December 20, 1941
12:42 p.m.

Mr. Secretary, this is Smith.

Mr. Secretary, this is Smith.

Good morning. They said you'd called me.

Yes, I did, Mr. Secretary. I didn't want to interrupt you, but what I wanted to ask you is this. I talked on the phone with our people in Philadelphia and with the people in New York.....

Yes.

...both of whom will be delighted to see you, and I've made all the arrangements; but they all say they think you ought to come to New York. That would take about twenty-five minutes longer. Would you like to go there, or do you think you wouldn't have time and we'd better cut it off at Philadelphia?

Well, no. I'd like to go to the place.....

Well, let me give you a line-up on it.

Yes.

New York is the nerve-center of the whole set-up.

Yes.

Philadelphia is the warning station and the Interceptor Commander for the sector which includes Washington.

Yeah.

But New York has the Atlantic Coast down about as far as Norfolk.....

Yes.

..., and there it's taken out by somebody else.
They have, however, a complete installation - similar, I think, to the one you saw - you saw the one they've got in London, I believe.

HMJr: No, I didn't see that, but I know about it.
S: Well, that's what they've got there.
HMJr: Yes.
S: And the one at Philadelphia is a smaller scale one, although they employ about a hundred people.
HMJr: Well, if we're going to do it, it wouldn't take much longer to go to New York.
S: It would take twenty-five minutes is all, Mr. Secretary.
HMJr: Are you going to be able to get off?
S: I certainly will.
HMJr: Or is it - are you too busy?
S: No, I'm - Mr. Secretary, I've retained you for my own personal mission.
HMJr: Wonderful.
S: (Laughs) That is, I just want to keep on doing it if it's all right with you.
HMJr: I'd love to have it. I'd like to go up there. Don't you think - will somebody tell the Secretary of War I'm going so he'll know about it?
S: Yes, sir. I will, indeed.
HMJr: I think he ought to know about it.
S: I haven't told him until I made the necessary arrangements.
HMJr: I'd like to go.
S: Well, it will only take twenty-five minutes longer.
HMJr: I don't want any publicity.
S: No, sir, I realize that.

HMJr: But I think we ought to tell the Secretary of War, and I'd like to go up - and then will we stop in Philadelphia on the way back?

S: If you like, you may stop in Philadelphia on the way back.

HMJr: Well, we could decide it afterwards.

S: It'll take you - roughly, an hour - a little over an hour to get to New York.

HMJr: Well, if I'd see New York, would I want to see Philadelphia?

S: I doubt if you would.

HMJr: I don't think so either.

S: I doubt if you would.

HMJr: But New York's the headquarters.

S: That's right, sir.

HMJr: Well, let's go up there and see it.

S: All right, sir; that'll be fine. I'll set up a nice plane for you and I'll pick you - I'll meet you at your house at the time prescribed.

HMJr: Fine. Thank you.

S: You're quite welcome, sir.

HMJr: Thank you.
PUBLIC CIRCULAR NO. 8A
UNDER EXECUTIVE ORDER NO. 8389, APRIL 10, 1942, ALL AMENDS, AND REGULATIONS IN O. R. PURSuant HERETO, RELATING TO TRANSACTIONS IN PUBLIC EXCHANGE, Etc.

All general licenses other than those listed below are hereby reinstated to the extent that they were revoked by Public Circular No. 8.

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(Restricted) E. H. Foley, Jr.
Acting Secretary of the Treasury.

This public circular affects Parts 120 and 131 and will be included in regulations to those parts.

Sec. 3(b), 40 U.S.C. 415 and 966; sec. 8, 40 Stat. 1; 54 Stat. 179;
Order 8389, April 10, 1942, as amended by Order 7788, June 16, 1942; In. Order 907, July 3, 1941; and In. Order 916, November 7, 1941; Regulations, April 10, 1942, as amended June 14, 1941, and July 15, 1941.
The Treasury Department today reinstated certain general licenses under the freezing order in their application to Japanese nationals. It will be remembered that on December 7, 1941, all general and specific licenses were revoked in so far as they concerned Japanese nationals.

Public Circular No. 81, issued today, authorizes Japanese nationals to pay taxes and fees to the federal and state governments, to deposit their funds in blocked accounts in banks, and to engage in certain other limited types of financial transactions under proper safeguards.

(initialled) B. I. F., Jr.
THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

THE FOLLOWING IS THE TEXT OF PUBLIC CIRCULAR NO. 63 AND PRESS RELEASE ISSUED IN CONNECTION THEREWITH.

(Save that in amended public circular and press release.)

YOU ARE REQUESTED TO HAVE COPIES OF THESE DOCUMENTS PREPARED AND DISTRIBUTED TO ALL BANKS INCLUDING DOMESTIC BANKS IN YOUR DISTRICT AND TO ALL OTHER PERSONS AS YOU MAY DEEM APPROPRIATE.

(Signed) E. H. Foley, Jr.

Acting Secretary of the Treasury.
December 20, 1941

Dear Henry:

I was exceedingly interested in your report to the President on the administration of Foreign Funds Control.

Sincerely yours,

The Honorable

The Secretary of the Treasury

Washington, D. C.
TREASURY DEPARTMENT
OFFICE OF THE UNDER SECRETARY

The Secretary

Thought you might like to read the draft of Budget Message (Financing the War) sent over by Smith.

Instead of preparing something new we are working from this as a base.

12/10 19.
of the Federal Government is being reinforced by that of state and local
governments. A committee of the Conference of Governors has published
excellent suggestions for harmonising various aspects of state and local
fiscal policy with national objectives. These governments are orienting
many of their services so as to expedite the war effort. Many are making
flexible plans for the postdefense readjustment and some are accumulating
financial reserves for the purpose. The larger the scale of our war effort
the more important it becomes to provide for a reservoir of work by business
and by Federal, state and local governments which will be available for con-
struction in the postwar period.

FINANCING THE WAR

It is no longer true that the three greatest necessities for winning
a war are first, money; second, money; and third, money. They are faith,
courage, and equipment. Raising the money has become secondary to these—
but it remains extremely important. A fair distribution of the war burden
is necessary for national unity. Likewise, a balanced financial program is
essential to insure the maximum production of war equipment, to preserve the
productivity of the nation, and to minimize the postwar difficulties.

With war expenditures estimated at $22 billion for the current fiscal
year and $50 billion for the next fiscal year, war finance has become a prob-
lem of staggering magnitude, and must have the most careful consideration.

Receipts under present legislation

Federal receipts on the basis of existing tax legislation will almost
triple under the impact of the defense and war program. They are expected to
increase from $6 billion in the fiscal year 1940, to $13.5 billion—close to one-third of estimated expenditures—in the fiscal year 1943. This increase is due primarily to the growth of economic activities and incomes, which automatically raises tax yields. Part of it results from tax legislation enacted during the last two years. As we are now approaching full use of our resources, further increases in revenue must come predominantly from additional tax measures rather than from a higher tempo of economic activity.

(Text—Table 2: Federal Receipts, Fiscal Years 1940-1943)

Since 1940, the last fiscal year before the beginning of the defense program, tax yields on incomes, estates, and corporate profits have increased most, tax yields on employment next, and the yields from customs and excise taxes least. On the whole, an increasing portion of revenue has been contributed by the upper income brackets; our tax system has become more progressive.

Deficits under present legislation

In view of the uncertainty of war expenditures, the estimate of deficits can be only very tentative, and must be subject to later revisions. The budget net deficits shown in Table 3 below are estimated at $16 billion for the current fiscal year, and at $38 billion for the fiscal year 1943, omitting the yield of new taxes that I shall request.

These budget deficits do not give a full picture of the whole financial problem that we have to solve. There are, on the one hand, the capital needs of government corporations; on the other hand, the accumulation of government
trust funds which must be considered. Combining the budgetary deficit, the
capital needs of government corporations and the capital accumulation of
government trust funds, it is possible to indicate the total amount that must
be met by additional taxation or borrowing from the public. This amount is
estimated at $16 billion for the current year, and at $36 billion for the
next fiscal year.

Text Table 3: The effect of the combined Federal deficit on
Borrowing, Fiscal Years 1940-1943

In estimating expenditures and receipts, only a moderate rise in prices
has been assumed. A considerably greater price increase would further increase
the deficit, since expenditures are affected by rising prices more rapidly
and extensively than are revenues.

The need for additional taxes

Because of the expansion of the defense program into a full war program
I repeat with even greater emphasis my recommendation of last year that we
"meet a larger percentage of defense payments from current tax receipts".
We need the largest possible tax collections which do not impair the productive
effort. I estimate that additional tax legislation should yield $10 billion
or more by 1943. Even such an increase in tax revenue would enable us to meet
only half of the possible total expenditures by tax revenue.

I also stated in last year’s Budget Message that we may need extra-
ordinary tax measures to “aid in avoiding inflationary price rises which may
occur when full capacity is approached”. The new tax legislation that I
propose must include taxes that are suited to combat inflation; I regret
that the Congress did not expedite consideration of additional anti-inflationary
tax measures last November when the Secretary of the Treasury recommended such deliberations. I urge that a comprehensive anti-inflationary fiscal program be enacted at once in order to make other price control measures effective.

The threat of inflation

In view of the staggering rise in war expenditures that has become necessary, fighting the danger of inflation is a serious task. Defense expenditures of $6 billion and a deficit of $5 billion have already caused a considerable inflationary increase in prices during the fiscal year 1941. Part of this increase was a recovery from depression lows. A moderate price rise, accompanied by an adjustment of wage rates, probably facilitated the increase in production and the defense effort. Another part of the price rise, however, was undesirable and must be attributed to the delays in enactment of adequate measures of price control.

With expenditures and deficits multiplied, can we combat inflation in the next year?

There is a significant difference between the conditions of the fiscal year 1941 and those prevailing under a full war program. Last year, defense expenditures and defense deficits so stimulated private capital outlays that purchasing power was created by intensified private use of credit in addition to that created by public spending. Most of the increased expenditures under a war program will replace private capital outlays rather than add to them. Allocations and priorities, necessitated by shortages of materials are now in operation, and they curtail private outlays for durable consumers.
goods, private and public construction, expansion and even replacements in non-defense plants and equipment. In that respect, allocations and priorities offset a substantial part of the inflationary effects resulting from huge war expenditures. A comprehensive program of anti-inflationary measures is vitally important. The task is difficult, but the deflationary effect of allocations makes it manageable and it must be done.

A comprehensive anti-inflationary program

Even though increased war production will replace civilian production to a large extent many additional billions of business receipts and individual incomes will be derived from the tremendous amount of public spending. The greatly increased consumer demand will bid for a limited supply of consumers' goods and services. Our resources are such that even with the projected huge war expenditures we can maintain a standard of living more than adequate to support the health and productivity of our people. But we must forego many conveniences and luxuries.

Effective price control requires under such circumstances additional measures of physical control, of credit control and of absorption by financial measures of surplus business funds and consumers' purchasing power on a large scale.

Our system of rationing on the business level, the so-called allocations, should be extended and made fully effective especially with respect to inventory control. I do not at present propose introduction of consumer ration cards because we do not yet have the general scarcities in the necessities of life which make such a step imperative. (The problem of
consumers’ rationing still requires discussion in light of an executive order that is in preparation on that topic.) I do appeal, however, for the voluntary and necessary cooperation of the consumer in the nation’s effort. Restraint in consumption, especially of scarce products, may make fewer compulsory measures necessary. Hoarding should be encouraged in only one field, that of defense savings bonds.

I can state with complete confidence that prices will not get out of hand. In the face of tremendous war expenditures, this objective requires an integrated program. This program must include control of materials and machines, credit controls and financial controls, and must be supported by collaboration of each man, woman and child.

PROPOSED LEGISLATION

The purpose of anti-inflationary tax measures is to absorb some of the additionally created purchasing power or to absorb business funds in order to limit the creation of additional purchasing power. A number of tax measures have been suggested for that purpose, such as income taxes collected at the source with low exemptions, employees’ payroll taxes, sales and business excise taxes.

I urge the Congress to give all of these proposals careful consideration. Any tax spells hardship in individual cases. But there can be no doubt that even the last equitable tax is much more advantageous socially
and economically than would be an uncontrolled price rise. Naturally, every possible effort should be made to apply anti-inflationary measures as equitably as possible.

Extreme hardships can be avoided by timely adoption of a variety of measures, each involving a moderate rate of taxation, in preference to a single measure at a much higher rate. Too drastic a burden on a limited number of consumers might cause a few specific types of consumption to be disproportionately curtailed. Such measures may add the danger of tax unemployment to that of priority unemployment and should be avoided.

An expanded Social Security Program

I recommend to the Congress an expansion of the Social Security Program by increasing the number of persons protected and by providing protection against hazards not now covered. As in the purchase of a life insurance policy, each person newly covered would receive his money's worth in increased social security at a later time. I propose an increase in the coverage of old age and survivors insurance, to add permanent and temporary disability payments and hospitalisation payments to the present benefit program, and to liberalise the terms of unemployment compensation in a uniform national system. I propose to start collection of additional contributions now—the operation of the new benefit schemes one year later.

This plan represents an organic development of our social security program which, by proper timing, would contribute now to an anti-inflationary program. It would be financed by additional employer and employee contributions which would be sufficient not only to cover additional disbursements but
would enable us to build up adequate reserves for postwar contingencies.

It would add several billions to the social security trust funds in the first years of operation and it would aid in absorbing excess purchasing power. The additional reserve would be invested in bonds of the United States Government and in this way would assist in the financing of the war program.

Expansion of the social security program as an anti-inflationary measure has the advantage that existing administrative machinery for collecting payroll taxes can function immediately. For this reason Congressional consideration might be given to this legislative proposal for immediate enactment.

A general business excise tax

All through the years of the depression I have fought general business and sales taxes and I am as convinced as ever that they have no permanent place in the Federal tax system. In the face of imminent inflationary pressure and increased deficits, however, the feasibility of a general business excise tax as a temporary measure may be worthy of consideration. When prices are rising such a tax may absorb business funds derived from the price rise and thereby prevent their being paid out and further increasing price pressures.

Imposed at a moderate rate and with well-considered exemptions, a business excise tax may have a logical place as one element in an emergency system of anti-inflationary measures. I suggest that the following exemptions be given special consideration. In order to minimize its pyramiding effect, the general business excise tax should be levied on the "value added", that is, on gross receipts less the costs of materials and other similar expenses. Agriculture should be excluded. It might be well to give a credit for payroll taxes paid by employers under the Social Security Act, in order to equalize
the tax burden between enterprises that employ relatively more labor and those using more capital.

I can recommend such a tax only as an emergency measure. Its introduction during the present period may be helpful in combating inflationary tendencies; its repeal in a postwar period may help restore an increased flow of consumers' purchasing power. (To the Director: This section involves a difficult policy decision which we should like to discuss orally.)

**Low bracket income tax**

I recommend further consideration of a broadened individual income tax base and study of the relative advantage of collecting individual income taxes at the source, as another means of combating inflationary pressures. Such a tax should be made an integral part of a general upward revision in the progressive income and estate taxes.

