in the hands of the U. S. Treasury, and I stand ready to make any sacrifice necessary, but, for God's sake, cut out the damnable politics of this Administration and its infernal logrolling. We are sick and tired of a Perkins, a Hillman, a Lewis, a Phillips, a Murray and the contemptible pack of radicals who have been converting this Government into a hopeless mess. * * * If we had a man in the President's chair who had the guts to be an American to the bone, we would not tolerate these conditions for a minute. Procrastination, evasion and politics are taking a terrible toll. Think not that you and other Administration officials will escape the final accounting if we go down to defeat, due to incompetence or negligence. This is an all out war and it will take an all out effort to win, whether or not you men in Washington believe it. A Government which hesitates to control in such a grave crisis is already well on the way to its downfall, and I never believed that I would live to see the day when such things could be. Take those appropriation bills and cut out the useless and wasteful appropriations for non-defense essentials. Etc., etc.

Louis H. Kohn, Chicago, Ill. You are on the right track when you suggested that the Government reduce its expense, not to pay out any money unless necessary. * * * I can do no better than enclose an extract from the Chicago Sun written by Phil S. Hanna, and unless the Government will follow business principles, I believe you will be inclined to resign, and I think you should, because the responsibility is placed on you. * * * If our President attempts to do everything himself, our War policy will not be a success. * * * No man can play politics in every one of his actions and forget, if he wants to be successful, that he must be an executive and not keep his nose so close to the grindstone that he overlooks so much that he must be responsible for. The impression is that no one has any authority, and that everything must be referred to him before action is taken. That resulted in disaster to our fleet in Hawaii, and will result in disaster to union labor as he is handling it.

FAVORABLE Comments on Bonds

Hugo H. Doyen (Formerly Hugo Tomenotti), West Los Angeles, Calif. I can assure you that every penny that I can spare will go in Defense Bonds. * * * The enclosed insignificant cheque for the sum of \$100 brings my best wishes for the future of the Country. * * * Once in Europe, I was an Attorney at Law. To keep up with my social life I was forced to spend a great deal of money. Now here, I am just a humble servant in a private family. I do not need to spend money. I have made an investigation of my own among the servant class. I can say that every servant in this Country should be satisfied if the taxation on the income would start for them at \$500 for single persons and at \$1,000 for married couples, instead of at \$800 and \$1,500 as it is now.

A. S. Amerman, The Dime Savings Institution, Newark, N.J. As President of the New Jersey Savings Banks Association, I am pleased to advise you that the mutual savings banks of this State, representing over six hundred thousand depositors with deposits of over Three Hundred Million Dollars, pledge their full support and cooperation in our war effort. It is my information that the sale of Defense Bonds and Stamps by our member banks during the last four days has been three times over that of any previous like period. This is at some sacrifice on the part of the banks, as the labor involved is tremendous and about forty per cent of the sales represent withdrawals from deposits. However, we will "keep them flying" and are determined to see this thing through.

Sam Ongar, Marietta, Ohio. I am in receipt of your letter of the 19th instant for which I wish to thank you. After receipt of your letter I purchased this morning two hundred dollars more in U. S. Defense Bonds, which I hope will help win the war against Adolph Hitler. At the same time, with this letter, I apply for a position with the Government as a tailor to be sent any place that I may be of help to win this war - without pay. I am a reputable tailor all through.

- 7 -

C. N. Waldron, Secretary, Graduate Council, Union College, Schenectady, N. Y. I have just read your splendid circular letter to the purchasers of war saving bonds. My whole family will buy what they can of these securities. As soon as I know what my taxes will be, I shall put the balance, if there is any, into these same bonds. It is a satisfaction to do this, particularly for older people like myself, whose personal services in the behalf of the country are limited.

Donald Setele, Cleveland, Ohio. Mother is writing this letter to you from me. I was 3 years old November 20th, and did I enjoy that letter you had written to me personally about buying United States Savings Bonds.

John Hoven, Mayor of Three Oaks, Mich. This town beat the United States in the Dewey Cannon contest in 1898. We now challenge the cities and towns of the United States in the per capita sale of Defense Bonds and Stamps.

UNFAVORABLE Comments on Bonds

Alexander Henry Carver, Philadelphia, Pa. (Lawyer).
Thank you for your very politic letter courteously
acknowledging my purchase of United States Savings
Bonds. You urge me to continue buying them periodically.
* * * I would gladly do so, and so would practically
all of my friends to whom I have spoken, were we not
deterred by the fact that we cannot borrow on the bonds
nor can we transfer them by sale, and this makes abso-
lutely frozen assets that may well be needed to keep in
liquid form.

Dan V. Richmond, Ewing, Va. I have been Postmaster of
Ewing, Va., for more than 27 years. NEVER have I seen
a certain class of people treat the matter of U. S. Bonds
so lightly. * * * Something should be done about this
matter, and immediately. I am in a position to know that
those who are able to purchase bonds are not the least
bit interested.

Harold J. Bowen, Lieut. Comdr., USNR, Charleston, S. C.
For the past three years I have been systematically in-
vesting in U. S. Defense Bonds. On Oct. 23, 1941, I
applied to the Post Office, Charleston, S.C., for 3-\$100
and 1-\$50 Defense Bonds. The Postal clerk serving me ac-
cepted \$262.50 in cash and then told me that she could not
then give me the Bonds as they were locked in a safe to
which she did not have access, but would mail the Bonds
in question to me that same afternoon. To date, I have
received no satisfaction from the Postal authorities or
from the Treasury Department, to whom this matter was re-
ferred. I have a cash receipt from the Charleston Post
Office to the amount of \$262.50. Since I have never had
the Bonds in my possession, I feel that it is up to the
Postal Department to either return my money, as they refuse
to do, or to have the Treasury Dept. cancel the lost Bonds
and issue new ones. Being on active duty with the Navy at
the present moment, I do not have the time to spend in
fruitless appeal to the two Departments involved. I would
be very obliged to you if you could attend to this matter
for me. * * * The delay of two months certainly discourages
me in the matter of purchasing Defense Bonds.

John Doe, N.Y.C. I would like to call your attention to a practice of New York and New Jersey banks which I believe, from discussion with others, is preventing the purchase of Defense Bonds to the fullest extent. I refer to the various charges on checking accounts introduced during 1932 and 1933 to sustain bank dividends when loan revenue was low, and continued ever since. * * * If I draw out \$500 to buy a Defense Bond, the charges for handling my reduced balance will be considerably increased beyond the revenue obtained from the Bond. In other words, I am actually paying to the bank, not only the Bond interest, but more for the privilege of buying a Defense Bond. I am perfectly willing to go without Bond interest in the interest of general welfare of the country, but I am decidedly not willing to sustain bank dividends in this manner.

Dr. Thomas H. Bowne, Jr., Chester, Pa. * * * Please investigate your mailing department. I keep getting three letters or ads every time they are sent out. This is a needless cost in time and paper and at a time like this, when every penny counts, I feel that "Wilful waste makes woeful want".

Harold W. Gould, N.Y.C. May I call to your attention the first paragraph in the enclosed letter bearing your signature, which I and several of my friends criticize on the grounds of poor taste. * * * No one wants to be thanked for doing his duty, particularly when combined with a request for a further demonstration of loyalty. Nor may a mimeographed letter be classified as "personal".

Wm. H. Taylor, Yonkers, N. Y. * * * Like thousands of others, I went to my bank Monday morning and arranged a purchase of Defense Bonds. We don't propose to let you down. But we have our moments, if not our hours, of discouragement. Why should we save, scrimp and sacrifice to buy Bonds if the funds so supplied are often spent with reckless abandon and in some cases, even squandered? Should frugality be reserved exclusively for the private individual? Consider the spectacle of a nation seeking the dimes from little children for Defense Stamps, and at that very moment tolerating on its payroll a labor boss who, to satisfy his whims, is reputed to have flung a cold half million dollars to the winds by ordering rejection of the Currier Company low bid.

Howard K. Woolverton, Philadelphia, Pa. On Friday evening, December 12th, I tried to purchase 15 Fifty Dollar Defense Bonds. I was told by the Teller of the Philadelphia Saving Fund, 11th and Lehigh Ave. Branch, that they could not give me 15 Fifty Dollar Defense Bonds because it would take an hour or more to write them up. I then suggested that I could come around sometime during the day when they were not so busy, but he still said that I would have to take Bonds of the largest denomination in relation to the amount of money I wished to invest.

Charles T. Hathaway, Rocky River, Ohio. I am a boy of 18. I would like to know why the United States does not issue small denomination Defense Savings Bonds, such as \$5 or \$10 Bonds. These would more easily fit the pocket of boys and girls like me and adults who can't afford the higher denomination Bonds. I know from experience that it is very discouraging to try to save the \$18.75 for even a \$25 Bond and not feel that you must spend it on something else, usually something very trivial, but seemingly important at the time.

James W. Batchelor, Durant, Okla. Relief clients and old age pensioners desire to purchase Defense Stamps with savings from relief funds. They fear regulations will force their removal from rolls if they save anything. Suggest promulgation of regulations that any Defense Stamps or Bonds purchased with funds saved from relief payments will be disregarded in determining clients' participation in relief funds.

GENERAL COMMENTS

Kingsley K. Lyu, Duke University, Divinity School, Durham, N. C. I was informed by the Citizens National Bank, in Durham, N.C., a few days ago that my bank account had been blocked under the regulation issued by the Treasury Department on the 8th of this month. * * * I am neither a Japanese national, or a Japanese business man, but a Chinese-Korean student now studying here at the Duke University Divinity School where I am a senior. I do not think it is the intention of the United States Government to freeze the schooling expenses of the Korean students who are in exile here in this country. No Korean student has ever liked or cooperated with the Japanese imperialistic aggression, Koreans have always been eager to seize even a small chance to break the bondage of the Japanese imperialism. * * * I wish you would be kind and thoughtful enough to save the Korean students from starvation here in this country by not freezing their schooling funds and expenses. Your kind instruction to the bank in Durham would be greatly appreciated. My bank account is not much, but you will thereby save my life and give me a chance to finish my study here. At this time, I am re-assuring you of my loyalty to this country.

W. W. Housewright, Vice President, The San Benito Bank & Trust Co., San Benito, Texas. One of our customers today withdrew her entire balance of \$11,000.00. So far as we can learn, the funds were not needed, and apparently were withdrawn for the purpose of hoarding. In order to try and curtail such withdrawals where we believe the money will be hoarded, we are wondering if you have any suggestions to make that would be of benefit to us in refusing to cash such checks. If so, please write us fully. If there is no way to stop such withdrawals, then maybe you would be interested in this bank furnishing you with the names and amounts of such withdrawals.

J. J. Williams, Pasadena, Calif. * * * I am wondering if the manufacturers of phonograph records could be asked to make, free of charge, thousands of transcriptions of the memorable "War Declaration Message to Congress" delivered by our President. If this could be done, of course with the approval of the President, the records could be sold through the Post Offices of the country. * * * They would be eagerly sought -- one should be in every home, school and college in the entire country, making a prize souvenir of the voice of the most popular and grandest man who was ever in the Presidency.

There have been several letters from bank officials and banking associations speaking of the newspaper clipping which indicated that the Treasury would "tap the nation's current savings", and thus gave depositors the impression that the Government might impound their savings, either with or without some form of security in exchange. Most of these letters ask for a statement through the press or in the form of a letter which may be used to counteract this impression. Among those who reported anxiety on the part of their depositors are members of the American Industrial Bankers Association, whose Executive Secretary urged that the matter be clarified.

J. F. Connelly, Cashier, The Thurmont Bank, Thurmont, Md. * * * There is being circulated a rumor that the Government will "freeze" bank deposits - or require each depositor to take a percentage of his deposit in Government Bonds. * * * Money is beginning to go into hiding. If something is not done to check the rumor, it could easily reach alarming proportions and result in increased difficulties for the Government. * * * We are inclined to believe recent ill-advised radio and newspaper comments have contributed to the existing fear.

