

Book No. - 481

continued

from

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January 2, 1942
5:05 p.m.

WJr: Grace.

Grace
Foley: Yes, sir.

WJr: I'd like to ask you something, and then you use your judgment, you see?

F: Yes, sir.

WJr: Have you got a moment?

F: Yes, sir.

WJr: About three weeks ago I had Leo Crowley, and the Attorney General, and Ed Foley for lunch, on this question of where and what we should do with the alien property custodian.

F: Yes.

WJr: And at the lunch we came to a satisfactory agreement.

F: Uh huh.

WJr: And I forgot about it. Ever since then, there's been the fighting and skirmishing and so forth; and Jimmie Byrnes got in it and so forth.

F: Uh huh.

WJr: Well, we agreed to a satisfactory arrangement at the luncheon.

F: Uh huh.

WJr: And I was satisfied, the Attorney General said he was satisfied, and Leo and Ed were.

F: Uh huh.

WJr: Now, without the Attorney General saying anything to me of any kind, he sends an Executive Order over to Jimmie Byrnes. Jimmie was kind enough to let

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me see it.

T: Yes.

WJr: I told him I couldn't agree to it. I understand he sent it down to the President.

T: Uh huh.

WJr: But it's not what the Attorney General and Leo and I agreed to.

T: I see.

WJr: They haven't said "boo" to me.

T: Uh huh.

WJr: Now, if and when the President should take a look at it.....

T: When did it come down? Do you know when it came?

WJr: Well, I just understood from Byrnes that he was supposed to have sent it to the President, but he may have sent it to Hookins.

T: Oh.

WJr: He may have sent it to Hookins.

T: Yes.

WJr: But if now when it should reach the President, and before he does anything, I'm asking that he give me a chance to talk to him about it.

T: Uh huh.

WJr: Because I'm willing to stick by my original agreement, but this just takes the whole thing out of the Treasury.

T: Yes.

WJr: And Ed Foley and the boys he's done a wonderful job.

T: Yes.

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HMJr: And there's just no reason to punish them that way.

T: Uh huh.

HMJr: There's just no reason.

T: No.

Well, all right. Let me - I haven't seen the Order, but I'll check and see whether it - I know he signed one Order today. I don't know what it was, but I'll check on it right now and see; and if that isn't it, then I'll check and find out where it is and if Harry has it; and then I'll put a memo on the front of it, you see, for the President to read so that he won't sign it.

HMJr: That's right.

T: Right.

HMJr: I mean, I don't want to add any to his burdens, but I just think that - he can hold it up - there's no rush about it.

T: No.

HMJr: He can put it off until after these Englishmen get away.

T: Yes, uh huh.

HMJr: And after they're away and he's rested, why.....

T: You'll have a chance to talk with him about it.

HMJr: Yes. And in the meantime, nothing's going to happen.

T: Yes. All right, fine. And - look, Mr. Secretary, on that thing we discussed the other night, I gave the President a memorandum saying that you were going to get some legislation or something to start this fund for the widows and children of men lost at sea et cetera.....

HMJr: Yes.

T:and he said, "Okay". So now I have this

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telegram and I'll write to the people, and do I say to make the check out to you, or how else shall I tell them to make the check and send it, for a thousand dollars from this Eastern Star chapter in Philadelphia.

HMJr: Well, I tell you what you'd better do. Couldn't they hold the money until we get it, or do you want to have it in the.....

T: Well, they just say, "Please direct us as to where we should send it, and to whom, and how it should be made out?" They're awaiting our instructions, you see. And also, I haven't thanked for it yet, because it - you know - it went over to you and then I pulled it back again.

HMJr: Well, I tell you what you do.

T: At least, I pulled the telegram back.

HMJr: Put the whole thing in a letter and send it over to me.

T: I see. All right.

HMJr: And I'll find out what we can do in the meantime.

T: Uh huh. And then will you thank for it?

HMJr: I'll take it all.....

T: I haven't thanked for it or given them any instructions; but if you'll do that, then we won't have to do anything about it.

HMJr: If you'll send anything like that over to me, I'll see that it's taken care of and advise you - in each case, send you a carbon copy how we do it.

T: All right. Grand. That's fine.

HMJr: Then you - and address it to Mrs. Klotz.

T: Mrs. Klotz. All right, fine. I'll do that, Mr. Secretary.

HMJr: And we'll acknowledge it, and send you a copy and

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take that off your hands.

T: All right, grand. That's wonderful.

HMJr: Thank you.

T: Thank you so much, Mr. Secretary. Good-bye.

January 2, 1942
5:10 p.m.