**Selective excise taxes**

Specific excise taxes are appropriate measures for supplementing the curtailment in the production of consumers' products especially in the field of luxuries and semi-luxuries which compete with war production. I am aware that using price rises is not the most equitable method for restricting demand. But until such products are included in a system of consumers' rationing, taxation and credit control are the most appropriate supplements to the restrictions in output of these products. (To be checked with OPA.)

**Progressive taxes**

The emergency requires restrictive taxes which impose sacrifices on
the masses of the people, but this fact is itself a most compelling argument for making fully effective the progressive taxation of excess profits, incomes, and estates. The need for such drastic measures to absorb mass purchasing power so as to head off disorganizing price advances does not support the suggestion, frequently made, that the policy of progressive taxation should be abandoned for the duration of the war. It is true that taxes collected from the wealthy may not substantially cut down consumer demand and may fail as an anti-inflationary measure. But the anti-inflationary aspect of taxation should supplement, not supplant, its revenue aspect.

In order to increase revenues and decrease the need for borrowing, and to develop a more equitable distribution of the tax burden, I urge renewed consideration of such improvements as compulsory joint returns (for property incomes—Director: This is a question of policy) of married couples, lowering of the exemptions and deductions in estate taxation, and reexamination of the privileged treatment given certain types of business in corporate income taxation.

Excessive profits undermine unity and must be taxed away. The fact that a corporation had excessive profits before the defense program started should be no reason for maintaining them now. The war risk is being borne mainly by the government where it belongs. Business is expected to produce according to our war program at prices that keep the financial structure of business intact and permit profits to indicate economical management. Beyond that there is no place, whatsoever, for war profits or any other excessive profits in a war economy. (To be checked by Randolph Paul.)
The need for flexibility in tax policy

I do not know the total amount of war expenditures that we shall have to make nor how effective priorities, allocations, credit controls, and direct price controls will be in limiting the increase in purchasing power and keeping price developments within bounds. Hence, I cannot at this time make a precise recommendation in dollars and cents as to the additional taxes that may be needed at any specific time during the next eighteen months.

To achieve much needed flexibility in tax legislation, I submit the following suggestion for the consideration of the Congress: When legislative decisions on further tax measures are reached, several different rate schedules might be enacted, any one of which would become effective only through a later joint resolution of the Congress. The joint resolution would be occasioned by some change in the national economy or in the spending by the Federal Government which required Congressional action. Such a method would not only avoid the defects of hasty legislation but would provide the flexibility in tax legislation which is so urgently needed in emergency periods.

THE INCREASE IN FEDERAL DEBT

On the basis of the estimates transmitted in this budget, it must be expected that the Federal debt will increase from its level of $42 billion in June 1940, when the new defense program began, to above $90 billion at the end of the fiscal year 1943. This estimate is based on the assumption that $2 billion of additional taxes will be raised during the current fiscal year and that $10 billion of additional taxes will be raised during the fiscal year 1943.
Expenditures for interest were about $1 billion during the fiscal year 1940; they will exceed $2 billion on a $90 billion debt. Such an increase in interest on debts incurred for destructive purposes is undesirable because it will prevent us from lowering taxes after the war to their predefense level. There is, on the other hand, a limit of taxation beyond which further increases would create frictions in the economy — frictions jeopardizing effective war production. This limit is not rigid; it varies over time with economic and psychological developments. It has been raised by the stark lessons of last month. We need drastic tax measures now in order to avoid inflationary price increases and to obviate the postwar difficulties which might result from an excessive debt burden.

There is no precise definition of an excessive tax burden just as there is no precise definition of an excessive public debt burden. Paying $2 billion out of an extremely low national income may impose an excessive out burden on the taxpayers while the same payment of a $100 billion national income, after reduction of armament expenditures, may still permit substantial tax reductions in the postwar period.

If we contract a heavy debt at relatively high prices and must pay service charges in a period of deflated prices, we shall again impose an excessive burden on the taxpayer. Carrying a debt burden of $100 billion or more in a postdefense period without undue hardship to the taxpayers depends mainly on our ability to maintain a high level of employment and income.

I am confident that we shall be able to control the price development now and that we shall prevent the recurrence of a deep depression in the postwar period. I submit that there must be no fiscal barriers to our war
effort. Our safety and our freedom require that the only limits shall be those inherent in the physical capacities of our productive resources and the inventive genius of our people — and that these be stretched to the utmost.
Dear Henry:

I was much interested in your letter of November 14, 1941, relating to the use of sales taxes for the purpose of establishing a system of compulsory saving in the United States. I was also pleased to receive the enclosed letters from Mr. James Forrestal and Mr. Lyle F. Hinkelbarner.

You will recall that on October 10, Mr. White of the Treasury sent you a preliminary memorandum on this subject. Since then there has been further study and discussion of this subject in the Treasury. In the course of this, we have been exploring the pros and cons of a tax applying to commodities generally, and of taxes on particular commodities in short supply.

The proposed plan does have some important advantages, and though the administrative difficulties of carrying out some such plan are substantial, they are not insuperable. However, our discussions have uncovered what appear to be a number of important disadvantages. On the whole, they seem to outweigh the advantages. Some of the disadvantages which were raised in the Treasury are listed below in summary form:

1. If the compulsory savings sales taxes were applied uniformly to all retail sales, the resulting reduction in consumption would be regressive in distribution, falling heaviest on the very poor and very lightly on persons with large incomes, since the middle and upper income groups could continue purchasing goods at previous levels, merely substituting the compulsory savings for the voluntary savings which they would normally make.

2. If the sales taxes were imposed on luxuries only, the taxes would not constitute an effective curb upon inflation. The experience during the World
war shows that the yield of such taxes, when imposed on a narrow range of luxuries, would be relatively small. Moreover, luxury items are not necessarily the kinds of goods the purchase of which needs to be curtailed in order to release production facilities for defense purposes.

3. If a saving sales tax is to be both effective and equitable, it must apply selectively to a considerable range of commodities which are not, in any narrow sense, luxuries. Such a selective sales tax, properly articulated with the supply and demand conditions for the selected items, could help in allocating goods in short supply among consumers. It would also serve to intercept and convert into the public treasury windfall profits from higher prices which would otherwise go to private hands. But as the range of commodities on which a saving sales tax is imposed is narrowed, the revenue and the savings are decreased.

4. If compulsory savings are to a maximum degree to be in addition to and not merely substituted for private savings, they should be restricted to the low income groups, with the amounts collected from the higher income groups held as taxes and not returnable as savings. No method is known to have been devised for doing this under a sales tax. If compulsory savings were made as an adjunct to an income tax, it would be possible to restrict the compulsory savings largely or completely to the lower income groups.

The above comments do not represent any final crystallization of our thought on these subjects but merely the present stage which our studies have reached.

Sincerely,

(Signed) Henry

Honorable Henry A. Wallace,

Vice President of the United States.
OFFICE OF THE VICE PRESIDENT
WASHINGTON

November 14, 1941

The Honorable
The Secretary of the Treasury

Dear Henry:

The enclosed letter from James Forrestal
will interest you.

Sincerely yours,

H. A. Wallace

Enclosure

P. S. I am also enclosing a letter from Lyle F.
Elkelbarner, in which you may be interested.
THE UNDER SECRETARY OF THE NAVY
WASHINGTON

12 November 1941

My dear Mr. Vice-President:

I don't know whether the Star story today on the Stamp Savings Plan attributed to you has any foundation or not but, in any case, I want to say that it strikes me as a very sound one and if there is anything I can do to advance it I would like to proffer my services.

I think it should have the unqualified support of business and I should think it would appeal very strongly to labor as well.

Sincerely yours,

[Signature]

James Forrestal

The Honorable
The Vice President
The Senate
November 13, 1941

Honorable Henry A. Wallace  
Vice President of the United States  
Wardman Park Hotel  
Washington, D. C.

Dear Mr. Wallace:

This afternoon I noted in one of our local papers an account of a new Defense Stamp Tax Savings plan in which you were interested. The statement was made that this plan is now undergoing study by congressional leaders.

I wish to express my support of this plan. In fact last August I mailed a discussion of such a plan titled "Plan for Coordination of the Sale of Defense Bonds and Collection of Gross Sales Tax" to our President and was told that it had been submitted to the Treasury Department. If there is anything in this discussion, now on file there, which would be of interest to you please feel free to appropriate it.

My enthusiasm for this plan is so great that I am prompted to offer my services to you if you feel they would be of value. I have an education as an economist and statistician and am employed by the Trust Department of a large bank. I would welcome an opportunity to be of service to our country and the administration and am confident I could easily secure a leave of absence from my present position.

Yours sincerely,

[Signature]

Sunset Ridge Road  
Northbrook, Illinois
TO THE FIELD STAFF:

On Tuesday and Wednesday, at the call of Secretary Morgenthau, leaders of the Defense Savings Staff of every State gathered in Chicago with the Secretary and his advisors. It was a most inspiring meeting.

Immediate action was the keynote.

Americans don't wait to be told what to do when a crisis arises. Just as recruiting stations are swamped by young men eager to show their patriotic devotion to this country in a time of dire peril, banks and post offices are besieged by patriotic men and women who know there is one thing they can do to help—buy Defense Bonds. Reports from everywhere indicated sales of Defense Bonds have turned sharply upwards—doubled and trebled in many instances.

Those in attendance reviewed all phases of the Defense Savings Program in the light of war conditions. After full and careful consideration it was agreed that what is needed now is not the development of new marketing or organization methods for the sale of the Bonds, but an intensification of all efforts along the lines which have been tested and proven successful to date. To these will be added individual canvassing which will urge millions to enter into organized systematic savings plans, and bring a strong appeal for limit purchases, before the year ends, to every person able to invest up to $3750 in Series E Bonds and up to $50,000 in Series F or G Bonds.

The goal is: Every American to the limit of his ability buying Bonds and Stamps regularly and systematically, each week, each month. Work and save to win.

It was, I repeat, an inspiring meeting and one which will stand as a milestone in the history of our effort to protect and defend our Nation.

Sincerely yours,

GALE F. JOHNSTON,
Field Director, Defense Savings Staff.
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U.S. Bond Sales Pick Up Sharply

Sales on First Day of War With Japan

Knox Bond Sales Soar
With Outbreak Of War

War Booms Sale of Defense Stamps by Carrier Boys

NEWS

State Reduces Force
Bond Effort

U.S. Drive For Funds
Stepped Up

Defence Bonds
Drive Galloping

City Defense Bond Sales Climb East

Defense Bond Sales Up 40 P.C.

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IN JAP AN

Jap Invasion
Sports Defense Bonds Sales

Committee Acts
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Defense Stamp Sales
Shocked Up

Rush For Defense Bonds
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IN COLONIES

Bomber Boost
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Stamp Sales To Buy Defense Bond

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IN THIS ISSUE
FIELD STAFF REACT TO WAR

TO THE FIELD STAFF - war brought a new challenge, new opportunity, and immediate action. On Monday, December 8, State Chairman and State Administrators received a telegram from Secretary Morgenthau, requesting them to redouble their efforts, and "conduct a sales campaign which by its results will demonstrate to our enemies that America is a man behind our greatest national test."

State leaders forwarded the text of the Secretary's telegram to their local chairmen, then rolled up their sleeves and went to work. Replies to the Secretary's telegram indicated that in every part of the country a spirit of grim determination was abroad and that members of state and local Defense Savings Committees were thoroughly imbued with this spirit. Here are extracts from three such replies:

*The necessity for increased participation on the part of all American citizens from the youngest to the oldest is apparent. . . .\ The purchase of Defense Bonds and Stamps to the full ability of every American citizen indicates to our government and to our enemies that the Nation is unified in purpose and that those in plain clothes as well as those in uniform accept this responsibility.*

- Albert W. Hawk, New Jersey Chairman.

*New Mexico will be out in front in this phase of our battle against the foes who are attacking our shores.*

- Frank C. Rand, Jr., New Mexico Chairman.

*We pledge that we shall rally the volunteer dollars of New York State to steadily increasing amounts to the support of our country in a national demonstration before the world that America stands united and indomitable for victory.*

- Col. Richard G. Patterson, New York State Chairman.

STATE AND LOCAL COMMITTEES wasted no time in adjusting the tempo of their activities to war-time conditions, reports from many states have indicated. Everywhere, steps were taken to complete committee organization and to carry forward intensive promotion on behalf of all marketing methods—pay roll allotment, bank draft plans, stamp books, direct selling, etc., etc.

THE MEETING IN CHICAGO, referred to by Mr. Johnston in his front page letter this week, came as a climax to this period of adjustment of the Field Staff to the necessities of war. The next issue of the NEWS LETTER will contain a report of this conference.
War Reaction

Other Highlights:

Radio and newspapers increased several fold the already great amount of time, attention and space devoted to Defense Bond announcements. With new sales and promotion radio announcers, newspaper editors, news commentators, and editorial cartoonists brought to the Nation the patriotic appeal: "Buy Defense Bonds Now."

Business firms of all kinds lent a hand by sponsoring or contributing newspaper advertisements, many full-page and even double-page spreads, advising purchase of Defense Bonds to the limit.

The headquarters Defense Savings Staff in Washington sent the first week of the war in intense activity, reviewing promotional methods and revising all publicity relating to the Program in the light of the new situation. By the end of the week, every division and section of the Staff had developed and was hard at work on a reoriented program.

The Bureau of Engraving and Printing moved immediately to step up the production of bonds and stamps to take care of the tremendous increase in both present and anticipated demand for these securities.

A Few of the Many Spontaneous Sales Promotions:

In Buffalo, N. Y., at the Curtiss-Wright airplane plant, workers devised an order form shown at the right and began an intensive campaign among its members to raise a million dollars before January 6th.

In Cincinnati, Ohio, a "Pearl Harbor Club" was formed with all members pledged to purchase a 25-cent Defense Stamp for every 1,000 tons of enemy war vessels sunk. The first U. S. Naval success cost members nearly $5 a piece.

In Frederick, Md., Radio Station WJLA began presenting a new daily feature "Any Bond Today?". Listeners were invited to phone in and order either bonds or stamps. First bond was sold to a Chinese-born American citizen, and the first day's sales totalled $11,600.

In Nashville, Tenn., an "RPH (Remember Pearl Harbor Club)" was formed. Members pledged to buy at least one Defense Stamp each week for the duration of the war and to wear lapel buttons signifying Club membership only if they scrupulously lived up to this pledge.

In Washington, D. C., the Board of Trade devised the Defense Bond order form shown at the right and began an intensive campaign among its members to raise a million dollars before January 6th.
News Letter

FIELD ORGANIZATION NEWS

ALABAMA. The initial meeting of the State Defense Savings Committee was held December 4 in Mobile.

"Buy a Share in America" was the theme of the National Home Show held in Mobile, December 1-6. The attractively decorated Defense Savings Booth was sponsored by the Women's Auxiliary of the American Legion. In the booth an automatic phonograph decorated in red, white and blue, played recordings of "Any Bonds Today?" and other musical tunes. Space for the exhibit was donated by the Mobile Real Estate Board, sponsor of the home show.

COLORADO. State Administrator Ralph Nichols reports that more than 50 restaurants, coffee shops and cafes in Denver carry the Minute Man, remitting all to "Buy Defense Bonds Now," on their daily menu cards. This includes such famous restaurants as the Manhattan, the Auditorium Hotel Coffee Shop, and the Rhett's Cafe.