C. H. Crandon, Chairman, Finance & Budget Division, Defense Council of Dade County, Fla. Did you know that millions of dollars are now being withdrawn from the banks, and hidden away in secret places, or in safety deposit vaults? Most certainly this has been reported to you. Unless some curb is put on this withdrawal of funds, as above outlined, billions of dollars will find their way into hidden places.

SUMMARY OF GIFTS RECEIVED MONDAY, DECEMBER 15TH
THROUGH THURSDAY, DECEMBER 18TH

In checks	\$6,393.29
In cash	\$ 141.25
Bonds to be cancelled	\$ 850.00

Also 400 shares in the Lincoln Building
and Loan, made over to the Secretary.

Please note that this includes only mail addressed to the Secretary. It does not include that addressed to the Treasury Department, or to other officials, nor does it include mail sent to the White House. In one envelope from the White House, received this week, there was a gold wedding ring, and other remittances have been in cash, checks, money orders, etc.

TREASURY DEPARTMENT

114

INTER OFFICE COMMUNICATION

DATE December 19, 1941

TO Ferdinand Kuhn, Jr.
FROM Alan Barth

EDITORIAL OPINION
ON FOREIGN AFFAIRS:
MEETING THE ISSUE

Confidence

The first feeling of shock and fright engendered by the Japanese attack has disappeared. The press now reflects an attitude of reassurance and determination.

Newspaper headlines during the past week have been markedly encouraging in tone. Their tendency has been to underscore minor American triumphs. They have proclaimed that the Japanese navy fled from a test of strength against the American Pacific fleet, that the band of marines on Wake Island is resolutely maintaining its position, that landing attempts have been severely repulsed in the Philippines. Air raid threats to the American continent have not materialized and are no longer so prominently a subject of newspaper speculation.

The most effective restorant to confidence was the report made by Secretary Knox upon his return from Hawaii. Editorial commentators found in it a full and frank account of the war's first blow. They liked the candor of his confession that the Navy was not on the alert. The losses which he detailed were less than had been feared. And,

while there was some tendency to wonder about the damage undisclosed by the Knox catalogue, the emphasis in news stories and in editorial comment was placed mainly on the heroism of American sailors and officers. The Secretary seems to have succeeded to a very high degree in restoring the confidence of the American public in its first line of defense.

Secretary Knox's report succeeded also in abating criticism of the Government's policy on the release of war information. There is still, of course, a good deal of impatience for news on the part of editors. But there now seems to be a higher degree of reliance on official releases than existed in the first days of fighting, although foreign sources are still quoted extensively. The appointment of Byron Price to the role of censor was received, in the main, with tentative approval, based on respect for his standing as a newspaperman.

It is possible that the current confidence promoted by the press will degenerate into a fresh complacency. Despite numerous editorial warnings that the war in the Pacific may be a long and difficult one, there is an undercurrent of anticipation that Japan, having failed in its initial coup, can be quickly broken by blockade and bombing attack. The traditional American contempt for the Japanese is not easily overcome.

Strategy

With attention focussed on the Pacific, the magnitude of the Nazi setback in Russia has been partially eclipsed from the American point of view. Repulse of the invaders at Luzon has taken precedence over the steady German retreat on the long Russian front.

The American press is, nevertheless, acutely aware of the importance of Russia to the interests of the United States. The pledge of Ambassador Litvinoff that the Soviet Union would negotiate no separate peace with Germany was greeted here with considerable relief. Although a number of newspapers feel aggrieved that the Russians have not declared war upon Japan and made Siberian bases available to American air forces, the bulk of the press takes a remarkably tolerant view of the Soviet position. The prevailing attitude is expressed by The New York Herald-Tribune, not usually an apologist for Communism. The pressure exerted by the Red Army on German land and air forces, it points out, "is a mighty service to the common cause. If it demands so much of an already strained Russian economy that the Siberian troops can only stand on the defensive, it may be a cause for regret, but it is not one for recrimination."

Among the more influential newspapers, there is almost unanimous insistence that Lend-Lease aid to Russia, as well as to Britain, be accelerated and increased. The President's latest report on shipments

of war materiel was received with some disappointment, but without serious criticism. The theme of almost all comment is that our performance as the arsenal of democracy has been woefully inadequate to date and must be greatly improved. There seems to be a widespread recognition that American equipment can most usefully be employed at the fighting fronts.

A good deal of disagreement prevails as to the particular fighting front at which American strength can now best be concentrated. Some journalistic strategists urge that everything we can spare be rushed to the defense of Singapore; others see North Africa or Russia as the essential points to be bolstered. Few editorial voices have been raised, however, to suggest that our armaments should be hoarded for purely defensive purposes at home.

Awakening

The Bill of Rights celebration on December 15 seems to have fostered, at least in editorial minds, a heightened awareness of the genuine issues over which the war is being waged. In a great many editorial comments on this occasion, and particularly in reference to the President's speech, the press gave signs of a maturing recognition of the global character of the conflict. The narrow sense of outrage against the Japanese onslaught has given way, in

part, to a broader understanding that it is totalitarianism as a whole which must be relentlessly destroyed.

But this enlarged grasp of the war's meaning does not conceal certain developing fissures in the domestic scene. Enthusiasm for protecting the Bill of Rights has not prevented sporadic violations of its spirit, sometimes reported in the press, sometimes reflected in the temper of editorials. However closely they may be bound by a common desire for victory, management and labor still have a dangerous gap between them; the press, representing the viewpoint of the former, demands an ironbound no-strike agreement out of the current conferences, with no apparent recognition that employers, as well as employes, may be responsible for strikes. Finally, there is an undertone of fear and suspicion in the press -- suspicion that the war may be used to mask a continued social revolution under the New Deal, fear that the costs of war may undermine the existing social structure.

These divergent interests were temporarily joined by a sense of common danger. They seem likely to be welded "for the duration" only by continuing joint participation in directed action under firm leadership.

TREASURY DEPARTMENT

119

INTER OFFICE COMMUNICATION

DATE
December 19, 1941TO Ferdinand Kuhn, Jr.
FROM Joseph MeliaEDITORIAL OPINION ON
DOMESTIC AFFAIRS:
VICTORY IS PARAMOUNT

Domestic issues are subordinated by the press to the war. Editorial writers point out that this is total war, a battle of production, and victory is jeopardized by anything that hinders the mobilization of our productive facilities at maximum efficiency. They call for an end of "pushing as usual" for group interests. And they insist that now it is more than ever essential to solve the "labor problem," either by legislation or by a voluntary agreement between labor and management.

Announcement of the estimated cost of the Victory Program was a signal for newspapers to hammer home the need in wartime for effective price controls and plead for non-defense economies. But the press is resigned to an "inevitable" increase in taxes and the national debt.

Newspapers throughout the country are wholeheartedly behind the Defense Bond campaign and are actively pushing sales, both as an anti-inflation and an income-raising measure.

Victory Program

Maintaining that the war effort may seriously and perhaps permanently affect our economy, editorial writers throughout the country now assert, almost without any qualification, that victory is worth whatever it may cost. In the words of the Cincinnati Enquirer: "No tax will be too heavy, no control too drastic, if the end is ultimate victory."

The press hopes that additional taxes and non-defense economies will defray a large part of the war's expense. But it also expects an increase in government borrowing. And many newspapers commit what previously would have been considered editorial heresy in reminding their readers that there is, in the words of the New Yorker, a fate worse than debt.

Commenting on the Victory Program, editorial writers were quick to point out that the mere appropriation of money can not bring victory, that dollars are not a criteria of production. They warned against smugly accepting the quick passage of the Third Supplemental Appropriation Bill as evidence that our war effort is complete. Many newspapers are again marshalling the arguments for having an over-all defense head to cut red tape, wipe out waste, and dovetail civilian and military needs for efficient production.

Inflation

High prices help Hitler and Hirohito, the press points out. It fears that the dangers of inflation are heightened by our entrance into the war. Newspapers throughout the country maintain that effective anti-inflationary measures are now imperative to keep the expense of the war at a minimum and the cost of living from skyrocketing as a consequence of increased government spending and further curtailment in the production of consumer goods. Unless anti-inflationary measures are promptly put into effect, many editorial writers fearfully forecast a rapid decline in national morale.

First, the press wants Congress to take immediate action to pass a strong price control bill. It hopefully hails the statement by Leon Henderson that the agricultural ceiling should be lowered from 110 to 100 per cent of parity as an indication that perhaps the Senate will also take advantage of the war situation to resist pressure from the farm bloc. But Mr. Henderson is criticized for not going "far enough." The majority of the nation's newspapers still want a provision controlling wages.

According to most editorial writers, the next step -- after price legislation -- is to increase taxes as a means of adding to the Government's income and at the same time draining

off some of the consumer's "surplus" cash. They expect additional taxes, but they want the new tax schedule announced as early as possible so that people will be able to budget their expenses. Some newspapers also mention enforced savings and a sales tax as possibilities. The idea of increasing the excess-profits tax is conspicuous only by the way it is comparatively ignored. Along with an increase in taxes, the press calls incessantly for a cut in non-defense expenditures.

Labor

The nation's newspapers seem to be pretty evenly divided over the present need of legislation restricting organized labor. The split is not along liberal and conservative lines. The Chicago Tribune, one of the papers previously most critical of labor, for instance, holds no legislation is now necessary and says a voluntary agreement between labor and management would be better for national morale and all concerned.

No matter what their stand on immediate anti-strike legislation, however, editorial writers almost unanimously agree that strikes for any reason can no longer be "tolerated." Any large-scale strike will be the signal for a demand that legislation be promptly enacted -- in spite of any statements made by labor leaders that organized labor is wholeheartedly behind the war effort and against work stoppages.

Whether we have anti-strike legislation or not, the press wants the "labor problem settled for the duration" by the establishment of a National War Labor Board along the lines set in World War I. It hopes that the President's conference between labor and management will agree on a program to freeze the status quo in organization, adjust wage scales to the seven-day week, and provide for a rapprochement between the CIO and AFL.

TREASURY DEPARTMENT

124

INTER OFFICE COMMUNICATION

DATE 12/15/41

TO Secretary Morgenthau

FROM Mr. White

Subject: Exports to Russia, China, Burma, Hong Kong, Japan, France and other blocked countries, as reported to the Treasury Department during the week ending December 13, 1941.

1. Exports to Russia

Exports to Russia as reported to the Treasury during the week ending December 13, 1941 amounted to more than \$12,000,000, the largest total for any single week since July 28. The principal items were landplanes, military tanks and motor trucks. (See Appendix C.)

2. Exports to China, Burma and Hong Kong

Exports to Free China were valued at approximately \$2,340,000 as compared with \$791,000 during the previous week. Cartridges, passenger cars, scout cars and automobile parts for replacement were the main items. (See Appendix D.) Exports to Occupied China amounted to nearly \$700,000, the largest figure for any single week during the last 3 months. (See Appendix E.)

Exports to Burma totalled only \$18,000. (See Appendix F.)

No exports to Hong Kong were reported during the week under review.

3. Exports to Japan

No exports to Japan were reported during the week under review.

4. Exports to France

No exports to France were reported during the week ending December 13, 1941.

5. Exports to other blocked countries

Exports to other blocked countries are given in Appendix A.

SUMMARY OF UNITED STATES
DOMESTIC EXPORTS TO SELECTED COUNTRIES
AS REPORTED TO THE TREASURY DEPARTMENT
FROM EXPORT DECLARATIONS RECEIVED
DURING THE PERIOD INDICATED ^{1/}

July 28 to December 13, 1941

(In thousands of dollars)

	July 28 to <u>Nov. 29</u>	Week ended <u>December 6</u>	Week ended <u>December 13</u>	Total <u>Domestic Exports</u>
U. S. S. R.	\$54,497	\$ 3,609	\$12,040	\$70,146
Occupied China	10,523	61	678	11,262
Free China	25,201	791	2,337	28,329
Japan	1,870 ^{2/}	^{2/}	-	1,870
Burma ^{2/}	6,716	64	18	6,798
France ^{4/}	6	-	-	6
Occupied France	2	-	-	2
Free France	⁴	-	-	⁴
Spain	2,216	-	1	2,217
Switzerland	4,619	237	161	5,017
Sweden	10,192	188	17	10,397
French Indochina	353	24	17	394

Treasury Department, Division of Monetary Research

December 17, 1941

- ^{1/} Many of the export declarations are received with a lag of several days or more. Therefore this compilation does not accurately represent the actual shipment of a particular week. The longer the period covered, the closer will these figures come to Department of Commerce revised figures.
- ^{2/} Of this total \$1,864 thousand was reported from July 28 to August 23, inclusive, and shipped prior to freezing orders. Domestic exports from August 23 through week ending November 29, amounted to \$6,053.
- ^{3/} From September 11, 1941 to date -- It is presumed that a large percentage of material listed here, consigned to Burma, is destined for Free China.
- ^{4/} Includes both occupied and Free France through week ending October 4, 1941. Occupied and Free France separated thereafter.
- ^{5/} Less than \$500.