HMJr: I came home with a little bit of good news. I got Grace, and Grace says she hasn't seen any Order; but if any order comes down, she's going to put a red slip on it that the President shouldn't sign it until he talks to me.

Edward Foley: Good.

HMJr: And I told her if it came, she could put it away until after Churchill left.

F: Yeah. I think that's fine.

HMJr: So she said she'd do that.

F: Good.

HMJr: Now, the other thing.....

F: Yeah.

HMJr:we might as well do this. Oscar Cox told me - by what authority I don't know - that he was drawing a statute so that we in the Treasury could set up a Solfire fund. That's - I mean, you know, accept money for a definite thing like a bomber or something like that.

F: Yeah.

HMJr: Now, of course, he was doing that in connection with his work with the Attorney General.

F: Yeah.

HMJr: Now, what I'm going to ask you to do is to set up - talk to Bell and get something like that so that we can create a fund so that we can save for a bomber or for a gun or for any special thing so it doesn't go in the general fund, you see?

F: Yeah.

HMJr: And work it through Harold Graves, you see?

F: All right.

HMJr: Fix it up with Bell, and then let Bell send it over to Harold Graves.

F: Yeah.

HMJr: And we'll work particularly now with Harold Graves. We can't get any worse treatment. I mean Harold Smith.

F: Harold Smith.

HMJr: I mean Harold Smith. We can't get any worse treatment there; and we'll work through Bell, to Harold Smith, you see?

F: All right. I got a memorandum here that came over from Lovett's office, signed by General - or Major, rather - Horner, where he says, "Lovett has asked me to check the following with you," and they've got this plan for getting money for different types of aircraft.

HMJr: Well, this is the way, let's us do it, instead of the Attorney General and Oscar doing it, you see?

F: Yeah.

HMJr: We'll just go ahead and give it to Bell.

F: Whatever legislation would be necessary to create special funds.

HMJr: And do it through the Director of the Budget.

F: And we'll do it through the Director of the Budget.

HMJr: Okay. And Grace said that she's going to take care of this for me, and she will.

F: Well, that's fine.

HMJr: Then instead of finally having a row with these other people, I'll have it - when the President wants it, he'll send for me.

F: Well, I think that's the only way. I think you

ought to spare yourself the torture of going through one of these face to face things.

HMJr: Well, I'd rather enjoy it.

F: Well, I know, but I mean, you've got to save your strength.

HMJr: That's right.

F: And the only place that it could be effective is over there with the President.

HMJr: That's right.

F: And we'll do whatever he wants.

HMJr: Thank you.

F: Okay. Good-night.

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WV221 40

AV NEWYORK NY 2 45P

HON HENRY MORGENTHAU JR

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1946 JAN 2 PM 6 14

SECRETARY OF THE TREASURY

TREASURY DEPT

IS THERE ANY CHANCE OF SEEING YOU EITHER
MONDAY OR TUESDAY. IN RECENT CORRESPONDENCE
WITH THE PRESIDENT, HE SUGGESTED I
TAKE UP A MATTER WITH YOU WHICH I HAVE
DISCUSSED WITH HIM. PLEASE WIRE TIME
IF AN APPOINTMENT IS POSSIBLE

Handwritten note:
This is the
only one

MORRIS L ERNST.



UNITED STATES FLEET
January 2, 1942

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

My dear Mr. Secretary:

I wish to thank you very much for your kind
note of December 24th.

I am confident that you understand and appreciate the "busyness" which has delayed my acknowledgment.

With all good wishes for the New Year, I am

Yours sincerely,
S. J. King
Admiral, U.S. Navy

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE January 2, 1942

TO: Secretary Morgenthau
FROM: Mr. Haas
Subject: Supply of Series E Savings Bonds in the Field

1. Attached to this memorandum are (1) a chart and table showing the number of days' supply of Series E savings bonds in the field, and (2) a table showing the number of savings bonds delivered each day since December 1 by the Bureau of Engraving and Printing. The daily table showing unfilled requisitions of sales agents was not brought up to date today owing to the fact that no new figures were available, the holiday having prevented delivery to the Reserve Banks of the consignments of savings bonds that were awaiting them at their local post offices.

2. The production of 400,000 pieces of savings bonds at the Bureau of Engraving and Printing yesterday established a new peak record. Production next week is expected to be sustained at a still higher level.