DISTRICT OF COLUMBIA. The Advertising Club of Washington has volunteered its services in providing suitable copy for companies which contribute, or join with other firms in sponsoring, newspaper advertisements urging greater investment in Defense Bonds.

GEORGIA. The Georgia Defense Savings Staff has published a brochure of Defense Savings information and instructions for local committees and groups to use in their propaganda campaigns. The attractive red, white and blue cover page, a contribution of the Georgia Power Company, is shown at the left.

INDIANA. Holding its organization meeting two days after the attack on Pearl Harbor, the Indiana State Committee was ready for immediate all-out action to boost sales of Defense Bonds and Stamps. Local committees have been organized in practically all cities and counties in the state and State Administrator Will H. Smith reports that an aggressive, intensive campaign is well under way.

KANSAS. One of the features of the Cowley County Fair at Winfield was the Defense Savings booth of the American Legion and Legion Auxiliary. This booth is pictured at the left. Melvin Winters, chairman of the Winfield Defense Savings Committee (at the left in the picture) reports Stamp sales were very satisfactory.

MASSACHUSETTS. The Revere Post No. 61 of the American Legion in Boston has developed an interesting plan for encouraging its members to buy Defense Stamps. The plan has undertaken to purchase an official Legion uniform for any member who does not save one at the present time, if he will save $19.75 toward the $25 purchase price by filling a Defense Stamp Album. Filled Stamp Albums are used by the Post to purchase bonds registered in its name.

News Letter

FIELD ORGANIZATION NEWS

MINNESOTA. A community-wide bond selling show, with the price of admission a Defense Stamp or Bond, was staged in Falcon Rapids, November 27, under the auspices of the local Booster Club. Club members formed teams and staged an aggressive sales campaign throughout this lake resort town and surrounding territory. Purchase of a 25¢ Stamp was enough for admission, but the average sale was much higher and numerous Bonds were purchased. More than 600 persons collectively invested more than $3,000 in Stamps and Bonds in advance to attend the show, which included music, dramatics and movies. The entire audience joined in when the high school band played patriotic music, the American Legion and Boy Scouts presented a flag display; and Cyrus A. Field, chairman of the local Defense Savings Committee, made a talk on Defense Bonds and Stamps.

MONTANA. The Silver Bow Trades and Labor Council, which has given active support and enthusiastic endorsement to the Defense Savings Program, recently purchased a $1,000 Defense Bond. In the picture in the right, James Young, president of the State Mineral Union and vice-chairman of the County Defense Savings Committee, is seen presenting the bond to H. C. Vatter, secretary of the Council and a member of the county committee, at a recent meeting of the Labor Council.

NEW YORK. The world's largest photo-mural was dedicated Sunday, December 14, at Grand Central Terminal in New York City, to further the sale of Defense Bonds and Stamps. Measuring 96 by 118 feet and covering the entire east wall of the main concourse, the mural consists of enlargements of carefully selected photographs from the War Security Administration's photographic files. The subjects, drawn from different sections of the country, include a Montana mountain, Washington wheat fields, an Idaho farm wife, California children, a lumberman in Nevada, a factory in New Jersey, Michigan smokestacks, and a Vermont sky, as well as American boys in uniform and engines of war.
ORTH CAROLINA. The first Rotary Club to report that every member has purchased at least one Defense Savings Bond is the Club in Warren-Kennersonville in this State. Club members are pictured at the left.

OHIO. One of the most attractive and well thought out guides for local committee chairman, end members has been prepared by the Ohio Defense Savings Staff. The cover of the handsome portfolio which contains the material now being distributed to leaders of state and local committees in Ohio is reproduced at the right. Particularly noteworthy is the specially printed, pocket size "Handbook for Chairman", contained therein.

SHORE ISLAND. In Warren, retail sale of Defense Stamps has been greatly stimulated by the enticing efforts of Albert G. Januel, a local merchant, who has made it his business to see that stores have stamps and display materials and that the entire community is Defense Savings conscious. Mr. Januel is a Syrian who "preferred America" and, like so many other Americans, has found in the Defense Savings Program a definite way in which he can be of service to his country. In the picture below, Mr. Januel (without overcoat) is shown in front of his store on Sunday, November 28, when with appropriate ceremonies he opened a new Defense Savings Stamp booth.

TENNESSEE. Negro churches in Memphis and Shelby County recently observed "Defense Savings Sunday," George W. Otis, Chairman of the Negro Division of the Shelby County Committee, has reported to Milton K. Revill, the Shelby County Chairman. During Dr. G. Palliser explained the Bonds and Stamps fully to all colored ministers and most of them arranged to devote their sermons to some aspect of the Defense Savings Program. An early morning radio broadcast over Station WHN included a talk on Defense Savings and announcements about the special church services planned for the day. Following services at every Negro church, Boy Scouts distributed Defense Bond folders.

STATE Administrator Lene Hengler reports that the Nashville Coca-Cola Company has rendered valuable assistance to State Headquarters by distributing Defense Savings posters to all of its customers.

TEXAS. In newspaper advertise the American National Bank of Austin, Texas reports from time to time the total amount of its sales of Defense Savings Bonds. Sales through November 29, 1941 amounted to $798,880, according to a recent statement of H. A. Rowe, Chairman of the Board of Directors and a member of the State Defense Savings Committee. This sales record by a single bank in a city of approximately 90,000 people is a tribute to the efforts of Mr. Rowe.

VIRGINIA. Plans for pushing the sale of Defense Bonds and Stamps among the 82,000 Federal employees in Virginia, principally through the "group agent" plan for systematic savings, were formulated at a recent meeting of committee in charge of the Federal Division of the Virginia Defense Savings Committee.

Payment of Christmas bonuses in Defense Bonds and Stamps is being urged by O. C. Moore, president of the Virginia Federation of Labor. In a recent statement he said:

"Not only is it the patriotic thing to do, it is also the wise thing to do. And it not only is the patriotic duty of persons receiving these bonds and stamps for Christmas to keep them; it is plain, common sense for the laboring men to sell them away now."

WASHINGTON. The postmaster in Monroe reported a 60% increase in Defense Stamp purchases by adults immediately following inauguration of the Defense Savings Program in the schools.

Women volunteers are being recruited by radio by the Spokane County Defense Savings Committee. Each volunteer is assigned to a particular district and asked to call on every woman resident and give her an explanation of the Defense Savings Program.

WISCONSIN. A series of full-page advertisements stressing the importance of Defense Savings is currently appearing in Milwaukee newspapers, the contribution of a group of 20 prominent Wisconsin manufacturing and business firms. The first ad in the series was an appeal to farmers under the caption, "If I were a farmer." Other ads in this series were headed: "If I were a working man," "If I were a woman," "If I were a student," etc.
News Letter

"UPROOT" BOOSTS SALES OF BONDS AND STAMPS

"UPROOT DAY" in Winchester, Massachusetts, helped to make this suburban town of 15,000 inhabitants located to the north of Boston, Defense Bond conscious and to greatly stimulate sales of both bonds and stamps.

Here are a few of the events and stunts arranged for "Uproot Day," November 29, by Maurice C. Bird, Winchester's Defense Savings Savings Chairman, and Mrs. Warren C. Whitman, chairman of the Women's Volunteer Committee.

Whistles blew and bells rang out in the early morning.

100 women volunteers, dressed in Uncle Sam hats and V caps, began at 6 o'clock to patrol all streets and to tag and sell Defense Stamps to one and all. They even stopped automobiles and sold stamps to crews of the R and M trains.

High School students canvassed their neighborhoods to make sure that everyone knew about Defense Bonds and Stamps.

Firemen made a special effort to get customers to take their change in Stamps.

Firemen brought their equipment and sold stamps from their ladders to persons in second and third story windows.

An Army jeep at the post office took bond purchasers for rides.

Navy equipment was demonstrated throughout the day on the Common.

Finally, an airplane bombed the city with Defense Bond leaflets and dropped certificates redeemable by local firms for bonds.

News Letter

CEDAR RAPIDS "BUILD A BOND" DAY SETS PRECEDENT

DEFENSE STAMP SALES soared in Cedar Rapids, Iowa, December 5, as this mid-western farm-belt town of some 62,000 inhabitants staged a successful sales promotion called "Build A Bond" Day.

WITH THE OBJECTIVE of placing Defense Stamp albums in every family, scores of "Build A Bond" parties were arranged by civic, service, fraternal, business, social, and labor organizations, and many individuals. Throughout the day and evening of December 5, thousands attended these parties and at each of the guests had to purchase at least one 25¢ Defense Stamp spice and thereafter start to "Build A Bond."

A TYPICAL private "Build A Bond" party is shown at the right. On the table is a miniature Statue of Liberty, from which are suspended red, white and blue ribbons anchored by tiny American flags standing to gun drops before each guest. Under each flag is a Stamp album. The hostess, Miss Betty Lander, served a star-shaped salad and V-shaped sandwiches to carry out the patriotic theme.

SPONSOR of "Build A Bond Day was the Young Men's Bureau of the Chamber of Commerce with William C. New and H. J. Clepp in charge of the event. All organizations and individuals giving parties registered with the Young Men's Bureau and secured their supplies of Stamps and Albums for resale to their guests. At the close of the day, Chairman New reported that the day's activities had started more than 10,000 persons to the road to bond ownership. Stamp albums went to 3,239 persons at fraternal group parties - 2,494 at clubs - 1,094 in labor unions - 1,120 at churches - 905 in employee groups - 871 to night clubs and theatres - 696 at private parties - and 276 in bowling groups.

Fat Smith, in her radio program the evening of December 5, broadcast over a coast-to-coast network:

"And now I want to give a rousing salute to the good citizens of Cedar Rapids, Iowa, who are uniting today in selling and buying Defense Bonds and Defense Stamps. It would seem to me that it would be a fine idea for every city to get all the details of what they are doing out there in Iowa and do the same thing."

At the right, the full-page advertisement of the Sitz, Beer & Fuller department store, now appearing in St. Louis, Missouri, newspapers.
NEWS LETTER

ALLOTMENT

Important New Labor Dept. Regulation

Allotments for the purchase of Defense Savings Bonds are now clearly recognized as "permissible" by the U. S. Department of Labor. This Department administers federal statutes specifically the Cogdell Act and the Davis-Bacon Act designed to protect wage earners employed on public works from unauthorized deductions and rebates which have the effect of reducing their compensation.

The new regulation relative to Bond allotments was published in the Federal Register, December 10, 1941, Page 6339.

Allotment Plan Featured on Radio

With the outbreak of the war, radio announcements on the Defense Savings Program placed new and increased emphasis upon the idea of systematic saving. "Buy a Bond now and every payday thereafter" was a thought that recurred again and again in these announcements.

A plan for paying public tribute over the radio to firms and the employees of firms which had installed pay roll allotment for purchases of Defense Bonds, was also launched during the first week of war, although arrangements for this campaign had been previously made and announced. (See NEWS LETTER, December 8.)

Among the first companies to present on their radio programs messages from the Treasury Department congratulating them upon having successful allotment plans were: the Bell Telephone System ("The Telephone Hour"); the Chrysler Corporation (Major Sauer "Amateur Hour"); later Brothers ("Lux Radio Theatre"); Standard Oil Company of New Jersey ("Kasco Newsca"); Prudential Insurance Company ("The Family Hour"); Sherwin-Williams Company ("Metropolitan Auditions of the Air"); Armour & Co. ("Treut Time"); Colgate-Palatek-Frost ("Hobby Lobby"); and General Electric ("Hour of Charm").

Business Publications to Help

In addition to carrying the advertisement for the allotment plan which was reproduced in the NEWS LETTER for December 6, many business and trade publications are giving the allotment plan powerful editorial support. Continued editorial support for the plan has been pledged by the Associated Business Papers and the National Business Papers Association.

Employee magazines, or "house organs," reach an estimated 15,000,000 persons. More than 3,000 of these publications have now received the first of a series of articles on National Defense and Defense Savings. Additional material for these publications is being developed by a special House Organ Defense Bond Committee, headed by Robert Newcomb of New York City.

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For Defense Savings Bonds

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Navy’s Allotment Plan Announced

After weeks of careful preparation, the Defense Savings allotment plan was announced to all military and civilian personnel of the U. S. Navy Department on December 1. Under the Navy's plan, the minimum allotment will be $5.75 per week for employees paid weekly and $6.25 each semi-monthly pay period for employees paid twice a month.

Allotment Progress Notes:

In the Rotary Vocational Mills of Passaic, N. J., workers are reminded of the Defense Savings goal which they have set for themselves by large red, white and blue posters similar to the one pictured at the right, which are now posted in all departments of the mills.

Since the Defense Savings campaign was launched in May, the program of music which entertains employees over a loud speaker system during working hours has frequently been interrupted to inform listeners regarding Defense Bond subscriptions and to explain what these bonds mean to the defense of freedom and the safety of an individual's own economic future. Col. C. F. H. Johnson, president of the company, reports that on December 5th, bulletin of the attack on Pearl Harbor brought further subscriptions for $25,000 worth of Defense Bonds on the same day.

At the Thomson Products Company of Cleveland, Ohio, where men are working long hours making airplane parts, the slogan is: "Put Your Overtime Pay in Defense Bonds." Furthermore, this goal had been nearly achieved even before the attack on Pearl Harbor.

Another Cleveland plant, the Picker X-Ray Corporation, reported on December 1, that all of its 300 employees were participating in a pay roll allotment plan and that 60% of all overtime pay was being invested in Defense Bonds.

Employees of the Western Steel Casting Company, members of Local 188 of the International Molders and Foundry Workers Union in Seattle, have done outstanding record. Every one of the 82 employees has signed up to buy a Defense Bond every other month. At a meeting where the allotment plan was discussed, all agreed that the regular allotments should be $10 one month and $5.75 the next.
ALLOTMENT

A huge thermometer at the plant of the Rudolph Wurlitzer Company in North Tonawanda, New York records the percentage of the firm's 2,800 employees participating in an allotment plan for the purchase of Defense Bonds. By November 21 - 2,542 employees had pledged themselves to invest a total of more than $331,800 in Defense Bonds.

In Anniston, Alabama, where more than 2,000 workers are engaged in the construction of the giant Anniston Ordnance Depot, the Anniston Building Trades Council took the initiative in devising and sponsoring the presentation of an allotment plan. On November 29, workers devoted their lunch hour to a mass meeting in Defense Savings. The meeting was addressed by Howard Tramell, president of the Building Trades Council; John E. Hodges, representing one of the contractors; Col. Harry Avers, publisher of the Anniston Star; and Ward Ray Clement, Deputy State Defense Savings Administrator. Following these and other talks, a large proportion of the workers signed up to save regularly for Defense Bonds.

Two days after war was declared, committees of General Electric workers in Schenectady met and pledged themselves to sell $2,000,000 worth of Defense Bonds to their 31,000 fellow workers in the plants there.

One of the first large industrial plants in the nation to report 100% employee participation in an allotment plan was Pitkin Forests, Inc., with 1,600 employees in several mills in Idaho. On November 29, for the first time since Armistice Day, 1918, the fire alarm at the Rutledge Mill in Coeur d'Alene was sounded to signify that the 100% goal had been achieved. At noon on that day, the men held a mass meeting. Deputy State Administrator John Churchill and Kootenai County Chairman W. L. Cooper congratulated them upon their achievement. Phil Petersen, president of the AFL local at the Rutledge mill, was in charge of the campaign there and other union officers and members took active leadership at other plants of the company. The minimum allotment is $3.76 per month and the average ranges from $6.68 in one plant to $7.11 in another.