APPENDIX B

Exports from the U.S. to China, Burma, Hong Kong, Japan and U.S.S.R. as reported to the Treasury Department, July 28, 1941 - December 13, 1941

(Thousands of Dollars) 1/

	Total	Exports to Chinese controlled ports	Exports to Chinese controlled ports	Exports to Burma 3/	Exports to Hong Kong	Exports to Japan	Exports to U.S.S.R.
July 28 - Aug. 2	937	542	395		654	1,657	4,523
Aug. 4 - Aug. 9	2,794	2,794	-		983	159	551
Aug. 11 - Aug. 16	1,278	969	309		235	42	986
Aug. 18 - Aug. 23	1,352	1,350	2		234	6	2,735
Aug. 25 - Aug. 30	736	735	1		742	-	1,023
Sept. 2 - Sept. 6	897	693	204		634	-	4,280
Sept. 8 - Sept. 13	3,038 2/	757	2,281 2/		456	-	5,217
Sept. 15 - Sept. 20	3,978 2/	156	3,822 2/		389	-	752
Sept. 22 - Sept. 27	462	352	110	449	810	-	2,333
Sept. 29 - Oct. 4	1,305	80	1,225	684	297	-	323
Oct. 6 - Oct. 11	5,864	552	5,312	1,157	1,233	-	6,845
Oct. 13 - Oct. 18	272	267	5	35	584	-	1,924
Oct. 20 - Oct. 25	668	399	269	403	1,243	-	5,623
Oct. 27 - Nov. 1	5,210	438	4,772	58	624	-	4,484
Nov. 3 - Nov. 8	1,836	164	1,672	342	283	5	4,552
Nov. 10 - Nov. 15	3,009	158	2,851	88	303	-	2,677
Nov. 17 - Nov. 22	1,701	473	1,228	1,021	600	-	3,581
Nov. 24 - Nov. 29	3,359	120	3,239	1,364	1,325	-	2,436
Dec. 1 - Dec. 6	852	61	791	64	-	-	3,609
Dec. 8 - Dec. 13	3,025	688	2,337	18	-	-	12,040
Total	42,573	11,748	30,825	5,683	11,629	1,869	70,494

1/ These figures are in part taken from copies of shipping manifests.

2/ Figures for exports to Free China during these weeks include exports to Rangoon which are presumed to be destined for Free China.

3/ It is presumed that a large percentage of exports to Burma are destined for Free China.

APPENDIX C

Principal Exports from U.S. to U.S.S.R.
as reported to the Treasury Department
during the week ending December 13, 1941.

(Thousands of Dollars)

TOTAL EXPORTS \$ 12,040

Principal Items:

Landplanes, powered	4,829
Military tanks and parts	1,843
Motor trucks (1 to 1½ tons)	1,122
Motor trucks (1½ to 2½ tons)	790
Aviation gasoline	621
Boots and shoes	268
Explosive shells and projectiles	250
Sole leather	243
Other aircraft engine parts and accessories	232
Hard winter wheat	192
Coated wire of iron or steel	156
Aluminum plates, sheets, bars, strips and rods	143
Barbed wire	136
Motor trucks (under 1 ton)	134
Metallic cartridges	132
Anti-knock compounds	104
Engine lathes	95

Treasury Department, Division of Monetary Research December 18, 1941

APPENDIX D

Principal Exports from U.S. to Free China,
as reported to the Treasury Department
during the week ending December 13, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO FREE CHINA

\$ 2,337

Principal Items:

Cartridges	606
Passenger cars	278
Scout cars	254
Automobile parts for replacement	211
Cotton sheeting	152
Cotton blankets	139
Motorcycles	136
Steel bullet jacket cups	92

Treasury Department, Division of Monetary Research December 18, 1941

APPENDIX E

Principal Exports from U.S. to Occupied
China as reported to the Treasury Department
during the week ending December 13, 1941

(Thousands of Dollars)

TOTAL EXPORTS TO OCCUPIED CHINA

\$ 688

Principal Items:

Vitamines and vitasterols, n.e.s.	123
Leather and tanned skins	66
Barbitual	45
Other medicinal and pharmaceutical preparations	33
Fruits and preparations	23
Wheat flour	22
Other industrial chemicals	20
Dried whole and skimmed milk	20
Bicarbonate of soda	17
Toilet preparations	17
Bottle and container closures	16
Other coal-tar products	15

Treasury Department, Division of Monetary Research December 18, 1941

APPENDIX F

Principal Exports from U.S. to Burma
as reported to the Treasury Department
during the week ending December 13, 1941

(Thousands of Dollars)

TOTAL EXPORTS	\$ 18
Principal Items:	
Wire nails	7
Galvanized wire	2
Household and personal effects	2
Auto replacement parts	1
Pharmaceutical preparations	1
Tires and tubes	1

Treasury Department, Division of Monetary Research December 18, 1941

12/19/41-

Dear Dr. Soong:

Thank you very much for your letter of December 16, 1941, enclosing a copy of the telegram of December 12th.

I appreciate your keeping me informed on matters of such importance and immediate interest.

Sincerely yours,

1s/ H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. T. V. Soong,
China Defense Supplies, Inc.,
1601 V Street, N. W.,
Washington, D. C.

HW:ls
12/19/41

Return to Encl. 2143

CHINA DEFENSE SUPPLIES, INC.
1601 V STREET N. W.
WASHINGTON, D. C.

White
by 132 *CH*

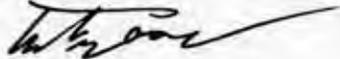
December 16, 1941

SECRET

Dear Mr. Morgenthau:

For your information I enclose copy of a telegram Stalin sent to Chiang Kai-shek, dated Moscow, the 12th of December. A copy of the same has been given to the State Department.

Yours sincerely,



T. V. Soong

Enclosure

The Secretary of the Treasury
Washington, D. C.

C
O
P
YSECRETTELEGRAM TO GENERAL CHIANG KAI-SHEK FROM STALIN

(Translation from Chinese)

"Your telegram only reached me yesterday. I am deeply appreciative of your kind consideration. I am in perfect agreement with you that the long heroic struggle China has put up against Japan, and the present anti-Japanese front in the Pacific are part and parcel of the general anti-Axis front. At the same time the anti-German front assumes special significance in the anti-Axis front, because Germany is the strongest partner of the Axis.

"Soviet Russia today has the principal burden of the war against Germany. And Soviet Russian victory over Germany constitutes a great hope of the other members of the anti-Axis front, Great Britain, the United States and China. It is my opinion that under the circumstances the Soviet today ought not to divert its strength to the Far East, when it is beginning to attack the German armies, for by dispersing our strength the difficulties of the German armies will be lessened. I beg you therefore not to insist that Soviet Russia at once declare war against Japan.

"Soviet Russia must fight Japan, for Japan will surely unconditionally break the Neutrality Pact. We are preparing to meet that situation, but it takes time to prepare. Therefore I again implore you not to take the lead in demanding that Soviet Russia at once declare war against Japan.

Stalin"

Moscow, December 12, 1941.

TELEGRAM SENT

WM

PLAIN

December 19, 1941.

AMERICAN CONSUL,
HONG KONG, (CHINA).

477, nineteenth.

TO TAYLOR AND FRESSE FROM SECRETARY MORGENTHAU.

QUOTE If any opportunities occur to leave Hong
Kong safely, you are instructed to do so without delay.

END QUOTE

HULL
(FL)

FD:FL:ME

FE

DEC 19 1941

My dear Mr. Secretary:

This is to ask whether you can give any help to two of our Treasury men who are stranded in Hong Kong. These men, Messrs. W. F. Freese and W. H. Taylor, were there working with the Chinese Stabilization Board, and for some reason, which we do not yet understand, they were not evacuated when the Board and some of its staff were hurriedly flown to Chungking.

Mr. Freese is a Treasury employee on temporary duty in the Far East. Mr. Taylor of our staff is the alternate to Mr. A. M. Fox on the Chinese Stabilization Board. In that capacity he is an employee of the Chinese Government, but since we recommended him from our staff, we regard him as our responsibility.

It was our thought that perhaps the Consul in Shanghai could add Freese and Taylor to his staff, so that in the event that Hong Kong was taken by the enemy these two men would be able to return to the United States more quickly than would otherwise be possible.

This procedure may be impracticable. However, any help which your Department can give Messrs. Freese and Taylor will be greatly appreciated.

Sincerely yours,

(Signed) S. Margoshan, J92

Secretary of the Treasury

The Honorable,

The Secretary of State.

By Memorandum

VFC:msh
12/19/41

HDW VFC FILE COPY

TREASURY DEPARTMENT

136

INTER OFFICE COMMUNICATION

DATE December 19, 1941

TO Secretary Morgenthau

FROM Mr. White

Subject: British Press Summaries.

Press summaries received from Casaday covering October 19 to November 9 reveal the following items of particular interest:

1. Expressions of dissatisfaction with the War Cabinet on the grounds that (a) it is too large and unwieldy, (b) it contains numerous incompetent members, and (c) there are many men in high office with an undesirable and unpopular political outlook. The criticism extended to Lord Halifax, based on the charge that he lacks "the common touch" and that, for other reasons, he is not suitable for the post he holds. There was almost no adverse criticism of Prime Minister Churchill.

2. Announcement by the Ministry of Labor further regulating the occupations of women in the 20 to 30 age group, and indicating that a much firmer policy would be followed in assigning women to war industries.

3. Serious criticism of the alleged failure of the British Government to give all possible aid to Russia, especially the failure to create a diversion for the Nazis by a British invasion of the continent.

There was, however, a perceptible diminution of such criticism during the last two weeks, some papers calling on their readers to cease "ill-informed clamour" and trust Churchill.

Treasury Department **137**
Division of Monetary Research

O Date Dec. 19, 1941₁₉

To: Mrs. Klotz

I am in doubt whether to bother the Secretary about this matter, yet I hesitate to make a decision since the Secretary may be particularly interested.

If you think the Secretary would prefer not to see this, I'll send the appended letter.

H.D.W.

JK

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 19, 1941

*the De
approved this
Dec 19/41 ✓*

138

TO Secretary Morgenthau
FROM H. D. White

Casaday wrote on December 1 saying that shortage of help was preventing him from keeping up with all his assignments. He mentioned that he had been doing considerable special work for the Ambassador. He asked that the Treasury say which of the various lines of work he was doing were the most useful.

Casaday's activities are roughly as follows:

1. Gathering data and preparing reports on queries from Washington.
2. Transmitting messages between the two Treasuries.
3. A weekly financial report.
4. Dealing with problems of Americans involved in British exchange control.
5. Clipping press items.
6. Weekly press summary.
7. Preparing reports on subjects Casaday believes of interest.
8. Work for the Ambassador. This is likely to be on financial matters raised by other departments, British financial questions, internal economic issues between the two Governments, and perhaps other economic work.

Do you still feel that you want items 5 and 6 continued? Mr. Coe feels that if funds were available Casaday could probably hire someone in England to help him on such work.

I have appended a letter which I think might go.

Dear Mr. Casaday:

In your letter of December 1, 1941, you mentioned that shortage of help was preventing you from keeping up with all your assignments.