Attachments

Number of days supply of Series E Savings Bonds on hand,
December 1, 1941 to date

(Based on Sales of \$300 millions per month)

Date	Denomination				
	\$25	\$50	\$100	\$500	\$1,000
1941					
Dec. 1	23.0	44.1	29.5	74.5	64.0
2	23.6	44.1	29.8	76.0	65.5
3	23.9	44.1	30.4	77.6	67.0
4	24.0	43.8	31.2	78.9	68.3
5	24.0	43.6	31.9	78.3	67.7
6	23.8	43.3	31.6	78.1	67.5
7	23.8	43.3	31.6	78.1	67.5
8	23.7	42.9	32.2	77.4	66.8
9	23.4	42.7	33.0	76.9	66.3
10	23.3	43.2	33.9	76.4	65.8
11	23.2	43.3	34.6	76.8	66.2
12	23.6	42.6	35.2	76.1	71.1
13	24.4	42.0	34.8	78.3	73.2
14	24.9	42.0	36.6	87.9	73.2
15	24.3	40.3	35.0	101.5	71.5
16	24.1	39.8	37.6	101.0	79.4
17	24.1	38.6	36.4	99.8	106.9
18	23.7	37.1	34.9	98.3	105.5
19	23.8	35.7	37.5	96.9	104.1
20	24.3	36.0	32.1	95.5	102.7
21	26.5	38.4	32.4	95.5	102.7
22	26.6	37.9	30.1	92.6	99.7
23	26.5	39.3	29.7	91.3	98.4
24	27.8	40.5	28.9	89.8	97.0
25	30.3	43.1	29.8	89.8	97.0
26	29.4	41.3	27.4	86.4	93.5
27	31.6	40.4	27.8	87.4	94.5
28	34.1	43.0	29.3	89.4	96.4
29	33.8	43.2	27.8	88.4	95.4
30	35.3	45.6	28.3	89.4	96.3
31	36.5	45.7	27.9	89.5	96.3
1942					
Jan. 1	38.7	46.1	28.2	90.1	97.0

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

U. S. Savings Bonds - Series E

Number of pieces produced December 1, 1941 to date
(In thousands)

Day	Denomination					Total all denominations
	\$25	\$50	\$100	\$500	\$1,000	
1941						
Dec. 1	75	10	25	10	10	130
2	75	10	25	10	10	130
3	60	10	40	10	10	130
4	50	10	50	10	10	130
5	50	10	50	-	-	110
6	-	-	-	-	-	-
7	-	-	-	-	-	-
8	50	10	50	-	-	110
9	15	10	50	-	-	75
10	30	30	50	-	-	110
11	40	20	50	5	5	120
12	80	-	50	-	30	160
13	121	-	10	15	15	161
14	44	-	70	50	-	164
15	80	-	-	80	-	160
16	28	-	120	-	45	193
17	92	-	-	-	155	247
18	92	-	-	-	-	92
19	120	-	-	-	-	120
20	150	50	-	-	-	200
21	175	75	10	-	-	260
22	160	75	25	-	-	260
23	180	85	35	-	-	300
24	220	80	25	-	-	325
25	225	80	35	-	-	340
26	180	50	40	-	-	270
27	240	-	50	10	10	310
28	200	80	55	10	10	355
29	205	95	55	10	10	375
30	200	100	55	10	10	375
31	240	60	55	10	10	375
1942						
Jan 1	270	50	60	10	10	400

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

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Business Day of January, 1942, and December and November 1941
 (January 1, December 1, November 1)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	January	December	November	January	December	January	December
	1942	1941	1941	over December	over November	over December	over November
Series E - Post Offices	\$ 3,982	\$ 2,976	\$ 1,017	\$ 1,006	\$ 1,959	33.8%	192.6%
Series E - Banks	<u>10,229</u>	<u>3,904</u>	<u>1,750</u>	<u>6,325</u>	<u>2,154</u>	<u>162.0</u>	<u>123.1</u>
Series E - Total	14,211	6,880	2,767	7,331	4,113	106.6	148.6
Series F - Banks	1,964	1,333	567	631	766	47.5	135.1
Series G - Banks	<u>7,605</u>	<u>7,220</u>	<u>4,201</u>	<u>385</u>	<u>3,019</u>	<u>5.3</u>	<u>71.9</u>
Total	<u>\$ 23,780</u>	<u>\$ 15,434</u>	<u>\$ 7,535</u>	<u>\$ 8,346</u>	<u>\$ 7,899</u>	<u>54.1%</u>	<u>104.8%</u>

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

January 2, 1942.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - January 1942

On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales			Bank Bond Sales				All Bond Sales	
	Series H	Series K	Series L	Total	Series M	Series J	Series G	Series F	Series G
January 1942									
1		\$ 3,982	\$ 10,229	\$ 1,964	\$ 7,605	\$ 19,798	\$ 14,211	\$ 1,964	\$ 7,605
									\$ 23,780
									Total

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

January 2, 1942.