Window display in the Potlatch offices in Coeur d'Alene. Note the thermometer which indicates that every plant and division of the company is 100% for Defense Savings.

TO THE LADIES

A Suggested Kit for Women's Clubs

Substantial quantities of all the items pictured above have now been shipped to State Administrators. The Women's Division of the Defense Savings Staff which prepared this material suggests that the publications be assembled in packages or kits and given wide distribution among existing women's clubs and associations of all kinds. With these publications it should be possible for any organization to develop a worthwhile Defense Savings Program.

DEFENSE BONDS TO ENDOW MOUNTAIN SCHOOL

The Young Matrons' Circle of the Tallulah Falls, Georgia, School for Mountain Children have decided to make their contributions to the current drive to raise a $150,000 endowment fund for the school in the form of Defense Bonds.

This idea appealed to all members of the Circle so much that within one day after it was made, 25 members had pledged themselves to contribute at least one bond apiece. Mrs. Willard C. Patterson of Atlanta, who reports the campaign, is one of the staunchest supporters of the Defense Savings Program.
FOR THE SCHOOLS

"IT IS LATER THAN YOU THINK" is the title of the new pamphlet for teachers, quantities of which were mailed to all State Administrators, December 10. At the present supply is limited, Administrators have been advised to distribute their shipments as equitably as possible among high school and Junior high schools.

"THE SCHOOL TEACHER AND DEFENSE BONDS," a second school publication, prepared by the Defense Savings Staff is designed primarily for elementary school teachers. This is now ready for distribution and shipments to State Administrators will begin after Christmas.

"SHARING AMERICA," the school program outlined in a previous issue of the NEWS LETTER (November 22) has been carefully reviewed since this country's Declaration of War, and the verdict is - the program stands.

Based as it was on the long-term philosophy of our program, "SHARING AMERICA" is believed to be as sound and valid now as when it was released in preliminary form. The new printed edition will be ready for distribution soon.

For High School and Junior High School Teachers

IT IS LATER THAN YOU THINK

Finale of the patriotic pageant which launched the sale of Defense Stamps at Arsenal Technical High School in Indianapolis.

ON THE AIR

Radio Programs for the Coming Week:

Monday, December 22
"FOR AMERICA WE SING" 9:30-10:00 PM (EST)
NRC Blue Network
Dr. Frank Black's orchestra and chorus.

GUEST STARS: Kenneth Swoff, New Opera Company baritone; Mary Eastman, radio and concert soprano.

Tuesday, December 23
"MILLIONS FOR DEFENSE" 8:00-9:00 PM (EST)
NRC Blue Network

THE TREASURY HOUR: Variety program with leading entertainers of stage, screen, and radio.

Thursday, December 25
"AMERICA PREFERS" 9:00-10:00 PM (EST)
Mutual Network

Alfred Wallenstein's Orchestra; Dennis Taylor, Commentator.

GUEST STAR: Salvatore Baccaloni, noted concert tenor.

THIS NEW INTERLUDE for "Any Bonds Today?" was introduced by Bing Crosby on the Kraft Music Hall Program, December 11:

"Give us the planes, the ships and the tanks.
And they won't forget to remember the Tanks.
Give us the heroes who fell.
They died in the night, with no chance to fight,
But wait 'til the final test.
We'll wipe Mr. Jap from the face of the map
And wait for whoever comes next."

FOUR FOOTBALL COACHES participated in a round table discussion on a recent performance of "Defense Varieties," regular weekly radio show on Defense Savings broadcast over Station WAB, Boston, and other stations of the Colonial Network. They are shown in the picture at the right as they gathered around the studio microphone. From left to right: Austin Leake, sports columnist; and Coaches Dick Barlow (Harvard), Donnie Varus (Boston College), Pat Hanley (Boston University), and Joe Sheehy (Holy Cross).
Towards the million dollars worth of Defense Savings Bonds which locals of the Amalgamated Meat Cutters and Butcher Workmen of North America (AFL) have pledged themselves to buy was the way Patrick Gorman, union president described the $165,000 recently converted into bonds. Mr. Gorman is shown above with Secretary Morgenthau at the Treasury Department as he tendered the Union’s check in payment for the Bonds.

In Denver, at the Shirley-Savoy Hotel, the first five employees to complete their Defense Stamp albums are shown here receiving from Hotel President J. Edgar Smith, new albums, each containing the first four stamps towards a second Bond.
# U. S. SAVINGS BONDS, SERIES E, TYPE A

**STOCK ACCOUNT OF LOANS AND CURRENCY VAULT**

**Report of December 20, 1941**

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

- **Sunday, Dec. 21** | 175,000 | 75,000 |       |       |       | 250,000 |
- **Monday, Dec. 22**  | 150,000 | 75,000 | 25,000 |       |       | 250,000 |
- **Tuesday, Dec. 23** | 180,000 | 85,000 | 35,000 |       |       | 300,000 |

**NOTE:** The bureau advises that the aggregate number of pieces for all denominations to be delivered each day will not be less than the figures shown but that there may be variations as between denominations.
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U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF NEW YORK
Report of December 20, 1941

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

Report of December 20, 1941

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### U. S. Savings Bonds, Series B, Type A

Requisition Account of the Federal Reserve Bank of Atlanta - New Orleans Branch

**Report of December 20, 1941**

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

Report of December 20, 1941

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### U. S. Savings Bonds, Series E, Type A
### Requisition Account of the Federal Reserve Bank of St. Louis

**Report of December 20, 1941**

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<tr>
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<td>10,000</td>
<td>15,000</td>
<td>5,000</td>
<td>......</td>
<td>......</td>
<td>30,000</td>
</tr>
<tr>
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<tr>
<td><strong>Total</strong></td>
<td>10,000</td>
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<td>5,000</td>
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### U. S. SAVINGS BONDS, SERIES E, TYPE A
### REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF KANSAS CITY
### Report of December 20, 1941

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<tr>
<th></th>
<th>$25</th>
<th>$50</th>
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<th>Total Pieces</th>
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<tr>
<td>Total.....................</td>
<td>25,000</td>
<td>20,000</td>
<td>13,000</td>
<td>2,000</td>
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# U.S. Savings Bonds, Series E, Type A

## Requisition Account of the Federal Reserve Bank of Dallas

### Report of December 20, 1941

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### U.S. Savings Bonds, Series E, Type A

**Requisition Account of the Federal Reserve Bank of San Francisco**

Report of December 20, 1941

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<th>$100</th>
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<td>60,000</td>
<td>5,000</td>
<td>5,000</td>
<td>205,000</td>
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</tbody>
</table>
TO: The Secretary

Ed Flynn called us this morning about Leo Killen, the candidate he has recommended for collector in Jim Hoey's place. I told him that in my opinion the man would not do. We agreed to look for another and able man.

12-20-41

FROM: MR. GASTON

Regraded Unclassified
Dear Mr. Edwards:

In view of the changed situation here since we have entered the war, I find I must have additional full-time Assistants to the Secretary. We are limited by law to five of these positions and since you will be with us for active service in Washington only as special occasions may require, I am placing you in the status of a Consulting Expert where we are not limited as to the number of such positions. This will enable me to appoint immediately another Assistant to the Secretary. A formal letter making this change is enclosed.

May I again express to you my sincere appreciation for your able assistance, and whenever you are in Washington, I shall count on seeing you.

With kind regards, I am

Sincerely,

(Signed) A. [Signature]

Mr. B. M. Edwards,
Assistant to the Secretary,
Treasury Department,
Washington, D. C.

To Mr. Thompson

[Note: Handwritten notation]
Draft of speech which Mr. Kuhn wrote for Mr. Morgenthau who was thinking of going on the air Monday night, December 22nd, but he completely changed his mind because the notice to the small businesses was too short, and the speech was cancelled.
Good evening.

If you have a small business that makes simple everyday things, I should like to talk directly to you for just a few minutes. Our great production program for victory will bring us victory only if small business is allowed to get behind it with all its energy and productive skill. I know that small business, your kind of business, cannot make a complicated machine like an aircraft engine or an anti-aircraft gun; when the Government needs such things it must get them from big and highly organized plants. But there are thousands of things vitally necessary to our defense effort, which small business, your business, can supply. I want small business to have a better
chance to produce for victory; that is why I am speaking to you this evening.

You may wonder why on earth the Secretary of the Treasury should be interesting himself in this problem.

I will tell you why. Since 1933 the Procurement Division, a branch of the Treasury Department, has been charged with the duty, first, of advising other Government departments about their purchases, and later of doing the purchasing for them. The Treasury is now a vast buying agency for non-military goods of all kinds. We are responsible for seeing that the defense departments obtain the materials and the goods they need at the fairest possible price and in the shortest possible time.
Let me give you an example. The Government is going to need more than 100,000 wooden desks in the next six months for the use of our expanded army, navy, air force and defense agencies. A large proportion of those desks will be needed for the use of the Army Air Corps. We are now ordering the first 25,000 to meet immediate requirements, but the orders for the remaining 80,000 or more will be coming in the months immediately ahead. If your shop or factory can make wooden desks, and if you want to make some of those 80,000, I want you to tell me and I shall tell you in just a few minutes how you can have your chance.

But one item like desks covers only one small part of my story. Can your business make hammers, screwdrivers, chisels or wrenches? Can your business make
shovels, shears, scythes, forks and rakes? Can it make simple electrical equipment like switches, fuses, sockets and plugs? These and hundreds of other simple products are being bought by the Procurement Division of the Treasury every month in huge and ever-growing quantities. We need the things that you make in your small business just as much as we need the airplanes and aircraft engines that roll off the assembly lines in our biggest factories.

If you are interested in making some of these goods, I wish you would write a post card tonight to the Director of the Procurement Division, Treasury Department, Washington, D.C. He will tell you the address of your nearest branch of the Procurement Division -- there
are 48 of them throughout the country -- and he will also send you a form on which you can describe the size of your business and the kind of work you can do.

Don't think that you must come to Washington to get your order. You will only be wasting your time and money and you will not get the contract one day sooner. You don't need a lawyer or an agent or a Congressman. You can deal directly with the Procurement Division through the branch office in your State.

In suggesting this direct approach near your own home, I am not suggesting anything new. Several years ago the Treasury proposed the same kind of plan in connection with tax payments and made the plan work. Before that time anyone who was dissatisfied with a
ruling of the Internal Revenue authorities had to bring his case all the way to Washington and had to employ a tax lawyer at great cost to argue the case for him. Now a dissatisfied taxpayer can go to any one of 50 regional offices of the technical staff of the Bureau of Internal Revenue, in the nearest big city, and can appeal there from the decision of the tax authorities. This is a facility intended to serve the small taxpayer who can't afford the expense and trouble of coming to Washington.

I want to do the same now for the small businessman. I want to make it easy for the small businessman to contribute to victory, and easy for the Government to use his services. Remember, if you can make any of the
things I have mentioned, write a post card tonight to
the Director, Procurement Division, Treasury Department,
Washington, D.C. Let me repeat -- write a post card
tonight to the Director, Procurement Division, Treasury
Department, Washington, D.C.

Thank you all, and good night.
To: Secretary Morgenthau

You may have noticed that in an Executive Order of December 17, the President changed the name of the Economic Defense Board to the Board of Economic Warfare.
Dear Mr. Secretary:

With the announcement this morning by Mr. Smith that a number of non-defense agencies are going to move out of town, it looks as though all of our space problems had reached a final solution.

I can't tell you how much I appreciate your generous cooperation throughout these negotiations.

With personal regards,

Sincerely,

Nelson A. Rockefeller
Coordinator

The Honorable
The Secretary of the Treasury
Washington, D. C.
TO: All Officers and Employees in the Main Treasury Building

SUBJECT: Protection of Treasury Personnel During Emergencies

Pending final arrangements to provide maximum protection for the personnel of the main Treasury Building in event of an emergency, the following instructions are immediately effective. These instructions are subject to change and amplification but, until further notice, they MUST be STRICTLY adhered to. Any violations will be ground for disciplinary action.

SIGNALS

The signals that will be adopted temporarily WITHIN the Treasury Building are as follows:

For the "Alert" - A continuous succession of short rings will be sounded by the time bells that are now being used to indicate working hours.

For the "All Clear" - One long, unbroken ring will be sounded to indicate that the danger has passed.

SIGNALS DENOTING EMERGENCY

Alert: ________________________________

All Clear: ____________________________

PROCEDURE

Upon sounding of the "Alert", employees are instructed to proceed to the nearest stairway and follow that route to the shelter areas designated for the respective floors outlined below:

Sub-Basement — Basement — SHELTER NO. 1

Basement — 1st Floor — 1st Floor — SHELTER NO. 2

1st Floor — 2nd Floor — 2nd Floor — SHELTER NO. 3

3rd Floor — 4th Floor
Remain in the corridors of the designated shelter areas and stand in single lines against the corridor walls until the "All Clear" is sounded. The guards will be authorized to maintain discipline and direct the housing of employees in the shelter areas. A clear path must be kept open at all times through every corridor. Do not stand in front of entrances or under stair walls.

INSTRUCTIONS

1. **WALK** - **DO NOT RUN** - **BE CALM**

2. **FORM AN ORDERLY LINE AND AWAIT YOUR TURN. DO NOT PUSH OR CROWD ON STAIRWAYS OR IN HALLS.**

3. **ELEVATORS MUST NOT BE USED DURING AN "ALERT".**

4. **SMOKING IS STRICTLY PROHIBITED DURING AN "ALERT".**

5. **EXTINGUISH ALL CIGARS, CIGARETTES, PIPES, OR FLAMES BEFORE LEAVING YOUR OFFICE.**

6. **REMAIN IN THAT PART OF THE SHELTER AREA TO WHICH YOU ARE ASSIGNED, POSITIVELY NO VISITING BETWEEN AREAS.**

7. **DO NOT STOP TO RENDER ASSISTANCE TO ANY ONE.** You may endanger many lives as well as your own, by so doing. Specially trained personnel will be provided to evacuate persons needing assistance.

8. **SPREADING OF FALSE ALARMS AND UNFOUNDED RUMORS WILL BE SUMMARILY DEALT WITH.**

9. **DO NOT ATTEMPT TO LEAVE THE BUILDING. REMEMBER: You are safer under cover!**

W. N. THOMPSON  
Administrative Assistant to the Secretary.
All Collectors of Customs

Reference circular telegram 212-F. Provided applicable export license requirements are fulfilled, you are authorized to release all shipments of rubber tires and tubes which have already been laden on board the carrier in which they are scheduled to be exported. This authorization applies as well to shipments which have been released under a stipulation that the tires and tubes would be returned to this country without being unladed in the foreign destination. Accordingly, persons who have given such stipulations may now be released therefrom, and no further stipulation need be required in respect to shipments of tires and tubes already laden, as indicated above. You may authorize cabled re-releases, where necessary, on shipments which have already departed under stipulations of the character under reference.

Kerr, Chief, Office of Export Control
Washington, D.C., December 20, 1941.