I am indeed glad that the Ambassador has been able to make good use of your services. If you could let us know about how much time you are spending on special work for him, it would help us to decide whether we ought to try to arrange for an assistant to you.

Please let us know, by cable, if it is possible for you to employ help in England for the clipping of press items and preparation of press summaries.

Sincerely yours,

H. D. White,
Assistant to the Secretary.

Mr. L. W. Casaday,
Attache for the Treasury,
The American Embassy,
London, England.

HR:bvl
12-19-41

Treasury Department
Division of Monetary Research **140**

Date December 19, 1941 19

To: Secretary Morgenthau
From: H. D. White
Subject: Status of Gold Purchases from Russia

1. The Agreement of August 16 provided for advance of \$10 million against the delivery of gold within 90 days.
2. The current Agreement of November 10 provided for the advance of \$30 million against the delivery of gold within 180 days. 39 days have elapsed and about \$21 million of the \$30 million has been repaid.

(Schedule of Repayments attached)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 18, 1941

TO Mr. White
FROM Mr. Southard

Status of Gold Purchases from Russia

Date Purchased	Ounces (000)	Value	Amount Advanced	Date of Payment	Ounces (000)	Amount Applied Against Advance ^{1/}
2/16/41	2/ 301	\$10,535,000	\$10,000,000	9/26/41	161	\$ 5,636,423
				10/25/41	140	4,871,938
					301	\$10,508,361
10/10/41	3/ 903	\$31,605,000	\$30,000,000			(Excess delivered under above agreement) \$ 508,361
				10/25/41	19	\$ 662,908
				11/18/41	160	5,599,791
				12/13/41	190	6,629,109
				12/18/41	195	6,796,408
					564	\$20,196,577
						\$ 9,803,423
						Advance still outstanding

^{1/} Full value of gold less 1/4 of 1% and less Mint charges.

^{2/} This purchase agreement provided for delivery within 90 days.

^{3/} This purchase agreement provides for delivery within 180 days.

DEC 19 1941

My dear Mr. Ambassador:

I wish to refer to the agreement dated October 10, 1941, relative to the purchase of 903,000 fine troy ounces of gold by the Secretary of the Treasury from the Government of the Union of Soviet Socialist Republics, against which an advance of \$30,000,000 was made on October 11, 1941.

I take pleasure in enclosing for your information two copies of the assay report of the United States Mint at San Francisco giving an analysis of the gold which arrived on the SS *EMERALD* and deposited by your Government on December 5, 1941, for the account of the Secretary of the Treasury.

You will observe from the enclosed report that the shipment after melting and upon assay was determined to contain 109,023.260 fine troy ounces of gold and to have a value of \$6,625,211.40. After the deduction of the amount of \$16,004.70 representing the Mint charge of \$150.00 plus the 1/4% handling charge of \$16,614.70, the net value of the gold was \$6,609,206.70. This amount of gold has been applied by the Treasury against the amount of gold agreed to be purchased by the Secretary of the Treasury under the agreement of October 10, 1941.

Sincerely yours,

(Signed) H. Hergenthan, *SS*

Secretary of the Treasury.

His Excellency
Naxia Litvinoff,
Ambassador of the Union of Soviet
Socialist Republics.

Enclosures.

By *Morgan*

Stein 6:05

2110 B. Sullivan

1300-15-17-41

UNITED STATES MINT
SAN FRANCISCO, CAL.

BULLION DEPOSIT - MEMO REPORT

143

Mint Form 42R

Date: Dec 5, 1941
 FEDERAL RESERVE BANK OF SAN FRANCISCO
 FEDERAL RESERVE BANK OF NEW YORK
 CREDIT TO THE SECRETARY OF THE TREASURY, SPECIAL ACCOUNT.

Memos Required by Depositor (2 sheets)
 Other Data

Silver Price or Class

SOURCE DATA

State RUSSIA
 County
 Mine

Description Serial Deposits	Assay Number	WEIGHTS				ASSAY CERTIFICATE FINENESS			Refining chg.-cls. per oz.	FINE GOLD		OUNCES SILVER	
		Before Melt Ounces	Dec	After Melt Ounces	Dec	Gold	Silver	Base		Ounces	Dec	Ounces	Dec
1-1	20 8951	7852.47		7454.82		999.9	(000	1)		7454.074			
1-2	30 52	7857.42		8033.18		999.9	(000	1)		8032.376			
1-12	20 53	7863.21		7709.56		999.9	(000	1)		7708.789			
13-15	20 54	7974.75		7664.38		999.8	(000	2)		7662.847			
17-21	20 55	7899.54		7747.15		999.8	(000	2)		7745.600			
21-24	20 56	7809.85		7900.37		999.9	(000	1)		7899.579			
24-28	20 57	7929.26		8235.49		999.9	(000	1)		8234.666			
28-32	20 58	7863.67		7627.84		999.9	(000	1)		7627.077			
32-36	20 59	7777.59		7848.82		999.9	(000	1)		7848.035			
37-40	20 60	7804.07		8025.65		999.8	(000	2)		8024.044			
41-46	20 61	7886.80		7746.29		999.9	(000	1)		7745.515			
47-51	20 62	7799.96		7700.11		999.9	(000	1)		7699.339			
									Total		Total		

PAID BY CHECK
 FT. AS NOTED

NOTE - THIS REPORT IS FOR THE INFORMATION OF THE DEPOSITOR AND IS OF NO OTHER VALUE.

V A L U E S		C H A R G E S					Total
GOLD	SILVER	Melting	Refining	Handling			
\$	\$	\$	\$	\$	\$	\$	
		Bars				\$	
		Cash					
		Check					
						NET VALUE	

UNITED STATES MINT
SAN FRANCISCO, CAL.

BULLION DEPOSIT - MEMO REPORT

Mint Form 42R

Dec 5, 1941

Memo Required by Depositor 0

Silver Price or Class

SOURCE DATA

Date: FEDERAL RESERVE BANK OF SAN FRANCISCO
Other Data: (2 sheets)
For account, FEDERAL RESERVE BANK OF NEW YORK
FOR CREDIT TO THE SECRETARY OF THE TREASURY, SPECIAL ACCOUNT

State: russia
County:
Mine:

Box #	Description of Deposits	Assay Number	WEIGHTS				ASSAY CERTIFICATE FINENESS			Refining chg.-cls. per oz.	FINE OUNCES			
			Before Melt		After Melt		Gold	Silver	Base		GOLD		SILVER	
			Ounces	Dec	Ounces	Dec				Ounces	Dec	Ounces	Dec	
49-52	20	8963	7929.99		7835.68		999.8	(000.2)		7834.112				
53-56	20	64	8003.92		8049.61		999.8	(000.2)		8048.000				
57-60	20	65	7964.12		8422.82		999.9	(000.1)		8421.977				
61-64	20	66	7943.78		7584.50		999.9	(000.1)		7583.741				
65-68	20	67	7447.50		7576.71		999.9	(000.1)		7575.952				
69-72	20	68	7403.81		7183.65		999.9	(000.1)		7182.931				
73-76	20	69	7345.80		7217.92		999.8	(000.2)		7216.476				
77-80	20	70	7437.08		7189.83		999.9	(000.1)		7189.111				
81-84	20	71	7507.63		7604.30		999.9	(000.1)		7603.539				
85-88	20	72	7534.21		7622.94		999.8	(000.2)		7621.415				
89-92	20	73	7581.65		7517.76		999.9	(000.1)		7517.008				
93-96	20	74	7603.75		7948.97		999.8	(000.2)		7947.380				
97-100	10	8975	3888.64		4460.55		999.8	(000.2)		4459.657				
			189,910.27		189,908.90					Total	Total			

NOTE: - THIS REPORT IS FOR THE INFORMATION OF THE DEPOSITOR AND IS OF NO OTHER VALUE.

Total 189,883.240

V A L U E S		C H A R G E S			
GOLD	SILVER	Melting	Refining	Handling	Total
\$ 6,645,913.40	\$	\$ 190.00	\$ XXX	\$ 16,614.78	\$ 16,804.78
					\$ 6,629,108.62
					NET VALUE

PAID BY CHECK
AS NOTED

DEPARTMENT OF STATE
WASHINGTON

December 19, 1941

In reply refer to
SF 540 51 Frozen Credits/4686A

The Secretary of State presents his compliments to the honorable the Secretary of the Treasury and encloses herewith a paraphrase of a circular telegram to all diplomatic offices in the American republics concerning measures taken by the United States to control transactions in financial, trade and business matters in which Italy or Germany or blocked nationals thereof have any interest, and for similar treatment of Japanese nationals in continental United States, and with a view to the adoption of a program for similar control in the Western Hemisphere.

Enclosure:

Paraphrase of
circular telegram
December 15, 1941.

Copy: 10: 12/22/41

C
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PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: All Diplomatic Offices in the American Republics
DATED: December 15, 1941, 10 p.m.
NUMBER: Circular

It is requested that you contact the officials of the Government to which you are accredited and call their attention to the administration under the present conditions of war of blocking control measures placed in effect with the United States in June 1941 affecting Italian and German activities in this country. Under this freezing order this Government exercises control of all transactions in financial, trade and business in which Italy or Germany or blocked nationals thereof have any interest by prohibition of such transactions except by special licenses. No payments, withdrawals or transfers are permitted from any accounts in banks if Italy or Germany or blocked nationals thereof have any interest in said accounts except by specific authorization. There is, of course, prohibited between this country and Italy and Germany all financial, business or trade transactions.

These controls which are applied to the individual activities of Italian or German nationals resident in this country and to business conducted locally by such nationals in which neither Italy nor Germany nor any national thereof

-2-

residing in Italy or Germany has any interest, are based on the extent to which said nationals are suspected of engaging in activities detrimental to United States defense.

This selective method is possible because this Government possesses current information obtained by various methods, including available information under the Alien Registration Act which provides separation of those aliens suspected of such activities from those under or above such suspicion and to intern those Italian, German and Japanese nationals whose activities seem to be detrimental to the United States.

The treatment of Japanese nationals has been somewhat modified. Upon the outbreak of war with Japan, as you were previously advised, all financial, trade and commercial transactions of Japan or her nationals were stopped subject to the granting of appropriate future licenses. Subsequently an arrangement has been made by which any Japanese nationals in the continental United States not now in custody are permitted minimum living expenses from bank accounts or salaries, and nationals of Japan participating in agricultural pursuits considered essential to the local economy where they operate, may with certain minor exceptions engage in any transactions relative to normal conduct of said business.

-3-

Italian and German banks as well as Italian and German business enterprises owned or controlled by Italians or Germans not residing within the Western Hemisphere have been placed under a stringent control. Government representatives since the outbreak of the war have taken custody of financial and banking institutions of Germany and Italy throughout the United States with instructions when necessary to prevent the entrance to such premises and to avoid the removal or destruction of their records, books or other property. Business enterprises controlled or owned by Italians and Germans not resident within the Western Hemisphere have been placed under similar custody. Of these concerns many have been denied the privilege to engage in any business transaction and liquidation will be necessary. In instances where certain businesses are important to domestic economy, permission has been given for them to engage in strictly domestic business subject to detailed Government supervision. No transactions, of course, are permitted which are of interest to Italy or Germany or any national thereof residing outside of the Western Hemisphere. Measures have been taken in such cases to prevent Italy or Germany or nationals thereof outside the Western Hemisphere from engaging in any control whatsoever in the affairs of such concerns and the Government in many cases may take over the interests in the concerns of such persons.

-4-

These controls which interne Italian or German nationals resident in this country whose activities are considered detrimental to the United States interests, deprive them of the right to any business activities whatsoever, are in addition to the controls outlined earlier in this cable.

Conforming with the declarations of inter-American solidarity in the event that the security, peace or territorial integrity of any American republic is endangered, particularly Resolution XV which was adopted by the second meeting of the American Republics Ministers of Foreign Affairs, who are requested to state to the Government to which you are accredited, that it is presumed that said Government will agree to adopt appropriate steps to prevent Italian, German and Japanese activities in the Western Hemisphere.

You should be guided by your knowledge of present conditions in the country to which you are accredited, including whether or not it has declared war against Italy, Japan or Germany when suggesting steps for adoption by that Government which would control the financial and economic activities of Germany, Japan and Italy and nationals thereof. The measures which this Government would wish adopted are considered to be measures facilitating

-5-

the accomplishment of the following results: 1. All financial, trade or business transactions between Italy, Japan or Germany and the country to which you are accredited will be prevented. 2. All financial, trade or business transactions in such country which are participated in for the benefit of or by persons controlled by Italy, Japan or Germany or nationals thereof not resident within the Western Hemisphere will be prevented. 3. All financial, trade or business transactions in such country by Italian, Japanese or German nationals or their agents detrimental to the Western Hemisphere defense will be prevented. 4. All financial, trade and business transactions in such country participated in by Italian, Japanese or German nationals will be subjected to supervision. 5. Such nationals of Italy, Japan or Germany engaged in activities dangerous to the Western Hemisphere defense will be taken into custody.

The presentation of the Department's views must be left to the discretion of the Chief of each mission, but it is hoped that appropriate controls will be adopted readily by all the Governments. It is felt that the defense of the United States and of each of the other American republics will be endangered if the adoption of such measures fails or is delayed.

Continuous study of our present procedures in policies is being made and will be modified according to the trend of events and experience.

You are instructed to advise all consular officers subject to your jurisdiction.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 19, 1941

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£63,000
Purchased from commercial concerns	£46,000

Open market sterling remained at 4.03-3/4, and there were no reported transactions.

The Canadian dollar closed at a discount of 13-1/8%. The present level compares with a low for the year of 17-1/2% discount, reached last January, and a high of 10-1/4%, reached early in September.

The Argentine free peso declined 25 points to close at .2365. It was reported that this movement mainly reflected some strengthening in the dollar quotation in Buenos Aires.

The Cuban peso, which has been offered at a premium of 1/4% during the last two days, moved off to close at par today.

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

Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5310
Venezuelan bolivar	.2700

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

No new gold engagements were reported.

In London, spot and forward silver were unchanged at 23-1/2d and 23-9/16d, respectively. The U. S. equivalents were 42.67¢ and 42.78¢.

The Treasury's purchase price for foreign silver was unchanged at 35¢. Handy and Herman's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

- 2 -

The report of December 10 received from the Federal Reserve Bank of New York, giving foreign exchange positions of banks and bankers in its district, revealed that the total position of all countries was short the equivalent of \$4,377,000, an increase of \$252,000 in the short position since December 3. Net changes were as follows:

<u>Country</u>	<u>Short Position December 3</u>	<u>Short Position December 10</u>	<u>Change in Short Position*</u>
England**	\$ 393,000 (Long)	\$ 212,000 (Long)	+ \$181,000
Europe	2,552,000	2,588,000	+ 36,000
Canada	460,000 (Long)	543,000 (Long)	- 83,000
Latin America	98,000	47,000 (Long)	- 145,000
Japan	160,000	160,000	---
Other Asia	2,246,000	2,401,000	+ 155,000
All others	78,000 (Long)	30,000	+ 108,000
Total	\$4,125,000	\$4,377,000	+ \$252,000

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

**Combined position in registered and open market sterling.



CONFIDENTIAL

BRITISH EMBASSY
WASHINGTON, D.C.

December 19th, 1941

PERSONAL AND SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

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

BRITISH MOST SECRET

(U.S. SECRET)

OPTEL No. 40

Information received up to 7 a.m., 18th December, 1941.

(I) NAVAL

Northern Waters. 26th November. A Russian submarine sank an 800 ton merchant ship in FUGLO SOUND (S.W. of North Cape). Between 28th November and 6th December another Russian submarine sank one 10,000 and two 6,000 ton escorted merchant ships in the vicinity of North Cape.

17th p.m. Two of H.M. minesweepers were in action with two enemy destroyers off GORGONETSKY (entrance to WHITE SEA). One was slightly damaged and the other has so far been unlocated.

MEDITERRANEAN. 17th. Early in the morning our aircraft located a force of enemy battleships, cruisers and destroyers Southbound escorting 4 merchant ships, to the Westward of NAVARINO. At 5.55 p.m. our light forces were in action with the enemy 165 miles to the Southward but lost touch at 6.47 p.m. since when no further reports have been received.

Attacks on shipping. 13th. A Spanish tanker of medium tonnage was sunk by a U-boat off the Spanish coast to the East of GIBRALTAR.

15th. A Portuguese ship of medium tonnage was torpedoed in the vicinity of CAPE ST. VINCENT.

16th. A Dutch coastal vessel was damaged in the BRISTOL CHANNEL by an enemy aircraft which was probably shot down by a Corvette.

(II) MILITARY

LIBYA. 16th. We continued to press the enemy along the whole front taking about 1,000 Italians prisoner. Strong resistance was encountered some 12 miles South-West of GAZALA. Meanwhile a mobile detachment had reached TIDI astride the GAZALA-DERNA road where some enemy M.T. was destroyed. In the afternoon our armoured forces moving from BIR HALEGH EL ALEBA (See OPTEL No. 39) engaged the enemy in the rear of his right flank North of the TRISH EL AHD.

17th. 10 a.m. 22 German tanks (probably remnants of 15th and 21st German armoured divisions) escorting a large column were discovered withdrawing in the direction of TIDI. Later enemy began to retreat all along the line. Our forces followed up and by noon, New Zealand troops had reached a point 10 miles North West of GAZALA. The main portion of our armoured forces was moving from the BIR HALEGH EL ALEBA area on TIDI.

Frontier Area. South African troops captured an enemy post forming part of the defences of BARDIA. Following prisoners of war have reached

ALEXANDRIA up to 15th December:

German = 72 officers, 2,926 other ranks

Italian = 237 officers, 4,869 other ranks.

HONG KONG. Enemy shelling and mortar fire have caused some damage to our beach defence pill boxes on North shore of the Island and to one coast defence battery. Bombing has caused some damage to food stores and water mains. Our artillery fire has dispersed enemy troop concentrations and transport on the mainland and silenced four enemy guns. On 17th, a further summons to surrender was received. The Governor replied that he was not prepared to receive any further communication on the subject.

MALAYA. 17th. KEDAH. On right enemy attacked our detachments in GRIK area (25 miles S.S.E. of KROH) in some strength. On left, withdrawal from River MUDA is continuing. Our reserve formations now on line of River KRIAN (20 miles to South).

PERANG. Withdrawal proceeding.

KALANTAN. We now hold position on River MAL (25 miles South of KOTA BHARU). Enemy broke off engagement after suffering casualties. Elsewhere nothing to report. Enemy air activity negligible. Anti-aircraft defences have shot down 13 enemy aircraft to date, plus 5 probable.

PORTUGUESE TIMOR. The Netherlands East Indies Government announce that on the morning of 17th December Portuguese Timor was occupied by Dutch and Australian forces.

RUSSIA. Nothing additional to official communiques.

(III) AIR OPERATIONS

16th/17th. WILHELMSHAVEN (71 tons), OSTEND (35 tons), BREST (31 tons), and DUNKIRK were attacked in fair visibility. 13 aircraft from R.C.A.F. squadrons took part in these raids.

17th. Our fighters destroyed a Junker 88 off KENT.

17th/18th. 137 aircraft despatched to BREST (121) HAVRE (14) leaflets PARIS - ORLEANS (2). At BREST, attacked by 99 aircraft a large explosion and fires were seen, though a smoke screen hindered observation. One bomber missing. Another came down in the sea but the crew is safe.

LIBYA. 16th. Our light bombers started a large fire in dumps near BARDIA and attacked BENTHA aerodrome. In the course of continuous fighter patrols to the Southwest of GAZALA and frequent sweeps between GAZALA and TRIMI only two enemy aircraft were sighted, one of which was destroyed.

7 FAR EAST. 17th. Six light bombers escorted by 5 fighters operating from SINKAWANG (North-West BORNEO) unsuccessfully attacked Japanese warships off MIRI.

(IV) ENEMY ACTIVITY

17th/18th. About 40 enemy aircraft operated against the United Kingdom, of which 18 crossed the coast for short periods.

RESTRICTED

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G-2/2657-220; No. 574 M.I.D., W.D. 11:00 A.M., December 19, 1941.

SITUATION REPORT

I. Pacific Theater.

Philippines: Ground patrol activity is increasing. Heavy enemy air raids yesterday over Iloilo (on the south coast of Panay Island) and over the Manila area. No results reported. Hawaii: No further reports of hostile activity have been received. Wake: The Navy reports a Japanese bombing attack on Wake in the late morning of the 18th. No results were given. Hong Kong: Air attacks continued on the 17th. The press states today that the British were fighting against Japanese troops who are attempting landings on Hong Kong Island. Malaya: Heavy fighting continues in the north. On the west coast the British are evacuating Penang; in the east they are holding successfully. West Coast: There have been no further reports of enemy activity.

II. Eastern Theater.

Ground: There is no reported change in the situation along the entire front. The Russians claim continued success. (No situation map will be issued today.)

III. Western Theater.

Air: According to the British Air Ministry, the SCHARNHORST and GNEISENAU were again attacked yesterday at Brest by a large force of R.A.F. bombers. The British admit losing six planes and claim that they shot down eight German planes. Raids on these battleships were renewed last night.

A single German aircraft dropped bombs on the coast of East Anglia, causing some damage and a number of casualties.

IV. Middle Eastern Theater.

Ground: Axis troops are withdrawing westward with great rapidity in two bodies. One body north of the Jebel Achdar by way of Derna has set up a rear guard southeast of Derna proper. Body withdrawing south of the mountains has set up a rear guard at Mechili. British are pursuing both bodies vigorously.

Air: The press reports that yesterday's bombing attacks by the R.A.F. were the heaviest of the present campaign in Libya.

Axis aircraft, according to the press, made torpedo attacks on units of the British Mediterranean fleet yesterday off eastern Libya.

RESTRICTED

RESTRICTED

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G-2/2657-220; No. 575

L.I.D., U.D. 11:00 A.M., December 19, 1941

SITUATION REPORT

I. Pacific Theater.

Hawaii: No further reports have been received. Philippines: Press reports that Japanese troops landed yesterday morning at Devao in southeast Mindanao. The general situation remains the same. Borneo: According to the press, N.E.I. planes made bombing attacks over the Miri area yesterday, and Japanese planes made an air raid on Pontianak (southwest coast of Borneo). Malaya: No change reported south of Kota Bharu. In the west, the British are withdrawing to a new defensive position. Hong Kong: The situation at Hong Kong seems serious. The press reports this morning that the British garrison there is still holding against Japanese forces which have landed on the island. West Coast: No further reports of enemy activity have been received.

II. Eastern Theater.

Ground: The German High Command reports no change on the Eastern Front and claims the repulse of the Russians. The Russians claim the capture of Ruza (north of Mozhaisk), Tarussa (southwest of Serpukhov), and Khanino (15 miles west of Dubna).

III. Western Theater.

No further reports have been received.

IV. Middle Eastern Theater.

Ground: Axis retreating westward. Germans generally north of Jebel Achdar (Mountains), Italians south. Axis losses severe. British advance elements have reached vicinity Cirene and passed Mechill.

Air: According to the German High Command, German bombers successfully raided military installations in Tobruk harbor. The Italian High Command admitted that Derna airport is in British hands and that the British had bombed Tripoli and Benghazi. Malta, claim the Italians, received a series of bombing attacks by formations of the German Air Force.

RESTRICTED

December 20, 1941

Norman Thompson
Mr. Morgenthau

By eleven o'clock, if possible, I would like a one-page memo from you, telling me when I originally asked you to make an investigation of Chick Schwarz's office. I mean what date I asked you to do this. Who made the investigation for you? I want the men's names. I also want to know how long it took, when the investigation was finished, and a very brief summary of what the recommendations were.

Please try to get this into Mrs. Kletz's hands by eleven this morning so that she can give it to me.