To

All Collectors of Customs,

225-T. Refer circular telegram 212-T. Prohibition with respect to exportation of reclaimed rubber, Schedule B number 2011, is hereby removed. Accordingly, you may permit the exportation of reclaimed rubber without regard to circular telegram 212-T provided export licenses, where necessary, are presented.

HERR, CHIEF, OFFICE OF EXPORT CONTROL
Washington, D.C., December 20, 1941.

To

All Collectors of Customs

226-T. Circular telegram 221-T of December 17, 1941, should not be considered to require individual licenses for partial shipments. Such shipments may proceed as usual under one license provided the license has been issued on or after December 15, 1941. The authorization contained in circular telegram 221-T does not, however, apply to shipments presented for clearance under general or unlimited license.

Karr, Chief, Office of Export Control

LIPrice: LF
Washington, D.C., December 20, 1941

To

All Collectors of Customs

227-T. Circular Telegram 215-T dated December 11, 1941, applies also to spare tires and tubes which are being exported as a component part of either new or used vehicles.

Kerr - Chief, Office of Export Control
Dear Ed:

Thank you for sending me the confidential chart showing allocations and obligations under the Lend-Lease Act. I have noted this with interest.

Yours sincerely,

(Signed) Henry

Mr. E. K. Stettinus, Jr.,
Administrator,
Office of Lend-Lease Administration,
515 22nd Street,
Washington, D. C.
Treasury Department
Division of Tax Research

Date: Jan. 17, 1941

Mr. Geo - Room 210

From: Mr. Blough

Your draft of the letter is satisfactory to me with one exception. The first sentence of the third paragraph may be too optimistic. I suggest that in place of "they are not insuperable" you substitute "they are not necessarily insuperable."
December 17, 1941

MEMORANDUM

TO: Secretary Morgenthau
FROM: E. R. Stettinius, Jr.
SUBJECT: Progress in allocating and obligating Lend-Lease funds

The attached chart on the above subject is sent you for your confidential information.

Attachment
MEMORANDUM TO THE SECRETARY:

Further reference is made to my memorandum of November 29, 1941, with reference to your request of November 27th for a report as to cost and prices of steel.

There is now being prepared a schedule covering all purchases of semi-finished steel purchased under lend-lease which will be forwarded to you in the very near future.

Arrangements have been made with the Federal Reserve Board to secure over-all figures for the steel industry indicating the relationship of prices to wage and other costs and to earnings in recent years.

[Signature]
Charlton E. Mack,  
Director of Procurement
MEMORANDUM TO THE SECRETARY

We received during the past week the first requisitions from the Turkish Government.

Purchases of semi-finished steel for the United Kingdom covering the first quarter of 1942 have been completed - a total of 700,000 tons.

Clifton E. Mack
Director of Procurement
OPERATING REPORT - LEND-LEASE PURCHASES
WEEK ENDED DECEMBER 20, 1941

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<td>TOTAL PURCHASES</td>
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| ACQUISITIONS IN PROCESS INCLUDING THOSE AWAITING SPECIFICATIONS | $ 54,329,142.76 |

*THE DIFFERENCE BETWEEN NET ALLOCATIONS AND REQUISITIONS APPROVED FOR PURCHASE REPRESENTS ALLOCATIONS IN EXCESS OF COMMITMENTS, REQUISITIONS TRANSFERRED TO OTHER AGENCIES, AND CANCELLED REQUISITIONS.*
The Honorable  
To the Secretary of the Treasury,  
Washington, D.C.

Mr. Secretary:

I regretted my inability to see you when in Washington with respect to the status of supplies for our Venezuelan and Aruban operations.

I left substantiating material with Mr. White.

Briefly, Venezuela is producing 700,000 barrels daily of crude. Of this amount, our subsidiaries are producing 400,000 barrels daily. Our adjacent refinery at Aruba in the Dutch West Indies, is running about 300,000 barrels daily; and, based primarily on this supply, directly and indirectly, we are supplying 35% of the Navy's fuel requirements in the Atlantic and 60% of the Lend-Lease requirements. We have no operation working so directly and in such proportion in the defense effort.

The output of Venezuela and Aruba goes approximately 43% to Great Britain; 33% to the United States and 23% to South Africa and Latin America, as allocated primarily by the State Department.

These important operations have no official status as contrasted to oil operations in the United States. Each request for supplies has to follow a devious independent course, with consequent delay and extra work both with us and in Washington.

I wish to obtain a project status for the routine producing operation in Venezuela and a similar status for the routine refinery operation at Aruba, as we have in our various American operations; and endeavor while in Washington to familiarize the authorities who would have the matter to consider, in the premises.

Normally, the Venezuelan producing operation has an annual requirement of 12,000 tons of steel and 63,000 tons of other materials and supplies. The annual requirement at Aruba amounts to 12,000 tons of steel and 40,000 tons of other materials and supplies.

The military importance and the necessity of action along the lines suggested, is unquestionable, as I hope you will see if you have the time to look at the summary, at least, of the material I left with Mr. White.

I can say with certainty that a limited amount of steel will result in five times as much production in Venezuela as would a similar quantity in the United States - I believe it would produce ten times as much.
I appreciated very much your courtesy in offering me an appointment on Friday but it was impossible for me to remain over in Washington, due to the urgency of operating and construction problems here in New York.

Sincerely yours,

E. J. SADLER

Enc.

Cc Mr. Harry White
Yesterday Mr. Carlos Alonzo Irigoyen, Deputy Finance Minister of the Argentine Republic, called on me to discuss certain problems which his Government would like us to consider. Mr. Irigoyen had presented a memorandum to the State Department, from which he selected two questions which he regarded as pertinent for a discussion with this Department:

1) How can the Argentine Government obtain peso funds with which to finance its crop-purchase program during the forthcoming harvest without undesirably burdening the Argentine money market? Specifically, Mr. Irigoyen proposes a gold credit of at least $65 million (250 million pesos) which he thinks might be used by the Argentine Government as security for a line of credit at the Central Bank.

2) Is this Government willing to undertake discussions directed toward a consideration of Argentina's long-run or post-war balance of payments problem? Mr. Irigoyen here refers particularly to problems presented by Argentina's trade and foreign exchange positions vis a vis Great Britain and the United States.

Memoranda are being prepared on both of these questions. Mr. Irigoyen hopes to have further discussion on these matters before his departure for Buenos Aires in January.
TO  Mr. White
FROM  Mr. Southard

Subject: Summary of your conversation with Mr. Carlos Alonso Irigoyen on December 19, 1941

Present at the interview: Messrs. Irigoyen, White, Southard and Norman

After an exchange of pleasantries, Mr. White asked Mr. Irigoyen whether he cared to supply any more detail about the objects of his mission — in so far as this Department is concerned — than were contained in the memorandum of December 15, 1941, which the Argentine Embassy supplied to the State Department. Mr. Irigoyen replied that there were several questions which his Government regards as vitally important and which he would like to lay before the Treasury Department.

The first of these questions is:

(1) How can the Argentine Government obtain the funds to finance its crop-purchase program during the forthcoming harvest without unreasonably burdening the Argentine money market?

(a) Mr. Irigoyen conceded that the Argentine money market has been relatively easy to explain that it is at best a small market and that its capacity to absorb issues is strictly limited. The Argentine authorities want to reserve the resources of that money market for rearmament, public works, budgetary deficit, of the central government and requirements of provincial and local governments. In addition, some expansion of Argentine industry must be financed. The Federal Government faces a sizable deficit which will be increased due to a decline in customs revenues because of a decrease in imports occasioned by shortages in the United States.

(b) While the Government expects to finance part of this deficit out of the present resources of the money market, the crop-purchase program, which the Government regards as essential during the coming harvest, probably cannot be financed in that market. At present prices and in view of present market opportunities, the crop-purchase program will probably amount to $200 million to $250 million pesos at the peak, which will come in April. If these purchases — primarily of wheat and corn — can
Division of Monetary Research

later be unloaded, the Government could reduce its borrowing to that extent. But Mr. Irigoyen frankly admitted that the imported stocks of the past two seasons were still on hand and that much of them had deteriorated. He explained that the Government was already in debt to the Banco de la Nacion to the extent of about 750 million pesos on account of crop-purchases and that probably 500 million worth of the grain represented by these advances must be regarded as lost. There are apparently no limitations to the extent to which the Banco de la Nacion can continue making advances to the government but Mr. Irigoyen stated that the Bank is already regarded as dangerously strained.

(2) In addition the Argentine Government needs to find funds for other forms of aid to agriculture such as some sort of corn-hog program by which surplus grain could be converted into salable meat.

There followed considerable discussion as to how Argentina would mobilize any dollar credits in view of the condition of the Argentine money market. Mr. Irigoyen conceded that Argentina's foreign exchange position is good and explained that any dollar credits might be converted into gold and the gold sold or otherwise pledged to the Central Bank in return for pesos. Mr. Southard asked why, in view of the fact that Argentina has heavy gold reserves and has a current gold coverage against notes of more than 100 percent, the Argentine Central Bank could not finance the Government without difficulty. Mr. Irigoyen replied that it is desired to avoid the consequences of an undesirable expansion of deposits which might result from further use of banking-credit. Mr. White pointed out, however, that the effect on deposits and on money in circulation would be the same under either arrangement although there might be some psychological advantages in issuing notes secured by additional gold reserves instead of depending on a further expansion of bank credit on the basis of existing reserves.

Mr. Irigoyen concluded his discussion of the first question by saying that Argentina would want an open line of credit of sufficient duration to provide for a fairly flexible financing.

(2) The second question which Mr. Irigoyen raised was: Can the United States Government undertake a discussion of Argentina’s long-run or post-war balance of payments problem?

Here Mr. Irigoyen particularly had in mind problems posed by Argentina’s position vis-à-vis Great Britain on the one hand and the United States on the other. He explained that the blocked sterling now held by the Argentine Government amounts to about 12 million pounds sterling and is expected to increase to about 20 million pounds sterling during 1942. Of the present balance, 25 percent can be used to repatriate
British-owned securities of the Argentine Central Government, of which some 43 million pounds sterling are now in British hands. Mr. White asked why the British Government had imposed this 25 percent limit on such use of blocked sterling. Mr. Irigoyen replied that the British were trying to force the Argentine Government to purchase the British-owned railroads in Argentina and had asked the Argentine Government to make a study of this problem. Mr. Irigoyen said that the Argentine Government is somewhat inclined to regard the British-owned railroads as a white elephant and is not at all sure it wants to undertake the burden of their maintenance and operation. He is interested in the possibility of obtaining an American expert to make an impartial survey of these railroads.

Mr. Irigoyen looks forward to an immediate post-war situation in which Argentina will hold large quantities of blocked sterling which the British will be unwilling to unblock. In such an event, he asked what the effect is likely to be on United States exporters who are likely to find their opportunities in the Argentine market restricted because Argentinians will be compelled to spend the blocked sterling in England. He also asked whether this Government is giving consideration to ways and means of maintaining the present volume of United States purchases in Argentina. He believes that Argentinians are changing their attitude toward the United States and are coming to feel that this country is likely to be more important than Europe to Argentina during the next fifty years. He clearly implied, however, that should our trading relationships after the war slip back into the pre-war pattern and should England or Europe continue bilateral trade, there would be a difficult situation between the two countries.

Mr. White assured Mr. Irigoyen that there was an increasing awareness in this Government and in this country of the vital necessity to work out mutually satisfactory trade and financial relationships in the post-war period. Mr. Irigoyen asked whether he might be willing now to begin discussions on these long-run problems. Mr. White said he would try to arrange for a preliminary conversation on the points raised by Mr. Irigoyen as they affected the Treasury.
Conference in Mr. White's office, Saturday, December 20, 1941, at 11 A.M.

Present: Sir Frederick Phillips

Mr. White

Mr. Hicks

Sir Frederick reported that he had received a telegram from Sir Otto Niemeyer at Chungking suggesting that China might ask the United States and Britain to guarantee a loan that the Chinese Government would float amongst its own people. The loan would be floated for the purpose of absorbing currency and thereby retarding the inflation in China. To make the loan attractive to the Chinese people the Chinese Government would like to have the United States and Britain guarantee repayment of the loan in fapi at the dollar or pound rate now prevailing.

Sir Frederick inquired about the memorandum he submitted to the Secretary on Russian Gold Payments. With reference to the first question in Sir Frederick's memorandum, Mr. White asked how Russia would obtain dollars. Sir Frederick said the Russians would obtain dollars by shipment of gold to the United States, and that the advantage to Britain was merely that of avoiding trans-shipment through London. Sir Frederick said that such gold shipments by Russia would be considered as gold sold for British account. With reference to the second question, Sir Frederick said that the War Department was now taking over for its own use the 8M planes which it had planned to take over for fulfillment of United States commitments to Russia. Sir Frederick said that he did not know how many were to be taken over, and that, as yet, no terms of repayment had been made.

Sir Frederick reported that the loss of rubber and tin exports from Malaya would probably cost the sterling area $250 million a year, and that if the Pacific situation became more serious it might affect the exports of Australia. Mr. White said that it would be helpful if Sir Frederick would re-examine the sterling area balance of payments in the light of these developments.

Sir Frederick also reported that the payments that will remain due on BM contracts on January 1, about $530 million, are mostly cost-plus contracts, and that price and wage increases might increase British payments due as much as 15 percent.
Dear Harrimer:

Thank you for sending me a copy of your letter of December 16 to Mr. Nelson.

I am enclosing a copy of my reply to a similar inquiry Mr. Nelson made to the Treasury and a copy of my letter to the Minister of the Union of South Africa dealing with a similar matter. These two letters indicate the attitude of the Treasury toward the problem raised in Mr. Nelson's letter.

I judge from your letter that, on the whole, we are in substantial agreement as to what the Government policy should be toward use of short materials for gold mining during the emergency period, except that I should place more emphasis on the desirability of examining the particular situation in each country before applying the general principle. As indicated in my letter to Mr. Nelson, we have made such an examination in the South African case and we are proceeding with one in the Canadian case.

Should our examination of any particular case seem to warrant our recommendation that export of machinery for gold mining be given a high priority, I have instructed Mr. White to discuss the matter with anyone in your organization you would care to designate before such recommendation here is made.

Sincerely,

(Signed) Henry

Secretary of the Treasury.

Hon. Marriner S. Eccles,
Chairman, Board of Governors of the
Federal Reserve System,
Washington, D. C.

Enclosures

HMW坤a
12/18/41.
December 16, 1941.

Dear Henry:

Donald Nelson wrote to me on December 3 for my official opinion regarding gold mining equipment for foreign mines and indicated in his letter that he had also addressed a similar communication to you asking for your views.

I have given him a frank expression of my own opinion and I am sending you a copy for your information.

Sincerely yours,

[Signature]

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

enclosure
December 16, 1941.

Mr. Donald M. Nelson,
Executive Director,
Supply Priorities and
Allocation Board,
Social Security Building,
Washington, D. C.

My dear Mr. Nelson:

This is to acknowledge your letter of December 3 asking for my official opinion regarding gold mining equipment for foreign mines and possible measures to avoid a dollar deficit if foreign gold production is curtailed.