Submitted 12/20/41 - 10:54 -

TREASURY DEPARTMENT

160

INTER OFFICE COMMUNICATION

DATE December 20, 1941

TO Secretary Morgenthau

FROM Mr. Thompson

In reply to your memorandum of today with respect to Chick Schwarz' office, I submit the following report:

On October 6, 1941, you directed me by memorandum to be responsible for the efficiency of Chick Schwarz' office. On October 23, 1941, I sent you a memorandum in which I advised that a study was made of the operations of Chick's office and the efficiency of his personnel. Mr. John D. Larson of my staff made the detailed investigation, with the assistance of Mr. William Lynch of the Procurement Division.

On November 10, 1941, Mr. Larson submitted a preliminary report dealing with the administrative phases of the office. This report contemplated (1) correcting immediately existing inefficiencies occurring in disseminating the Secretary's speeches, and (2) to better organize the clipping work where considerable duplication was found. This report received the approval of Messrs. Schwarz, Kuhn, Schoeneman, Bell and myself, and the recommendations were put into effect at once. These functions now are being carried on efficiently.

Subsequently, I advised you that Mr. Larson was working on the second section of his report which would cover the matter of the personnel engaged in public relations work. This report was in process of preparation when you gave me your instructions to get rid of the inefficient men in Chick's office. This was accomplished on December 16th. We were proceeding cautiously with these more important personnel changes inasmuch as Messrs. Kuhn, Gaston and Chick were not in agreement, whereas I felt and the investigators under me felt that notwithstanding the support these men were receiving, they should be displaced. In the course of this investigation, Chick agreed in the presence of Larson, Schoeneman and Bell that Mayl, Lampman and Barbee were not capable employees. As for Mr. Stone, the fourth to be transferred, this was done largely on the strength of your impression of Mr. Stone coupled with the fact that Mr. Graves had earlier indicated the unsatisfactory performance by Mr. Stone and had separated him from the Savings Bonds Staff.

The remaining question in my opinion is whether or not you are satisfied with Mr. Schwarz as head of this important field of work.

I attach the original of Mr. Larson's preliminary report to which I have referred in case you may wish to look it over.

Thompson

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John D. Thompson

December 20, 1941
11 a.m.

GROUP MEETING

Present:

Mr. Gaston
Mr. Graves
Mr. Buffington
Mr. Kuhn
Mr. Schwarz
Mr. Paul
Mr. Sullivan
Mr. Thompson
Mr. Haas
Mr. Foley
Mr. Viner
Mr. Morris
Mr. White
Mrs. Klotz
Mr. Bell

H.M.Jr: So many people have wanted to see me that I couldn't do it individually --

Viner: What are you hiding for?

Paul: I am not hiding. I couldn't hide very much behind you anyway. (Laughter)

H.M.Jr: One of the things - I have got a lot of odds and ends - there is supposed to be a story written for Time. Would you mind my telling it?

Gaston: I don't mind at all. It was perfectly ridiculous.

H.M.Jr: Gaston called me up - well, you might as well have it, as long as all the newsmen know it. It was supposedly that the reason that these men were eliminated from the news room, there was

- 2 -

a plot on the part of Foley and Graves against Gaston. Well, I asked Schwarz to handle it and he didn't handle it through Felix Belair but he got a very unsatisfactory answer and it occurred to me that the man to talk to was the man that covers the Treasury.

Schwarz:

Crider will be here at 11:45 and he would like to see you alone rather than with the other boys.

H.M.Jr:

Well, the thing that you could have done, Chick, for me, you could have thought of seeing Crider.

Schwarz:

I did. I have talked with him.

H.M.Jr:

Well, anyway, I am doing everything that I can personally to get to the bottom of it and kill it, because we don't have that kind of thing. It doesn't exist in the Treasury. It is the kind of thing that I like to do if somebody else is under fire, just the way when I am under fire my people try to protect me; but I just thought I would tell it to you. I don't know what it is all about. Perlmeter wrote me a letter of ugly rumors around the Treasury and could he see me and some of the boys, so I thought I could do it better today than Monday. I don't like those kind of things hanging over my head, so he is coming in when?

Schwarz:

At noon.

H.M.Jr:

But I am seeing these men alone. But Crider wants to come in at --

Schwarz:

I have talked with him thoroughly and he said simply that he had to send a memorandum on what he was told up to New York. He doesn't think they are going to print anything.

H.M.Jr:

What did he tell you about it, so that I know.

- 3 -

(Mr. Bell entered the conference.)

- H.M. Jr: There is a chair over here, Dan.
- Schwarz: He didn't have anything about a plot. I think that was News Week's story.
- Gaston: Walter Fitzmaurice called me up, of News Week, to tell me and he said Time had that story.
- Schwarz: Crider denies there was any plot but said there were rumors of jealousies and feelings.
- H.M. Jr: Well, anyway, it is the kind of thing that I - it doesn't exist in the Treasury because I won't let it exist and when somebody - I will do the best I can anyway for everybody involved by seeing the men myself alone and collectively. I know how unpleasant those kind of stories are. I thought I would do it today so I would have it off my mind and it won't worry me.
- Gaston: I certainly appreciate it.
- H.M. Jr: Well, you have done it often enough for me, Herbert. If there is anything that any of you men involved should know before I go home, I will let you know. In fact, I will let you know anyway, the result.
- I have got a couple of things. I don't expect a lot of stuff. I will talk as long as I can. There are two memoranda. Bell, have you got that first one -- I mean White? I gave it to you. It is a month old, Harry.
- White: I have them right here.
- H.M. Jr: No, I mean the one from the Director of the Budget.
- White: Yes.

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H.M.Jr: Could I have that one?

White: Yes. Here is a draft of our reply.

H.M.Jr: Where is the President's? Where is the actual memo?

White: I have some thoughts on it if you want to discuss it.

H.M.Jr: Well, something has happened since then. This affects everybody. This affects the speech in New York. It cuts across so many people. I can't see each person.

Bell, read the President's memo to me and then what is attached, you see.

Bell: Read Smith's memorandum too?

H.M.Jr: Yes.

Bell: "Memorandum for the Secretary of the Treasury from the President: I enclose memorandum from Harold Smith and have asked him to cooperate with you in letting me have a general outline of the tax policy or program for inclusion in my budget message."

Harold Smith's memorandum to the President is dated December 17th.

"The proposed budget message for 1943 has gone through several drafts here in the office. It seems quite clear that the budget message should be used as a vehicle to set forth a more comprehensive statement of the fiscal situation and the fiscal policy than has ever been done before. The budget picture is affected by price control, priorities and allocations, credit control, as well as the obvious expenditure and revenue aspects. In view of the possible deficit of thirty-eight

billion dollars for 1943, based on present revenue measures, I feel that an integrated financial program should be incorporated in the budget message. I believe that it will give the country a feeling of confidence that such a program is being formulated for adoption.

"We have already drafted the message tentatively to include what we believe to be the general outline of the Treasury tax program. If you agree that there is advantage in a rather comprehensive statement of the fiscal situation, I will be glad to try to iron out the text with the Treasury in advance of presentation to you in order to conserve your time."

R.M.Jr:

Well, I called up Harold Smith yesterday and told him that the President sent this to me and that I would be glad to see him, so he said should he work it out with Bell and I said no, that I wanted him to see me, myself, and that we would be very glad if he gave us time enough to go over anything that the President wanted to say about taxes, or fiscal policy.

Well, he said he was very busy and I said, "Well, just give me time enough and I will be glad to sit down." Now it seemed to me that Sullivan and Paul - that we shouldn't wait until Harold Smith comes over with a draft as to what he thinks the President should say about taxes, but you fellows had better get busy, see, and have something for me as soon as possible.

What we would like the President to say, if we are going to carry the ball, you see, which I think we should, and which is the President's attitude in his memorandum to me. In other words, that is a very cleverly worded memorandum of Smith's but the President doesn't simply

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say that. He sends it to me. He is looking to me. Well, I want to respond and I want to have something so that when Harold Smith comes over, the President - "if you want to say something on taxes, Mr. President, or if you want to say something" - he spoke about the difference in the gap, what I call the Shoup plan or theory - lets us say something. He wrote the President on this on October 29th, Smith did, on this thing, and the people who have read it say it isn't very good. Isn't that what you said, Harry? Somebody told me that.

White: I didn't say that.

H.M.Jr: Well, somebody read it anyway.

Bell: I haven't seen it.

H.M.Jr: Yes you have, excuse me.

Bell: Harold Smith's memorandum?

H.M.Jr: Yes, look; I think you saw it. It is old. Didn't you see that?

Bell: No.

H.M.Jr: You haven't seen it?

Bell: No, sir, I haven't.

H.M.Jr: Well, that is my error.

Bell: The only one I have seen from him is that statement.

H.M.Jr: Well, now, Dan, we can't write anything. We can write something - here is the thing: We can say something to the President on the gap as between civilian goods and production and

purchasing power, can't we?

Paul:

We have got plenty of material on that.

H.M.Jr:

We can say something on how much - how that should be mopped up, that popular word.

Bell:

Don't use that word.

H.M.Jr:

I know. Now, that is why I called the group in. I don't know how many people are affected. If we are to say something or put something in the President's mouth, do I want to say it on Sunday, the 28th? You see? Now, do you see, Ferdie, why I asked you to wait? I had to catch my breath, I mean this morning.

Kuhn:

We had talked about the 28th and I wanted to report to you on what John and Randolph and Tommy Tarlean thought.

H.M.Jr:

We will go ahead.

Kuhn:

We all agreed that you should not talk about taxes in any way at that particular party up in New York because that would be made up of sharpshooters who would be only too glad to get some advance indication of what you were wanting to do and they would start to work and criticize it.

H.M.Jr:

Well, that is one reason. Now, if you want to put it into the mouth of the President to say it on January 5th, that is a much better reason why I shouldn't say it. What?

White:

Has it been customary for the Treasury in the past budget messages to write the portions dealing with taxes?

H.M.Jr:

Bell can answer that better.

Bell:

Up to 1939. (Laughter) As long as I was on

the Treasury payroll and acting Director of the Budget, yes.

White:

I personally think it is inexcusable for the Treasury not to do it as a routine thing each time. Every time there is a budget message going up and you know about it ahead of time, there ought to be a memorandum suggesting the inclusion of something.

H.M.Jr:

Well, Paul - where is Paul? I am going to pin this on you, see. This is the part that would come under you, see.

Paul:

All right.

H.M.Jr:

And ask everybody in this room who has anything on it please to cooperate with you.

Bell:

I should think it would have to be rather general, Mr. Secretary. You can say here is the gap and it must be taken up through additional taxation. You can't go into a program because the program isn't ready. I don't believe Smith meant that, as to the program the Treasury has in mind. I don't believe that he could have written anything, as he has indicated here, as to the Treasury program, because he has only sat in one conference and that was up at John's house that night.

Do you agree with that, John? He couldn't have written the Treasury program, because it wasn't available.

Paul:

But he might have written his own program.

Bell:

No, he says, "I have written what I understand to be the Treasury program. We include what we believe to be the general outline of the Treasury tax program."

White:

What is the date of that, Dan?

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- Bell: The 17th. So it would have to be quite general for him to have written it.
- Paul: Isn't it possible to get his draft? I would like to see what he did say.
- White: I am inclined to think the Secretary is right in saying that without seeing his draft, a draft ought to be prepared here. It ought to be a Treasury draft and then let him go over that or combine it.
- Bell: It seems to me you would have to, some place along the line, see the budget draft in order to fit what you are going to say on taxes into that whole message, because he is going to say something on prices and priorities and everything else.
- Paul: The most important question is to know whether it is to be very extremely general or to go into detail and details are indicated from what you read.
- White: I think, Randolph, that is a decision that in the first instance should be made by you and your group, that the President will accept anything that is good, and if you think that you can phrase something which has sufficient detail and follows the kind of principles which apparently Smith has suggested as being novel, then the President will accept it, so that I don't think you need more instructions than those that are already before you to draft something for the budget speech.
- It may not be what finally emerges, but certainly you ought to get the best kind of statement you think the President ought to make.
- H.M. Jr: Let me help guide you, and Bell can check me

on this, and Sullivan. We have never been able to get the President to get into details. He won't talk about depletion of community property, you see, or inheritance taxes. He won't say it. So you have got to talk about principle. We have never been able to get him to say that, John.