Priority measures tending to reduce new gold production under present circumstances are, in my judgment, highly desirable. The United States stock of gold is already redundant. Its dollar value is more than five times as great as in the 1920's. From the standpoint of credit control in this country further additions to gold stock are not only unnecessary; they are harmful. By swelling excess bank reserves, they add to inflationary dangers and make the maintenance of a stable and productive economy more difficult. From the standpoint of war output of the allied countries, the materials, machinery, and labor devoted to gold production are largely wasted.

The need for continued gold production to obtain dollar exchange will probably be greatly reduced in 1942. Among the allied nations the most important gold producers are those of the sterling area, Canada, and the U.S.S.R. The official British data on the balance of payments of the sterling area, which includes the Union of South Africa and Australia, indicate that the serious shortage of dollars experienced by this area in the past has now been relieved. The bulk of current transactions which require dollars are being handled under Lend-Lease. The sale of newly produced gold from this area to the United States in the last half-year has served principally to reduce the obligations incurred by the British Supply Council prior to the passage of the Lend-Lease Act. Remaining obligations incurred prior to Lend-Lease are to be repaid in full during the coming year, according to the British estimates, after which time the sterling area balance of payments should be such as to enable the British to accumulate reserves of dollar balances or gold.

In the case of Canada, the Hyde Park agreement of April, 1941 has gone a long way to overcome the Canadian deficit of U. S. dollars in the operations of the newly constituted Joint Committee on Defense Production, which will extend the principle of the Hyde Park agreement
regarding the productive armament resources of the two countries, may be expected to carry this process still further. Shipments of goods to the U.S.S.R. are largely such as can be handled under Lend-Lease and R.P.C. leases. Accordingly, it is neither necessary nor desirable to encourage allied gold production in order to provide dollar exchange for war needs.

Even if gold production abroad were so sharply curtailed as to bring about a deficiency of dollars, the situation could be met more appropriately by extension of the principles of the Lend-Lease and Hyde Park arrangements, by further R.P.C. and Stabilization Fund loans, or by employment of the resources of the Federal Reserve Banks. Purchase of gold in the ground by the United States, however, would offer too many complications in practice to make experimentation with it advisable when simpler and more direct methods are available.

Since now gold output is largely unnecessary and diverts materials, machinery, and labor from production of war supplies, I strongly favor curtailing it so far as is practicable through the priorities system. I would suggest that no machinery be allowed to foreign mines for the expansion of gold output; and that machinery and supplies for the maintenance and repair of gold mines should be restricted to the minimum consonant with the principles adopted by the Supply Priorities and Allocation Board for other non-defense industries.

The effect of these measures could, it is true, be nullified if the foreign countries that are denied gold mining machinery from the United States should undertake to produce it for themselves. Not only might they thereby retain in the gold industry all the factors now engaged in it, but they might, because of less efficient methods, have to divert more resources to making gold mining machinery than the United States would save by stopping its manufacture. This would retard the total war effort. Therefore, I believe it is advisable for the Supply Priorities and Allocation Board and other interested government departments and agencies to enlist the cooperation of the foreign governments concerned. In fact, the foreign governments might be encouraged to go farther than merely to restrain their own producers of gold mining machinery. It would seem appropriate for them to take more far-reaching measures to transfer labor and other resources from gold mining to the production of war supplies that now they must procure from us. If, in the process, relief had to be afforded to some elements in the gold mining industry abroad, such relief could better be extended by the governments immediately concerned than by the United States. In order to obtain such cooperation, however, it may be necessary to convince our allies abroad that we were dealing as firmly with our own gold industry as we are asking them to deal with theirs.
Mr. Donald M. Nelson

December 16, 1941

In making these suggestions, I have spoken frankly, believing that such was your desire. While I have no reason to think that other members of the Board differ with the views here stated, they are not, of course, committed by this letter.

Sincerely yours,

(signed) M. S. Eccles.

M. S. Eccles,
Chairman.
December 20, 1941

Dear Mr. Knocks:

This is in acknowledgment of your letter of December 15, 1941, enclosing your compilation for the week ended December 10, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

With the entrance of this Government into the war there has been an unavoidable increase in the burden of work in this Department and we are all of us trying to find means of saving the energies of the staff. With this in mind would you regard it as permissible to acknowledge the receipt of this material, in the future, by means of an initialed memorandum similar to the attached copy?

Sincerely yours,

[Signature]

H. D. White
Assistant to the Secretary

Enclosure.

L. W. Knocks, Esquire,
Vice President,
Federal Reserve Bank of New York,
New York, New York.
CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended "****", showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.
The three telegrams attached were not received for distribution until January 22. A later telegram from Bern (No. 113 dated January 12) and a telegram to Bern (No. 139 dated January 17) have already been distributed.

FD
PARAPHRASE OF TELEGRAM SENT

TO: American Legation, Bern, Switzerland

DATE: December 20, 1941, 8 p.m.

No.: 358

It is not the understanding of the Department that the willingness of the Government of Switzerland to represent interests of the U.S. in Asia and Europe is conditioned upon the consent of this Government to transactions which are wholly extraneous to that representation, such as, for example, transfer to the Fortunes of the 10,000 kilograms of gold earmarked in New York. However, we do understand that the Government of Switzerland, if it is to receive reimbursement in blocked dollars, is not willing to transfer funds through Swiss francs for American missions and nationals. A clear statement of this is in the Legation's telegram No. 289, dated the 9th of December. The Department's telegram No. 301, dated the 15th of December, accordingly gave assurance that all funds would be made available which would be required for purposes of representation, and which we might ask the Swiss Government to furnish for our nationals, in any form which might be found necessary to meet the situation. The views of the Government of Switzerland as to how it wished to have these payments made were requested in the telegram under reference. No reason is seen by the Department for the necessity of connecting the methods of paying the expenses under reference and the use of blocked funds for purposes which are entirely different and unrelated. Further, the Department does not understand that the Government of Switzerland insists upon action
such as this. Therefore, you are instructed to give assurance to the Government of Switzerland, that we do not request the disbursement of funds for our account or against blocked dollars. Also you are instructed to ascertain the form in which funds can be made available in order to meet the needs of the situation as they appear to the Government of Switzerland.

The Department requests that the Legation telegraph the reply of the Swiss and that a report be made of the Swiss reaction to the proposal, and that your recommendations be given.

HULL
(JCG)
PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO : American Legation, Bern, Switzerland.
DATED: December 13, 1941.
NUMBER: 301

The concern of the Swiss Foreign Office that to represent our interests in Asia and Europe and because an increase in blocked dollars and its desire for freedom in disposing of such dollars has been reviewed with the Treasury. It has been agreed by both Departments, and you may assure the Foreign Office that the expenses of this representation and certain sums which may be requested of the Swiss to provide for United States nationals will be provided in a manner in form as may be required for their free use for the purpose under question, and there will be granted and established and necessary licenses and accounts. Request should be made of the Foreign Office for its views as to the manner in which this may be done acceptably to the Swiss Government. This Government desires to establish a procedure which will avoid the acquisition of free dollar accounts in this hemisphere by enemy countries or their associates.
TO: Secretary of State, Washington
FROM: American Legation, Bern, Switzerland.
DATE: December 9, 1941, 5 p.m.
No.: 289

The Foreign Office has expressed apprehension that the representation of our interests in Japan would give rise to substantial yen expenditures requiring dollar offers by us to the Swiss National Bank in exchange for Swiss francs to obtain yen and that it cannot be permitted to buy dollar drafts for yen conversion until greater freedom is given the Swiss National Bank in disposing of its New York blocked assets. Further it expressed that this should in no way be regarded as an attempt to place conditions upon the Swiss acceptance of representing our interests (any Treasury decision will not affect it) but only a measure proposing to avoid the possible future misunderstanding should the question arise of obtaining substantial sums of yen.

The Department's attention is invited to the probability that before December 15 the Legation will be approached to offer for sale, to finance the Rome Embassy, a sizeable dollar draft. The Foreign Office until this afternoon had not received any Washington advises which would authorize the purchase of the draft in question.
It may be expected that possibly other proposals may involve the offer by us of large dollar sums to the Swiss National Bank and that it is anticipated the question of granting authority to the Swiss Government to purchase them will be raised again.

Huddle
Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns £24,000
Purchased from commercial concerns £6,000

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

In very light trading, the Canadian dollar widened further to close at 13-3/8% discount, as against 13-1/8% last night.

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

- Argentine peso (free) .2370
- Brazilian milreis (free) .0516
- Colombian peso .5775
- Mexican peso .2065
- Uruguayan peso (free) .5310
- Venezuelan peso (free) .2700
- Cuban peso Par

There were no gold transactions consummated by us today.

No new gold engagements were reported.
December 20th, 1941.

Personal and Secret.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

[Signature]

The Honourable
Henry Morgenthau, Jr.,
United States Treasury,
Washington, D. C.
OPTEL No. 47

HONG KONG, 19th. Message despatched at three thirty a.m. local time reported that after heavy bombardment Japanese have effected a landing on North East corner of the Island. Every effort was being made to evict them. Eight thirty six a.m. situation reported very grave as enemy had made a deep penetration. Ten nineteen a.m. wireless station was being abandoned due to adjustment of defences. Last cypher book and table was being destroyed after despatch of message.
Information received up to 7 a.m., 19th December, 1941.

(I) NAVAL

ATLANTIC. 19th a.m. A British destroyer was sunk by a U-boat west of GIBRALTAR.

MEDITERRANEAN. 19th, 1.45 a.m. A British cruiser and destroyer were mined 20 miles north of TRIPOLI and are unable to steam. A British cruiser was also mined but is proceeding at 16 knots.

(II) MILITARY

LIBYA. 17th. Our forces further pursued the retreating enemy, and by 4.30 p.m. our armoured forces and infantry had reached the general line from TUNI south-west to BIR HALEM EL ALEBA, an advance of 30 miles. Remnants of the Italian armoured and motorised forces appear to be withdrawing via MEXIL poses and remnants of their infantry to Derna. Remnants of the German armoured forces have withdrawn to Derna possibly making for BENGHAZI by the Coast Road. Our forces are continuing the advance north-west of Derna and west of MEXIL.

MALAYA. 18th. In KELANTAN, minor enemy activity only.

KEDAH. The withdrawal from River KINA to River KIAN has been carried out successfully. The evacuation of PANG to FORT SWEETHEART and SIMAPOR has also been effected successfully. The attack on our detachment at SRIK has not been pressed. The enemy carried out a fairly heavy bombing attack on the Eastern railway at MERAPOR (40 miles north of KUALA LIPIS). 11 large transports are reported off PATTANI, where there is continuous launch activity.

PACIFIC ISLANDS. Japanese are reported to have vacated TAHARA after destroying the wireless station.

RUSSIA. Russian pressure continues in the MOSKOW and TULA areas. The Russian claims to have taken ALEKSEIN (30 miles northwest of TULA) and SIEGEKINO (15 miles southwest of TULA) is believed. Heavy Russian attacks are also reported from the DONETZ BASIN. The Germans are intensifying their pressure on SEVASTOPOL.

(III) AIR OPERATIONS

18th. 47 Heavy Bombers were despatched to attack SCHARNHORST and GNEISENAU at BREM. Bursts causing explosions were seen on the sterns of both battle-cruisers, two bursts just to the southwest of the docks were also followed by flashes from each vessel amidships, and thick black smoke was observed rising.
from the GUNNESEI. Firing was started in the jetties and amongst the capsized shipping. 11 squadrons of fighters provided escort to within ten miles of BREST. Bombers shot down three Messerschmidt 109, probably destroyed three and damaged nine. Fighters destroyed four and damaged one. Our losses were four Stirlings, one Manchester and one Hurricane. Two other bombers crashed, the crew of one being saved.

18th/19th. 19 bombers dispatched to attack BREST but visibility was poor and results were unobserved. One aircraft crashed on return.

LIBYA. On 16th and 17th, Hurricanes damaged 46 lorries and five petrol tankers on the EL AHELLA road. During the attack on BENINA aerodrome on 16th, two large aircraft were destroyed on the ground and two fires started. On 17th, heavy attacks were made by Blenheim on an enemy mechanical transport column south-east of DERMA and motor vehicles near BERKILI, many vehicles being destroyed. Boston attacked and hit buildings at GIOVANNI BERTA (18 miles east-south-east of APOLLOIIA) and Hurricanes with bombs attacked mechanical transport near EL MIMI and BERKILI. Maryland destroyed 15 Junkers 52 at BARIE aerodrome.

17th/18th. Wellingtons successfully bombed BENINA aerodrome and attacked mechanical transport on the BARIE-TOUGA road. During above operations, two Messerschmidt 109 were destroyed in the air. Six Hurricanes are missing.

CENTRAL MEDITERRANEAN. 16th/17th and 17th/18th. Naval Swordfish attacked a 4,000-ton tanker, which is believed to have sunk. 17th. Four Blenheims attacked transport in the ZUARA area (west of TRIPOLI) and destroyed two train coaches and two petrol tankers. One Blenheim is missing.

EAST. Dutch bomber squadrons attacked enemy shipping at MIL. One destroyer was hit and near misses were made on one cruiser and on two transports.

(IV) NIGHT ACTIVITY

18th/19th. 38 aircraft operated against the United Kingdom, the majority of which are suspected of minelaying in the Humber area and in LIVERPOOL BAY.

MALTA. 16th/17th and 17th/18th. Bombs were dropped on the island causing damage to civilian property.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE: December 20, 1941

TO: Secretary Morgenthau
FROM: Mr. Kamarck

SUBJECT: Summary of Military Reports

Far East

The Japanese have 16 divisions (200,000-250,000 men) already in Malaya, Siam, and South Indo-China. They have another 12 divisions, including most of the seven divisions in Japan, which might be made available immediately, or at short notice for these operations. The limiting factor is, therefore, not manpower but shipping and the airplanes necessary for air support.

(U.S. Embassy, Operations Report, December 17, 1941)

Air reconnaissance on the ninth reported 40 Japanese bombers at Singora, just north of Malaya. These probably came from South China and the movement would reduce the total bomber force in South China to about 150 aircraft. There are probably 80 to 90 fighters stationed in the area Isthmus: 40 at Singora and the remainder at Ketan (both fields just north of Malaya).

(U.S. Embassy, Operations Report, December 12, 1941)

The main features of Japanese tactics experienced so far are rapid infiltration and the immediate outflanking of any defenses. Attacks are supported by cooperating aircraft giving accurate direction to quick-firing artillery lighter than the British 3.7" howitzer (i.e., probably the 75 mm. gun). Medium machine gun and mortar fire is described as being very accurate. The Japanese know a marked ability to advance even over the most difficult country. They are well supplied with sub-machine guns.

(The tactics described are similar to American tactics pre-1940. The advance is by infantry with artillery and air cooperation, rather than use of the German tank-diverter team.)

(U.S. Embassy, Operations Report, December 12, 1941)
There are 36 German and Italian merchant ships in Japanese-controlled ports. Of these, about 13 could, without conversion, reach Europe without refuelling, although the Japanese would have to supply the oil bunkers. There are substantial stocks of German-owned rubber at present in Japanese-controlled territory.

(U.K. Embassy, Operations Report, December 12, 1941)

**Russo-German Front**

The British Military Mission confirms the Russian claim that they have air superiority over their entire front.