Sullivan: This is one time I hope we will.

Paul: I agree with that.

H.M.Jr: No, but he wouldn't say it anyway. It is a question of principles and you have got to just crystallize your own thinking, plus - Blough isn't here, is he?

Sullivan: No.

H.M.Jr: Well, everybody else that has anything, and then get it to me just as fast as you can. This is just forcing our hand. I would much rather say to the President - write the President a letter, "My dear Mr. President, I have received your note from Harold Smith and I am delighted to have the opportunity to give you the Treasury's ideas, and I am sending this to you and a copy to Harold Smith; and Harold Smith and I have arranged to sit down and go over it together."

White: That is right. That is the way it should be.

H.M.Jr: To take the initiative, because Harold Smith has every reason to say, "Well, Mr. President, I had to do something, because the Treasury didn't give me anything. Every other department has. Every other department has given me something."

White: I think it ought to be done over the weekend. It ought to be done fast.

Paul: Obviously.

H.M.Jr: Now Randolph, will you take that?

Paul: Yes, sure.

H.M.Jr: There is no use - and then as I say, I have got to pin it on somebody. I am available any time Monday.

Sullivan: I think we ought to have that Monday morning for you.

H.M.Jr: I am ready. I will tell you now, ten o'clock Monday morning.

Bell: Do you want any attempt made to get a copy of the present draft of the budget message from Smith?

H.M.Jr: If you would ask him that, tell him that we are working over the weekend.

Bell: I think the savings bonds ought to fit in to this too. Obviously he is going to say quite a lot about inflation. He is going to speak about deficit and then talk about inflation and prices. We ought to show from the fiscal angle what we can do to stave off inflation. Most important is taxes and next comes savings bonds.

H.M.Jr: I don't blame Harold Smith for pushing because we haven't - we have just been doing nothing in trying to get the stuff to the President and to him to include it.

Bell: Of course, he has never included anything in his message on taxes heretofore.

H.M.Jr: Well, anyway, here it is. The President writes me a very nice memorandum and is very courteous --

Bell: I think it is a good thing to have a general thing about taxes, the fiscal program in the budget.

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- Morris: Is the fiscal program for this purpose going to include some general principles of borrowing? That is what I have been trying to figure out. You wanted us to try something on not only the savings bonds but your general financing program. I don't want to do it if we can avoid it, but do you think we are forced into doing it?
- Bell: No, I don't think so. The only thing you might want to consider is as to whether or not the President might want to say something about interest rates.
- Viner: That is right.
- Bell: This might be a good place to say something, that our average interest rate is so much and that we do not expect to finance this war above that level.
- H.M.Jr: No, I am sorry.
- Bell: That is important.
- H.M.Jr: Well, I would much rather have what Dave Morris said, something on the borrowing. The borrowing - I mean, Dan, let's put - this is what I am asking this group, and each person that - let's say that - I am saying here now, let this group produce something that covers the whole fiscal and tax program and how we in the Treasury feel we would like to see the thing handled. Now, I am not interested in interest rates except as a very incidental thing, but the whole thing, Mr. President - we can use the things here. Let's go on the basis that you are going to spend - you (Haas) got those figures from OPM. We are going to - we will go in jumps of five billion, that we are going to spend thirty billion, thirty-five, forty, forty-five, fifty billion, whatever it is. Depending upon that program the Treasury

feels we are going to have to borrow so much. We can do so much with Defense Savings Bonds and we can do so much in taxes. And here is the thing, Mr. President."

- Bell: I agree with you.
- H.M.Jr: See?
- Bell: Yes. To that extent I agree with you, that the borrowing program ought to be in, but not too much detail on borrowing.
- H.M.Jr: No, no, that is why I don't want to say anything about interest rates.
- Bell: Well, we may come to that. We ought to talk about that because that is very important.
- Morris: That is the heart of the matter.
- Bell: Yes, it is very important.
- H.M.Jr: Excuse me one minute. Let me just run through this thing once more. Here comes this thing in. I have always prided myself, I like to be a little bit ahead of the parade. All right. We do this thing - a fiscal program for the next fiscal year, the Treasury's program, and we give it to them. Then we sit down. Harold Graves says this is fine, and we argue it out. But if we don't, Smith has every reason to believe that he can lay down the fiscal program. Now, Dan, are you in disagreement?
- Bell: Not as a general matter, but laying down a fiscal program, a borrowing program for the fiscal year which is six months off - the beginning of it is six months off - I don't think it can be done for the budget message.
- Viner: I think the program is the wrong word. The Treasury ought to state its philosophy here.

H.M.Jr: Thank you, Jake.

Viner: The program has to be worked out as to techniques and detail, but the general drift as to its attitude and approach ought to be stated in that message.

H.M.Jr: Are you here over the weekend?

Viner: Yes.

H.M.Jr: Wonderful. Herbert, where do you agree or disagree?

Gaston: I think this, that the budget program of necessity must contain some statement of general fiscal policy, not only taxation, but the general fiscal policy of the Government. That is mainly the business of the Treasury Department.

I think it would be perfectly ridiculous for the Director of the Budget to prepare a budget message without submitting the whole budget message to the Treasury, particularly for discussion as to what should be said on fiscal policy, and I don't agree that we ought to submit stuff to Harold Smith for inclusion in the message.

I think Smith should, on his part, consult with the Treasury before he drafts the fiscal policy portion of his message.

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- H.M.Jr: Granted, but we have no excuse to ask him - if he comes back and says, "Well, Mr. Morgenthau, what is your attitude on this thing? "Well, we are thinking about, but here Mr. Smith, here is our plan." "Well, here, Mr. Roosevelt, is our plan." Then the President says, "Harold, go over and see Henry and get that stuff. He has some good stuff. Some of it I like and some of it I don't like."
- Gaston: I think he certainly should do that in an early stage of drafting the message.
- H.M.Jr: Let's see how we are going to divide this thing up, Dan. Certainly you are going to try and get a draft, aren't you?
- Bell: Yes, I will try to right away.
- H.M.Jr: On the borrowing stuff, and you have got your people to help. What's-his-name is sitting there.
- Bell: Morris and George.
- H.M.Jr: What you need from Harold Graves in the way of what he thinks he can do through Defense Savings Bonds and whatever he tells you, up it a little bit, just the way you know, the President always upped our revenue and downed our spending. We will do that after we get the figures from Harold. Then Paul and Sullivan and Blough will get busy on the other thing, and then we will hit it Monday morning; and Jake, you be there to tell everybody when they are good and bad and put your own oar in.
- Viner: I will be at anybody's service.
- H.M.Jr: And Harry, a general contribution from your section would be welcome.

- White: O.K.
- H.M.Jr: General contributions, anything that you have got, will be welcome.
- Foley, what can you contribute on this thing?
- Foley: Nothing.
- H.M.Jr: That leaves you and Herbert and I and Kuhn and Mrs. Klotz, we sit back here and we will be the critics.
- Gaston: Lovely.
- H.M.Jr: If any of your boys, Foley, have got any ideas. I will not contribute anything over the weekend. I won't phone anybody after midnight. Let's take anybody that has got any ideas so we have - Paul is going to carry the tax ball, Bell will carry the fiscal end, and everybody is welcome with suggestions until we get something and do the hair pulling before ten o'clock.
- White: Doesn't it all have to be woven into one, and doesn't somebody have to have the responsibility for that? I think that will be the most difficult part.
- H.M.Jr: No, I don't--
- Bell: I think it all has to be gotten together and where it fits into the message, if we can get a copy--
- Paul: But I think we ought to have a clearing house. Everybody ought to give me his ideas, and I have to weave something together then and submit it to the crowd.

H.M.Jr: You mean, including the borrowing?

White: Everything.

Paul: No, I mean just the tax. I suppose the same technique would apply to Mr. Bell.

White: That still doesn't fit what I thought - it has to be woven into one picture, doesn't it?

Bell: Then the two groups ought to get together and see how one fits with the other. I think Harry is right.

Paul: Oh, I beg your pardon. I agree with you.

Sullivan: He means the two different sections together.

Paul: Oh, I agree with that.

H.M.Jr: Well, everybody is going to have a wonderful weekend, but we have never had a good weekend from Christmas until New Years. I think that is enough. That is about all.

Bell: Want me to give copies of that--

H.M.Jr: Yes. Anybody got anything minute, funny?

Gaston: I have a letter from the Secretary of War, but I think I will go into it Monday with you.

H.M.Jr: Have you got something you want me to sign? Are you through, Herbert?

Gaston: Yes.

H.M.Jr: Nothing too important.

Foley: We want to restore some of these general

licenses, reinstating the Japanese program. The only reason I bring it up is because you said on license number one which permits them to make deposits in the blocked accounts, you would like to have the thing brought back to you. All right?

H.M.Jr: Do I have to sign anything?
Foley: No, I will do it.
H.M.Jr: Use the old bean.
Foley: O.K.
H.M.Jr: All right?
Sullivan: I have several matters, but they don't qualify under your instructions.
H.M.Jr: Well, could they cook? Would the pot boil over?
Sullivan: They can cook until Monday all right.
H.M.Jr: The pot won't boil over?
Sullivan: No. The Commissioner wants to leave this evening to go to Kansas.
H.M.Jr: For how many weeks?
Sullivan: He will be back here the third.
H.M.Jr: The third?
Klotz: He is tired.
Sullivan: So am I.
Bell: We all are.
Klotz: He has really been sick.

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Sullivan: We ought to let those that feel all right have some fun.

H.M.Jr: It is all right with me. Is it all right with you?

Sullivan: Yes, sir.

H.M.Jr: Anything else?

Sullivan: No. I have a personal question I want to ask you later on if I have a chance.

H.M.Jr: Want to stay afterward?

Sullivan: Yes, just a minute.

H.M.Jr: All right, Randolph?

Paul: You have given me enough to do.

H.M.Jr: Dr. Viner?
George? I hear you are going to charge up on the Hill with Walt Disney in your pocket.

Buffington: What is that?

H.M.Jr: Are you going up on the Hill Monday to get Mickey Mouse?

Buffington: Going to try to.

Thompson: It is before the Bureau of the Budget.

H.M.Jr: I see. Wonderful. Have you got anything, Dave.

Morris: I am not sure, but I would like to mention it. You can shut me off if you want it to wait.
On those loans to small industry which are

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very important in this defense proposition, in effect I think Eccles wants the Treasury to carry the ball on that to prove that something ought to be done, and he ought to do it rather than Jesse Jones who has the power but nobody has ever induced him to do it, and I don't know if you want me to start digging into that too hard.

H.M.Jr: No, that is a fight I don't want to - I pick my fights and that is one fight I don't want to pick. Eccles - when Eccles wants to fight he can fight, and I don't want to take on his fight.

Morris: And we give him our blessing?

H.M.Jr: That is right.

Morris: You are willing to do that?

H.M.Jr: Oh, yes.

Bell: A little more, I think, than that. It is a question of whether we expand or whether we repeal 13b, in which we are very much interested in. We are using our money. In a conference yesterday the question came up as to whether we should try to find out just what the problem is by asking one or two officers of the War Department as to what they would run up against.

Now, have they run up against this problem, and, if they have, then we have got to say who is going to do it.

Morris: Dan, can I say one thing? OPM came over to see me this morning because they are very upset about it.

Bell: Upset about what, Eccles?

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- Morris: No, about the sub-contractors getting nowhere, and while they say they don't care who does it, they indicated off the record that they would rather have Eccles do it than the RFC because they have had such bad luck with the RFC, but they are very upset about getting nowhere.
- Bell: I think if we are satisfied that there is a problem and the War Department and Navy or OPM wants something done, I think we can say to Eccles that we don't care. If he wants to expand 13b, it is his problem and if Jesse Jones wants to do it, which he will get through committee action after it goes up, probably, it is all right too. If Jesse Jones does it, then I think 13b ought to be repealed and the money ought to come back to the Treasury.
- H.M.Jr: Dan, I can't absorb it this morning. All I can tell you, Dave, if it is a fight between Jones and Eccles, you know the story about the man that tries to separate husband and wife fighting on the streets. I always get licked by those two birds. (Laughter) They always get together. They always have. The whole fight with Giannini, Eccles, and - I never knew whether it was Eccles or Jones, but they always were on Giannini's side, always.
- Bell: I don't think we got licked.
- H.M.Jr: Well, I was fighting both of them and the rest of the world, but look what it took out of me. Look at the time. It took five years.
- Viner: I think you can support the idea without entering into the question as to who ought to execute it. The fight would all be on the execution.