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

According to the British estimate, in the southern sector, it is of particular importance for the Germans to resume their advance, but weeks and possibly months might now elapse before they recapture Rostov, with a corresponding postponement of their timetable for the conquest of Caucasus.

(U.K. Embassy, Operations Reports, December 12, 17, 1941)

**British Aid to Russia**

The British Military Mission reports that the British Valentine tanks (medium tanks) have done well in the Moscow sector. Ninety have been in action and only three have been knocked out to date.

(U.K. Embassy, Operations Report, December 14, 1941)
German Allies on the Russian Front

The British report that

(a) The number of Hungarian soldiers on the Russian front has been reduced to 30,000 (originally may have been as high as 100,000).

(b) The Rumanian contingent in Russia, though being reduced, still amounts to the equivalent of about two divisions (40,000 men) in action in the Crimea (originally, around 300,000).

(c) The Spanish have 14,000 soldiers still in action.

(d) The Italians did not send more than 100,000 soldiers.

(e) Finland, with 15 divisions (300,000 men) at the front, is thus the biggest single ally of the Germans in the Russo-German War. There are more Finns fighting than all the other German auxiliaries added together.

(U.K. Embassy, Operations Reports, December 14, 17, 1941)

Conditions in Germany

The Germans on the Moscow front appear to have plenty of ammunition.

The German wool shortage is becoming more acute. The Germans offered Turkey 30 locomotives and rolling stock, including tank wagons (all vitally needed by the Germans themselves) in exchange for woolen blankets. The Turks refused. An increasing proportion of substitute materials is being used in German uniforms. The most recent uniform examined contained 35 percent of synthetic fiber (the highest proportion yet found) and was of poor quality.

More and more evidence is accumulating of the great difficulties experienced by the Germans in keeping up the maintenance of their mechanical transport on the Russian front.
According to British information, the German Messerschmidt 110 (two-engine fighters) have suffered such severe losses, both in Russia and in Libya, that two Gruppen (about 60 aircraft) of these twin-engined fighters are believed to have been disbanded in order to keep the other units up to strength.

(U.K. Embassy, Operations Reports, December 14, 17, 1941)

Balkans

There are some indications that German troop concentrations are beginning in Bulgaria.

(U.K. Embassy, Operations Report, December 17, 1941)

Mediterranean

It is probable that 24 German E-boats (motor torpedo-boats) have passed down the Rhone canal through France, and are now in the Mediterranean. Their endurance at 22 knots is about 600 miles.

(U.K. Embassy, Operations Report, December 14, 1941)
NOTICE

The information contained in this series of bulletins will be restricted to items from official sources which are reasonably confirmed.

This document is being given an approved distribution, and no additional copies are available in the Military Intelligence Division. For provisions governing its reproduction, see Letter TAG 350.05 (9-19-40) M-B-M.

GERMAN ARMORED CAR RECONNAISSANCE

SOURCE

This bulletin is based upon reports submitted by American official observers in Berlin. The translated sections are from the Militär Wochenblatt, a semi-official German publication.

Intended propagandistic effects should not be overlooked.

CONTENTS

1. INTRODUCTION
2. TRANSLATIONS
3. CONSENT OF OFFICIAL OBSERVERS
Figure 1. Light 4-Wheeler Armored Car. This car has the following characteristics:

<table>
<thead>
<tr>
<th>Weight</th>
<th>4-7 tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crew</td>
<td>3</td>
</tr>
<tr>
<td>Armor Basis</td>
<td>.32 in.</td>
</tr>
<tr>
<td></td>
<td>.59 in. visors</td>
</tr>
<tr>
<td>Armament</td>
<td>one 20-mm. M.G.</td>
</tr>
<tr>
<td>Horspower</td>
<td>one light M.G.</td>
</tr>
<tr>
<td>Drive</td>
<td>75</td>
</tr>
<tr>
<td>Road Speed</td>
<td>30 mph.</td>
</tr>
<tr>
<td>Drive</td>
<td>4-wheel</td>
</tr>
</tbody>
</table>
1. INTRODUCTION

a. The German Reconnaissance Battalion

(1) Organisation and Function

The Germans do not use large cavalry units (motor, mechanized, or horse) for distant reconnaissance missions in front of their advancing armies. Instead, in France, each partly motorized, motorized, light, and armored division was provided with a reconnaissance battalion. In addition to these battalions, there were separate units, known as army reconnaissance battalions, which were available to each army in the field for close reconnaissance missions.

These reconnaissance battalions, together with reconnaissance aviation, furnished the division and higher commanders with information upon which they based their tactical decisions and formulated their plans for engagement with the enemy.

Some armored divisions are believed to be provided with a reconnaissance regiment, consisting of two or more battalions which have appropriate antiaircraft, antitank, pioneer, and signal units. It is not known whether the reconnaissance strength of motorized and partly motorized divisions has been so augmented since the campaign on the Western Front.

The reconnaissance battalion is organized generally as follows:

1 headquarters;
2 armored car* companies, each with
   6 heavy armored cars,
   18 light armored cars;
1 motorcycle rifle company, each provided with light mortars and light and heavy machine guns;
1 heavy company, composed of
   1 antitank platoon,
   1 pioneer platoon,
   2-75-mm. howitzers.

(2) Training Principles of Reconnaissance Battalions

In the training of reconnaissance battalions, emphasis

*Figures 1, 2, and 3 will give pictures and characteristics of some of the German armored cars.
is placed upon initiative and aggressiveness both in securing and in reporting information. These units are provided with sufficient mobility, fire power, and armor protection to enable them to overawe small covering groups and determine the disposition of the main hostile forces. Hence, as employed in the German Army, these units provide a considerable amount of security in the performance of their reconnaissance tasks. German instruction pamphlets and accounts of combat experiences, as well as reported conversations with German military personnel, indicate that reconnaissance battalions are trained, and normally operate, in accordance with the principles summarized below:

(a) Division reconnaissance battalions operate directly under the orders of the division commander. The extent of the area in which the battalion is to operate and the time-distance that it precedes the division depend upon the situation and mission.

(b) The reconnaissance battalion commander issues orders for the execution of his assigned mission and dispatches the required patrols.

(c) The strength and composition of a patrol depend upon the mission it is to accomplish, the situation—especially with respect to the nature of the hostile resistance—and the terrain. The patrol however, must be composed of at least two vehicles and must include at least one vehicle equipped with a sending and receiving radio set.

There are roughly five types of patrols, generally as follows:

- Heavy patrol, composed of heavy armored cars;
- Light patrol, composed of light armored cars;
- Mixed patrol, composed of both heavy and light armored cars;
- Reinforced patrol, composed basically of one of the above types but reinforced with motorcycle riflemen, snipers, or attached troops from other divisional units;
- Motorcycle patrol, composed of motorcycle riflemen.

(d) Normally, all patrols are taken from one or the other of the two armored car companies in the battalion. Then there are unusual conditions, such as an extensive reconnaissance area or a particularly dense road net, patrols may be taken initially from both armored car companies.

(e) When the enemy is at a considerable distance, the main part of the operation is preceded by a wave of small patrols, normally dispatched to the front and flanks and given the mission of searching out and locating the enemy in a designated area, or establishing contact with hostile units already reported by verbal reconnaissance. In such cases, it is usually sufficient to search the most important roads and traffic routes. In order to determine the whereabouts, composition, and behavior of an indefinitely located enemy, it is necessary to increase the density of the reconnaissances.

Figure 2. Medium 6-Wheeler Armored Car. This car has the following characteristics:

- **Weight**: 6.4 tons
- **Crew**: 4
- **Armament**: 1 20-mm. M. G.
- **Horsepower**: 100
- **Drive**: rear 4-wheel
- **Road Speed**: 50 mph.
(f) The situation and the terrain determine whether the patrols should depart from the reconnaissance battalion assembly area, or whether they should be dispatched later, when a certain section of the terrain has been reached.

(g) The time-distance that the first reconnaissance wave operates ahead of its battalion is determined by the distance to the enemy, the terrain, and the range of the patrol's radio equipment.

(h) The reconnaissance battalion commander normally maintains direct radio contact with his patrols. When radio silence is necessary in order to avoid betrayal of the battalion's approach, early messages are sent by motorcyclists attached to the patrol. Occasionally civilian telephone lines may be used for this purpose.

(i) Certain phase lines are designated, and patrols must report when they cross these lines, even if contact with the enemy has not yet been established.

(j) The battalion commander's oral order to his patrols includes particulars concerning the situation, terrain, results of aerial and other reconnaissance, mission of the battalion, and intentions of the battalion commander. The particulars of the general situation are especially important, and the patrol leader should be always told where the first contact with the enemy can be expected as well as the type of enemy units he may expect to encounter. The general information mentioned above is normally given to the patrol leaders as a group. Each individual patrol leader in turn is then given a specific oral order which ordinarily includes the following:

- Strength and composition of the patrol;
- Mission;
- Reconnaissance objective;
- Route;
- Action to be taken after reaching the objective (whether to maintain contact with the enemy, continue reconnaissance into the hostile area, or return);
- Places and hour of departure;
- Special instructions concerning conduct of the patrol (those varying according to the situation and the terrain).

(k) The special information desired by the battalion commander should be listed by the patrol leader in order of priority.

(l) In determining the hour of departure, the battalion commander should make allowances for the time needed by the patrol leader to make his preliminary preparations, even when the situation demands the prompt dispatch of the patrol.

(m) Dual missions should be avoided. Demolitions should be executed by special groups attached to the patrol. Such groups may join an advancing patrol after the hour of departure.
(n) At night, reconnaissance activities consist primarily of observing highways. Patrols remaining in the vicinity of the enemy during the night should observe from such shelter as wooded areas or farm buildings.

(o) When advancing, the reconnaissance battalion, less patrols, is organized into an advance guard and a main body. The advance guard and the main body are both preceded by an "armored point" composed of two to five armored cars. The main body is frequently followed by a similar "armored point."

(p) The strength of the advance guard depends on the situation, the terrain, and the strength of the main body. Appropriate orders must be issued to the advance guard commander if he is to be responsible for special security measures such as flank patrols and protection of side roads.

(q) The advance guard usually consists of the remainder of the armored car company which has furnished the first wave of patrols, and the motorcycle rifle company. Pioneers and antitank guns are attached to the advance guard if their need is foreseen.

(r) The main body usually follows 20 minutes in rear of the advance guard. This time-distance is changed in accordance with terrain and weather conditions.

(s) The point advances by leaps and bounds. The distance between the point and the remainder of the advance guard varies according to the terrain.

(t) The antitank mission is taken over by antitank guns and armored cars equipped with armor-penetrating weapons. The antiaircraft mission is taken over by light armored cars, which are armed with machine guns only, and by antiaircraft guns mounted on trucks.

(u) All security measures are arranged so there will be a minimum separation and disorganization of units.

(v) The commander of the reconnaissance battalion makes provisions for a reserve reconnaissance force, a message center, and an assembly point for patrols.

(w) The battalion advances by bounds, the length of which is dependent upon the distance to the enemy, the nature of the terrain, and the cover available. The battalion commander usually moves with or just in rear of the advance guard, where he can easily maintain contact with the advance guard commander as well as with the main body.

(x) The signal officer, the commander of the reconnaissance reserve troops, and the commander of the heavy company are normally with the battalion commander. That part of the signal platoon which maintains contact with the patrols, higher headquarters, neighboring reconnaissance forces, and main body, marches with the advance
guard. The rest of the signal platoon remains with the main body.

(y) The combat train usually marches with or follows the main body, although it may remain behind at a designated point to be brought up later under cover. The disposition of the trains depends upon the situation and the mission, and, above all, upon the security of the ammunition and fuel. The train commander is responsible for this security. In case the trains remain in rear, he maintains contact with the combat elements of the battalion by motorcycle messenger.

(z) All incoming messages are given to the battalion commander, who immediately relays the important messages to his division commander. The battalion commander may give a summary of the hostile situation to the division commander at regular intervals. Sometimes the battalion commander may even send one of his officers to the division commander if the message is especially important.

(3) Training Principles of German Armored Patrols

The following notes taken from German instruction pamphlets indicate the manner in which German armored patrols operate:

(a) When encountering a hostile infantry group on a highway, the armored patrol should move off the road immediately, if practicable, and combat the hostile group from the flank rather than attempt to fight on the highway. The vehicles following the patrol should be warned at once.

(b) When on reconnaissance or when moving on terrain where the enemy is likely to be encountered, all crew members should be maintaining continuous observation at their posts, and all weapons should be ready to open fire instantly.

(c) When the patrol is advancing toward a known or suspected hostile position, at least one vehicle should observe from cover and concealment while one or more vehicles should advance by a covered route or routes. If no covered route is available, then the position should be approached from two or more directions simultaneously.

(d) Positions and routes should be selected so that one vehicle will not mask the fire of another.

(e) Upon sighting a hostile motorcyclist within effective range, armored reconnaissance vehicles should halt momentarily and open fire upon him immediately in order to prevent him from escaping and warning hostile troops which may be following. Fire from a moving vehicle is generally inaccurate and may permit the hostile motorcyclist to escape.

(f) An armored reconnaissance group should not halt and
engage in a frontal fire fight with a hostile protective group of a route barrier. An immediate attempt should be made to maneuver around it, under cover of friendly vehicles, to fire from concealed positions, and to attack the hostile protective group from the flank or rear.

(g) A destroyed bridge over a small stream should be reported immediately, and a search for detours or ford should be made without waiting for pioneer assistance.

(h) Approaches to villages or other critical localities should not be made by an exposed or normal route, but the best available cover should be utilized.

(i) Before emerging from a wood, the patrol should take up a concealed position just inside the wood. From there it should search briefly, through field glasses, the open terrain ahead. Observation positions should be at the very edge of the wood.

(j) Vehicles should not be halted in positions where their movement will be restricted. Whenever halting, drivers should determine immediately how best to move out in any direction.

(k) Except for purposes of self-preservation, the patrol should not engage in any unnecessary action that will interfere with the assigned mission.

(l) The commander under whom the patrol is operating should be informed of the situation and terrain as they are observed.

3. TRANSLATIONS

a. Reconnaissance Battalion in Action

"On June 18, 1940, the 8th Company was ordered to march as an advance guard to La Charite, by way of Senne and Courtenay and from there to seize and secure the Laine Bridge (see Figure 4).

"When the company arrived at a point about 2 miles south of Vernoy, a messenger from the reconnaissance patrol, operating ahead on the regimental route of march, reported to me that it had encountered a barricade protected by hostile tanks and antitank guns. Continuing in the direction of Courtenay, I transmitted this report immediately to the battalion commander, who was following in rear of my company.

"About 1 mile west of Courtenay, I met the returning reconnaissance patrol commanded by Haupt. Aicher, who informed me that hostile tanks were moving from Courtenay toward the regiment.

"I halted the armored point at once and placed three motor
vehicles and the company's antiquated 6-wheel armored car across the road for protection against frontal fire. Upon request, the battalion commander, who had arrived in the meantime, furnished an antitank gun, which was placed in position a few yards from the armored car. While walking ahead, accompanied by the gunner from this car, and followed by Lieut. Wichert in his armored car, we received hostile rifle fire from a point about 500 yards west of the road. After reporting this encounter with the enemy, we again crossed the railroad tracks and advanced to the edge of Courtenay, where we were confronted with a barricade protected by an antitank gun, some tanks, and several soldiers. We at once opened fire upon it but suddenly received additional fire from an area about 800 yards north of Courtenay. This fire was likewise returned.