- H.M. Jr: O.K., Ambassador, take your cue from Dr. Viner. We missed you at our luncheon the other day in Chicago.
- Viner: Well, I had to catch a train.
- H.M. Jr: You needn't get sore about it. (Laughter)
- Viner: I am apologizing.
- Klotz: That is an apologetic voice.
- H.M. Jr: All the other important bankers in Chicago where there.
- Bell: Any professors?
- Viner: Is that a compliment. (Laughter)
- Morris: I don't know.
- White: Mr. Secretary, I think this is a little bit more important, and there are a few more angles to this than appears right now, and I am wondering whether you would reconsider the thing Monday morning. I think your course is right, but I don't think Dave Morris has quite got what you want him to do, and I think there is danger there because to follow Jack's procedure means that Jesse Jones isn't doing his job. Now, that may very well be, but I don't know why - there is another angle from which this thing can be approached and in which you can keep out of it entirely.
- H.M. Jr: Well, Harry, until we do this fiscal and monetary and borrowing thing for the President, and a speech for a week from Sunday, I am not going to take on anything else.
- Viner: That is urgent.

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H.M.Jr: Which?

Viner: This other. I wouldn't hold it up anyway. I wouldn't let Treasury be a barrier.

Bell: I don't think we should take it on yet. The only question here is whether we shall go and find out what the facts are.

H.M.Jr: No, I don't want to do that.

Bell: Up to that point, and then let somebody else have it.

H.M.Jr: Not today, anyway. Anybody that has got any information, I would like--

Morris: OPM is sending me some information.

H.M.Jr: All right. We will hear what Harry has to say, too.

Bell: Do you care if we contact the Army to see what information they have got?

H.M.Jr: No, that is all right.

Bell: That is about as far as we want to go.

H.M.Jr: That is all right.

Well, George is running a chart right on the facilities that Federal Finance is doing. You have got a chart for them?

Haas: Yes, sir, I carry it with me every day. It is right here.

H.M.Jr: Well, unburden it now. I have had George studying how far and how fast Jones has been financing facilities. He has been at it for about a month.

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- Morris: Well, just one sample, OPM told me in the last two weeks they presented twenty situations to him, and he had only helped them in four.
- H.M.Jr: Go to it. I like your courage.
- Morris: Well, I will just get - can I talk to the Army and Navy informally?
- H.M.Jr: Yes.
- Bell: That is all we wanted to know.
- H.M.Jr: I have waited a long time for somebody to find out what Jesse Jones hasn't been doing on this. O.K., Dave?
- Morris: Thank you.
- H.M.Jr: Ferdinand?
- Kuhn: I would like to mention again that speech Sunday night because in view of the fact that you can't talk about taxes at all or a fiscal policy, I think it would be wiser to cancel the whole engagement. I don't see what you can talk about appropriately to that group. It is not just a group of - it is not a Boston Advertising Club or women's club. They are--
- White: What is it?
- Kuhn: It is the Institute of Public Administration and the Association of Political Science up in New York on Sunday night.
- White: Public Administration?
- Kuhn: Yes.
- White: Why can't that be his speech, "Administration"?

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- Kuhn: Well, the Secretary can talk about the administering of Government in wartime.
- White: It is a very good topic.
- Kuhn: It is a good subject, but I wonder whether he wants to talk on it.
- H.M.Jr: Look, I haven't had time. I am just pacing the floor. I have been trying to get together with Harold Smith in some way that he doesn't feel that we are his enemy number one. Now, he is president of this organization, and, if I cancel the speech, nothing is going to irritate him more. Isn't he president of it?
- Bell: Yes, sir, and Luther Gulick is vice president.
- H.M.Jr: Now, if I cancelled that - this is the apple of his eye. Ask Viner. He will write a speech in four or five minutes on it.
- Viner: I would get Luther Gulick on it. He is an expert on the stuff those people expect. I would like to talk to you. There are things you can do on that. This is a timely thing, the whole question of wartime Government administration.
- White: It is one of the roundtables on that very topic.
- H.M.Jr: I wouldn't give up so easily because Harold Smith and Gulick--
- Viner: They wouldn't want a talk on taxation as such. That isn't their role. Their role is on the question of operating the Government.
- H.M.Jr: Dan, don't you think it would be a mistake

to cancel it?

Bell: I wouldn't turn it down.

H.M.Jr: Look, let me catch my breath. Talk with Viner.

Viner: Where is Gulick? Is he around? Is Gulick around?

White: Yes, he is.

H.M.Jr: Could you maybe, and then get some ideas?

Viner: Yes.

Kuhn: Yes.

H.M.Jr: All right.

How far did I get? Did I get beyond Harold?

Graves: You sent me a letter this morning from Congressman Cannon of Florida --

H.M.Jr: Yes.

Graves:in which he suggested that we ought to have bonds and stamps in the post office at the Capitol.

H.M.Jr: We had that once before.

Graves: We will reopen that, but I would like to refresh your recollection about what happened before.

H.M.Jr: Is that Cannon of --

Graves: Of Florida. It is not Cannon of Missouri.

H.M.Jr: Don't worry. I thought it was Cannon of Missouri.

Graves: You see, those post offices are under the

Capitol, not under the Post Office Department.

- H.M.Jr: Write him a letter for my signature. I thought it was Cannon of Missouri.
- Graves: I thought you might have thought so. It was Cannon of Florida.
- H.M.Jr: Thank you.
George?
- Haas: These figures on Savings Bonds just came in, and I did not have time to complete the table, but I have them here on this sheet.
- H.M.Jr: This week we have done twenty-four million, eight million eight, twenty-one million four, twenty-five million, twenty-two and a half million. Very nice.
Chick?
- Schwarz: I have an important speech invitation which I will bring up on Monday.
- H.M.Jr: Harry?
- White: Mr. Clark of Canada telephoned that it is inconvenient for him to come next week. He would like to come the week following provided you are going to be here Monday, Tuesday, or Wednesday. Do you have any--
- H.M.Jr: Ask me Friday, next Friday. I can't tell, Harry. I don't know.
- White: As far as you know you are, because if you are not, he wants to come this week and it is inconvenient for him.
- H.M.Jr: No, New Year's Day I hope to spend on the farm.

White: New Year's Day is on Thursday.

H.M.Jr: I hope to be on the farm. I can't tell, Harry.

White: It is on a Thursday.

H.M.Jr: I can't tell. Ask me the day after Christmas.

White: But you definitely don't know that you are not going to be here?

H.M.Jr: No, I won't say that. (Laughter)

White: All right.

H.M.Jr: I don't know, Harry.

White: All right.

Mr. Irigoyen called me yesterday at the request of the State Department. He presented certain matters. I am writing it up. We will have a little meeting here and then we will have something to present to you. What he has asked for, I don't think is within our province, but I will present it to you.

H.M.Jr: Any Argentinian champagne?

White: It is a little early for that. I didn't think the first meeting was appropriate as a time to ask for it.

H.M.Jr: Remember, fifty-fifty.

White: Mine is all gone. I will remember. (Laughter)

H.M.Jr: As a matter of fact, I don't like Argentinian - I will take the red wine in place of the champagne.

White: We got it for nothing, you realize. They never did--

H.M.Jr: Same basis.

Bell?

Bell: Do you want the draft of the report of the Byrd Committee to come up to the house.

H.M.Jr: Yes.

Bell: I will have it sometime today.

H.M.Jr: Right. Thank you.

Bell: That is all.

Thompson: To ease the space situation in the Treasury building, I am planning to move Mrs. Ross of the Mint Bureau out if that is O.K. with you.

H.M.Jr: It is wonderful, but I just want to know who is going to issue the order.

Thompson: I will issue it.

Bell: Harold Graves.

Klotz: Yes, Harold Graves.

H.M.Jr: Harold can't take it.

Thompson: I will take care of it.

H.M.Jr: Where are you moving her?

Thompson: Over to the Washington Building.

H.M.Jr: What are you telling her?

Thompson: Cy Upham has arranged to move his Insolvent

Bank Division.

H.M.Jr: When are you moving Nellie?

Thompson: Next week.

H.M.Jr: Couldn't you see Nellie home on a day I am out of town or something?

Thompson: Yes, I can hold it up. It isn't so urgent.

Klotz: She won't come up.

H.M.Jr: You know the McReynolds story. All right. Wonderful.

(The Secretary held a telephone conversation with Mr. Knudsen.)

Klotz: If you start it with him, you are going to have a time.

Foley: Jenkins, the president of the General Motors Export Company, is waiting for me in my office now.

H.M.Jr: What is the thing? You give how much to a person and how much for each child?

Foley: He is entitled to a hundred dollars a month and twenty-five dollars in addition for each dependent. That is the general rule. Now, what he wants to do is to give the family ten thousand dollars for Christmas, and you can't do it.

H.M.Jr: Oh, no.

Foley: And he just happens - you tell him you can't do it, you tell him what the regulations are, and then he gets his export man to come in with this idea of crediting the account of General Motors Export here with ten thousand

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dollars and having the money paid out in Denmark to the sisters. Now, you can't do for him what you can't do for everybody else, and everybody else--

H.M.Jr:

Ed, you are telling me that? (Laughter)

Foley:

Well, you know, for Christmas.

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dollars and having the money paid out in Denmark to the sisters. Now, you can't do for him what you can't do for everybody else, and everybody else--

H.M.Jr: Ed, you are telling me that? (Laughter)

Foley: Well, you know, for Christmas.

December 20, 1941
11:45 a.m.

HMJr: Hello.

Wm. S.
Knudsen: This is Knudsen.

HMJr: Well, for gosh sake. It's like a voice from
the dead.....

K: (Laughs)

HMJr:as far as I'm concerned.

K: Well, I never like to bother people unless I've
got something concrete to bother them about.

HMJr: Well, I like to see you when you've got nothing
but just a nice "how-do-you-do".

K: (Laughs) I got four sisters.

HMJr: Four sisters.

K: Yeah. They live in Copenhagen.

HMJr: Yes.

K: They've got children and grandchildren.

HMJr: Yes.

K: Since 1928 I have sent them \$200 each every
month.

HMJr: Yeah.

K: The funds that I have over there run out
January the first.

HMJr: Yeah.

K: I have asked General Motors to give them kronas
out of the plant over there, and I will refund
it in dollars here.

HMJr: Yes.

K: In cash. I'm told that there's a regulation

which forbids a transaction of this kind.

HMJr: I see.

K: And Mr. Pehle.....

HMJr: Yes.

K:in your Department.....

HMJr: Yes.

K:knows the negotiations with G.M. in that respect.

HMJr: Right.

K: I want to ask you, as a friendly favor to a man that wants to help his sisters.....

HMJr: Yes.

K:whether there's any way I could continue this money beyond January first.

HMJr: Well, Bill, I'll look into it personally; and if there's any possible way of doing it, we'll certainly do it for you.

K: I've done it since 1928.

HMJr: Well, we'll look into it. It's difficult.

K: Yeah.

HMJr: Very difficult.

K: Yeah.

HMJr: But.....

K: Well, I understand furthermore, that there's some possibility of giving a hundred dollars.....

HMJr: Yes.

K:and twenty-five dollars for each dependent.

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HMJr: That's right.
K: But there are plenty of dependents.
HMJr: There are?
K: In other words, the Knudsen family is quite prolific.
HMJr: Well, that would help.
K: All right.
HMJr: I'll have an answer - I'll tell you what we can or cannot do by Monday.
K: Thank you very much.
HMJr: Thank you.
K: Thank you, sir.