"Lieut. Wichert's reconnaissance car soon had to drop out of the fight because of a faulty loading mechanism, but Lieut. Aicher had arrived with his car in the meantime and opened an effective fire against the groups protecting the barricade. Upon the arrival of the battalion commander we made a personal reconnaissance on foot and saw that the hostile protecting groups were retreating. Consequently, we advanced to the barricade, where we found an antitank gun, and, on a side street, three hostile tanks. We removed the barricade, and, with several reconnaissance cars that had arrived in the meantime, we proceeded toward the town. En route we met a fourth enemy tank, and at the western edge of the town we encountered another improvised barricade, which we soon removed.

"Further west we met a truck loaded with French soldiers. After effectively dealing with it we continued our advance towards La Charite'.

"We were frequently hampered by numerous refugee columns and enemy riflemen, but we continued to move forward steadily until we arrived in the vicinity of Clamecy, where the point reconnaissance car had to drop out because of motor trouble. I then took over the command of the armored point, followed by the remainder of the company, which consisted of about 8 motorcycles and 10 to 12 armored cars. The company was followed by the battalion staff and the battalion signal platoon.

"At times the point moved at a speed of 40 to 45 miles an hour; hence the battalion was 6 to 9 miles behind the company. The only resistance during this part of our advance was provided by several low-flying pursuit planes that twice attacked the company with machine guns.

"The company, when about 2 miles southwest of Namay, was ordered to proceed as far as the small woods just north of Raveau, and from there to send forward a group to reconnoiter the Loire bridge at La Charite'. After assigning this mission to the sergeant major, I drove back to the battalion command post, which was then
in the vicinity of Châteauneuf. There I met the regimental commander, who, after issuing some orders, drove ahead with me to the company, which was then near La Charité. In the meantime the sergeant major had returned from his reconnaissance.

He reported to me that he had encountered an enemy antitank gun at the railroad crossing at the eastern edge of La Charité. At the same time I received a report that the commander of the reconnaissance patrol operating ahead of the regiment had already gone forward to reconnoiter the railroad crossing. Then I also went ahead to the railroad station and there discovered several loaded troop trains which were protected by only one antitank gun. Meanwhile the regimental commander had issued orders to attack the railroad station and capture the town and bridge (see Figure 6).

We engaged the antitank gun with fire arrrmed cars. After a short fight, the antitank gun withdrew and we attacked the soldiers (about 100 to 200 men) on the troop trains at the station. We then drove on into the town with the battalion commander, who had arrived in the meantime. Then we reached the church, we heard an explosion at the bridge.

We proceeded with the point vehicle to the curves in the street from which we could see three French soldiers and two civilians busy with sandbags on the near end of the bridge. We opened fire at once, wounding two of them, and then drove up to the bridge, where we received fire from several machine guns and riflemen on the opposite bank. We returned this fire and sent out flank protection immediately to the parallel streets. A hostile motor column on the other side of the river was successfully engaged and two of its vehicles were burned and others damaged. After a long fire fight at the bridge and some activity by the enemy artillery we silenced the adversary on the other bank. Before dark, elements of the 1st Battalion were across the Loire, and a bridgehead was established in accordance with orders of the regimental commander, who had arrived on the scene in the meantime.

On the same evening, the railroad tracks in the neighborhood of the station were blown up, preventing further movement of troop trains toward the west. During the night, our security groups attacked some trains that arrived with armed enemy troops. On the next day, June 17, the following results of our actions were noted:

(1) Trains were stalled from La Charité north to a point 1 mile south of Nevers-sur-Loire. They were loaded with troops, refugees, and war material, including an immense quantity of fuel, ammunition, infantry weapons, engineer equipment, aircraft accessories, four apparently new tanks, six 105-mm. guns, and railroad building material.

(2) Trains were stalled from Nevers-sur-Loire to Fouilloy-sur-Loire. They were loaded with troops, refugees, and war material, including artillery ammunition, communication equipment, and miscal-
lourenco items. These trains were protected by French soldiers equipped with antitank guns and machine guns. These men were forced to surrender.

(2) According to statements of a French officer and several railway employees, about 12 or 15 miles of trains were stabled from La Charite to the north.

b. Reconnaissance Patrol in Action

"After advancing for a distance of 18 miles, our division reached Langres on the evening of June 15 (see Figure 5). Three Lieut. Frohri's patrol, consisting of two 5-wheel reconnaissance cars, was ordered to reconnoiter to the east for a distance of 35 miles and to blow up the railway line at the Jussy Junction so as to block all transportation to the south. Since the pressure on the Maginot Line had become very strong, the French were trying to move part of their forces to the south. For this reason the mission was extremely important and had to be carried out with the greatest care.

"At 7:30 p.m. the patrol left Langres. About 8 miles to the east, our advance road crossed over the railway line coming from Jussy, and there we encountered the first transport train. When we first met the transport train from an elevation just west of the crossing, we halted and took cover, letting it pass by undisturbed. After reporting this by wireless to the battalion, which the train was bound to meet on the way, we continued our advance. The highway between Hortes and Vitrey runs parallel to the railway for part of the way, at a distance of 500 yards from it, and we met the other transport trains while moving along this road. The patrol posted on their elbows in the windows and looked at us with the greatest unconcern. We sent another message back to the battalion and sped past the trains at full speed, knowing that the battalion would be ready for them. It seemed almost as if the French had not been aware that we were Germans. Under no circumstances were we to take up the fight with them now or we would very likely fail to carry out our mission.

"We drove on, having very little contact with the enemy, and arrived at the important junction of the highway Langres--Gommeaufontaine and Bourgogne-les-Bains--Champitits. On this highway there was considerable vehicle traffic moving towards the south. We halted just before we reached the junction and remained under cover, waiting until the way was free. After a few minutes, we decided to cross over in spite of the fact that single vehicles were still passing. We reached the crossing just as 2 French trucks transporting

*The reconnaissance car platoon mentioned in this narrative is believed to be part of a reconnaissance battalion assigned to a panzer division in General Guderian's panzer army. General Guderian's panzer army crossed the Meuse near Bethon about June 10, 1940, advanced to the Swiss border, and then turned east to trap the French forces holding the Maginot Line.

- 3 -
about 50 soldiers came toward us from the north. As there were houses on either side of the street, neither of us had seen the other. We stood facing each other a few yards apart, and when the driver of the first truck saw the two reconnaissance cars facing him and the muzzles of the cannon pointed directly at him, he realized the futility of resistance, and the two trucks with their occupants became ours.

We quickly disarmed the 50 men and disabled the trucks by disconnecting the fuel feed. Since we could not take them with us, we left the French behind and continued on. In every village that we passed we found from 30 to 40 French soldiers, many of them were sitting with inhabitants in the streets. They had unbuckled their belts, had laid their weapons aside, and had made themselves comfortable. They were so surprised on seeing us that they were not able to fire a shot. We disarmed almost 250 men, and at about 10 p.m. arrived in Jussay, where we were to blow up the railway tracks, had covered the 30 miles in 2½ hours.

Parking the reconnaissance cars in the shelter of the woods, we went over to the other side of the tracks, where the station was situated. The demolition point lay about 200 yards from the station and 50 yards from the edge of the woods. The No. 1 gunner of the wireless tank remained at the edge of the woods with the sub-machine gun. The forward and rear drivers of the point tank proceeded to the station master's house, a small building near the station, to protect the flank and cut the telephone lines. The two reconnaissance car commanders then proceeded to lay the explosive charges.

While they were thus occupied, a transport train came rolling along another track several yards from them. It slowed down and to my horror I saw that the signal had been set at 'Stop.' I thought we were all lost, for the train stopped just in front of us. The French peered at the windows, one of them was playing a harmonica—the others were singing a song and looking at the countryside. I looked around to see if our four men were visible, but there was nothing to be seen of them. They had crouched down beside the tracks and, thanks to the approaching twilight, could not be distinguished in their black uniforms. Suddenly the tension was broken; the signal was raised and the train whistled sharply and rolled on. I all heaved a deep sigh of relief.

The explosives were quickly put into place and tamped, the fuse was set, and 1 minute later the charges exploded. Pieces of stone and iron were hurled through the air with a roar. The tracks had been torn apart. We had succeeded in disrupting the railway—the order had been carried out. A started on our way home, but in the meantime it had become dark. Suddenly, to our right, we saw a white cloud of smoke rising up into the sky and, realizing immediately that it was, we halted and saw the transport train rolling slowly through the moonlit countryside. We caught it on our sights, and each of the reconnaissance cars fired a clip of shells into the boiler. An enormous column of smoke rose into the air and the train stopped. In this way we brought these transport trains to a stop in a stretch of 2 miles. At 1 a.m. we arrived at the battalion without any
casualties or damage.

"Next morning we drove again to Jussey. A few miles before Jussey we took several Alsatians prisoner. They told us that on the previous evening, after the railway tracks had been blown up, their lieutenant had sent out the whole company to search for the parachutists who had supposedly carried out this action."

3. COMMENT OF OFFICIAL OBSERVERS

a. Remarks on Reconnaissance Battalion in Action

(1) It is believed that the 9th Reconnaissance Battalion, at the time of this narrative, was preceding a motorized infantry regiment and that the battalion commander worked in close cooperation with the infantry regimental commander.

(2) According to other published articles and newreels, armored car crews must frequently dismount and perform extensive reconnaissance on foot in order to obtain detailed information concerning the terrain and the strength, composition, and disposition of hostile forces.

(3) This article emphasizes the fact that a barricade is effective only when it is protected by fire. It happened frequently in France that unprotected barricades did not decrease the rate of march of the main body, because the advance elements, operating unmolested, removed such obstacles or discovered suitable routes to detour around them.

(4) The action between the reconnaissance battalion and the troop trains in the vicinity of La Charite' indicates the necessity for a defensive organization on the part of such troops, not only against aerial attacks, but also against ground attacks supported by armored units. In any event, such troops should not consider themselves merely as passengers. Given proper leadership and equipment, these French troops could have caused considerable delay to the German advance in this area.

b. Remarks on Reconnaissance Patrol in Action

Noteworthy features of this narrative of personal experience are as follows:

(1) Type of mission assigned a reconnaissance car platoon;
(2) Lack of resistance on the part of the French and their failure to take security measures;
(3) Method of disabling the captured French trucks;
(4) Use of radio between reconnaissance car platoon commander and reconnaissance battalion commander;
(5) Method of putting steam locomotive out of action (it is assumed that armor-piercing ammunition was used);
(6) The effectiveness of armored patrols in the enemy rear.
Dec. 24, 1861

Oon His Highness,

Now that I am taking up the Foreign Ministry, I may be permitted to send you a pair of Chinese silk boots as a slight token of my appreciation for your great friendship to China, and for our sincere friendship.

With warm greetings, and every wish for the New Year.

Yours sincerely,

T. V. Sany
Ottawa,
December 21, 1941

My dear Hon. Secretary:

You will, I fear, have been thinking of me as a most unworthy recipient of your kind remembrance, thought and generosity. I was deeply touched when, a couple of weeks ago, I received by express the package bearing the recording of the United States Defense Bond campaign song: "Any Bonds Today", and another of the Ireland song: "The Ballad of the Leathernecks".

I did not open the package at the time of its receipt, preferring to defer that pleasure until a moment when I could share your gift with one or two friends. Before that moment came, Japan made her treacherous assault upon the United States' forces, and Germany and Italy, carrying out the agreement between the gangster nations, also declared war on the United States. From that hour to this I have not had the heart, let alone the opportunity, for enjoyment of either music or friends.

Having much in mind the desire to send my warmest and best of wishes for Christmas and the New Year to Mrs. Morgenthau, yourself, Joan, and the boys, I felt that, before writing, I must open the package and enjoy a few moments with the records by myself, so that, in thanking you for them, I might at the same time express my delight in what they recall of the luncheon we recently shared together at Hyde Park and the conversations with Mrs. Morgenthau, Joan and yourself on that occasion; also the week-end visit at Chequers, when I shared with Churchill his delight in the rhythm of the first of these records.
I am sorry indeed to have to tell you that, on opening the package, which I did myself this morning, I found that the fragility of the discs proved unequal to the hazards of their shipment from Washington to Ottawa. Would my conscience permit me to spare this unhappy word, I would make no mention of it. It is doubly regretful in that I have been so long in sending you an acknowledgment of the due receipt of your gift.

Please believe, however, that what I value above all else is your kindness in having offered to send the records to me and your later remembrance of the promise. To my mind, this will always remain one of the few instances I have known in life where a word spoken on the moment, has, from one so greatly immersed in affairs as yourself, found so immediate a fulfillment.

Happily, I shall be able to secure duplicates of the records in Ottawa, so please do not think of seeking to replace them. The main thing is that the music will be just the same, and that, for all time, will be your gift to me.

You are very understanding, I know, in all matters of the kind. No one could have such a lovely family as you have, and not have been most gracious in everything. Please believe that your friendship, of which the records are but one of many expressions, have a value quite beyond words.

May I send to Mrs. Morgenthau, Joan, the boys and yourself my warmest and best of wishes for the Christmas Season and the New Year.

We are now all in "arms for the love of America" and for the freedom of mankind. A greater and more glorious crusade it would be difficult to imagine!

With much cordial regard,

[Signature]

The Honourable Henry Morgenthau Jr.,
The Secretary of the Treasury,
Washington, D. C.
# U. S. SAVINGS BONDS, SERIES E, TYPE A
## STOCK ACCOUNT OF LOANS AND CURRENCY VAULT

Report of December 21, 1941

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

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**Note:** The bureau advises that the aggregate number of pieces for all denominations to be delivered each day will not be less than the figures shown but that there may be variations as between denominations.

MRL/rns
## U.S. Savings Bonds, Series E, Type A
### Requisition Account of Issuing Agents

**Report of December 21, 1941**

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Regraded Unclassified
### U. S. Savings Bonds, Series E, Type A
#### Requisition Account of the Federal Reserve Bank of Boston

**Report of December 21, 1941**

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

**Report of December 21, 1941**

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

Report of December 21, 1941

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

**Report of December 21, 1941**

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U. S. SAVINGS BONDS, SERIES E, TYPE A
REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF CHICAGO
Report of December 21, 1941

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

**Report of December 21, 1941**

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### U. S. Savings Bonds, Series E, Type A
#### Requisition Account of the Federal Reserve Bank of Dallas

**Report of December 21, 1941**

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### U. S. SAVINGS BONDS, SERIES E, TYPE A
### REQUISITION ACCOUNT OF THE FEDERAL RESERVE BANK OF SAN FRANCISCO
### Report of December 21, 1941

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<td>7,000</td>
<td>5,000</td>
<td>......</td>
<td>......</td>
<td>5,000</td>
<td>17,000</td>
</tr>
<tr>
<td>Due on requisitions c.o.b. Dec. 21...</td>
<td>53,000</td>
<td>70,000</td>
<td>60,000</td>
<td>5,000</td>
<td>......</td>
<td>188,000</td>
</tr>
</tbody>
</table>

Regraded Unclassified