Source: All figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds.
 Note: Figures have been rounded to nearest thousand and will not necessarily add to totals.

January 2, 1942

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

SALE OF BONDS

Actual cash receipts from the sale of F, F and G Bonds for the complete month of December totalled \$528,599,000, an increase of 126.4 per cent over sales during November. November sales totalled \$233,487,000, while October sales were \$270,713,000.

Sales of series E Bonds during December increased 211.6 per cent over November. December series E Bond sales totalled \$341,085,000, as compared with \$109,475,000 in November.

PAY ROLL SAVINGS PROMOTION

As a result of direct advertising in business publications, more than 450 business concerns already have written in asking for complete information about the Pay Roll Savings Plan.

To date 85 labor newspapers, with an aggregate circulation of approximately 1,300,000, have advised they will publish special labor pay roll savings advertisements in early issues.

PAY ROLL SAVINGS PROMOTION (Continued)

A special newspaper "clip sheet", devoted exclusively to the Pay Roll Savings Plan, is now in preparation. This four-page paper, with editorial and advertising copy, together with mats, will be mailed to all newspapers - daily, weekly, labor, Negro and foreign language press - and will be sent also to all State Administrators and to State and Local Committees.

Approach is being made to the Associated Press, United Press, International News Service, Scripps-Howard, King Features, Western Newspaper Union, Central Press, and the Newspaper Enterprise Association, asking them to make arrangements for installation of the Pay Roll Savings Plan in their organizations on a one hundred per cent basis - and then to publicize this fact. Plans to ask similar cooperation from all newspapers are being readied.

A two-column boxed statement from Secretary Morgenthau on Pay Roll Savings is being prepared, which will be sent in mat form to all newspapers. This will be supplemented with six smaller, single-column boxed messages - all emphasizing the vital importance of Pay Roll Savings. A new Minute Man mat, accompanied by War Copy and pointing up Pay Roll Savings, is also in preparation for all newspapers.

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PAY ROLL SAVINGS PROMOTION (Continued)

Ed Reed, cartoonist, serving as consultant to the Defense Savings Staff, is contacting nationally-known artists to do special comic cartoons on Pay Roll Savings. These will be mailed as early as possible. Editorial cartoonists will also be contacted on a similar basis.

Likewise, for newspaper use, special Pay Roll Savings copy is being prepared for women's pages, and the Labor and Negro Press.

A four-man committee headed by Robert Newcomb, specialist in house magazine publication, and including the publication directors of General Electric, Western Electric and the Coca-Cola Company, will work in Washington for two weeks beginning January 5, to prepare a detailed plan through which house magazines can best be reached with Pay Roll Savings information. These house magazines, 3300 in all, have a circulation of 15,000,000.

The decision to name this special committee was reached at a meeting of fifteen leading house magazine editors with Treasury officials, held in Washington on December 30.

In radio 95 Pay Roll Defense Savings announcements are set for January on coast-to-coast sponsored network programs.

PAY ROLL SAVINGS PROMOTION (Continued)

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PAY ROLL SAVINGS PROMOTION (Continued)

These include "Big Town", "Burns and Allen", "Helen Hayes Theatre", and the "American Album of Familiar Music" broadcasts.

Nineteen sponsors already have placed Pay Roll Defense Savings promotion on 78 network programs. All Radio Minute Men are prepared to exploit this type of copy. Pay Roll Defense Savings announcements have been sent to all 868 radio stations, and special copy on this angle has been prepared for all women's programs and for foreign language programs and stations.

Under date of December 31, 1941, letters were issued to the Secretary of War and the Secretary of the Navy requesting that general instructions be issued by those Departments to their officers in charge of construction throughout the country that Pay Roll Allotment plans for the purchase of Defense Savings Bonds are no longer prohibited by the Bacon-Davis or Copeland Law (kick-back Statute) among employees working for contractors engaged in public buildings or public work.

The Department of Justice is inaugurating a Group Agent Plan among its employees, both in Washington and in the field.

Two outstanding Pay Roll Allotment plans have been installed by E. I. duPont de Nemours and Company, Wilmington, Delaware, and by Vultee Aircraft, Downey, California. In the Bremerton Navy Yard at Puget Sound, Washington, where a Pay Roll Savings Plan was installed recently, approximately 12,000 of the 16,000 employees were signed up immediately.

MAGAZINES

For the first time Bonds and Stamps are being featured extensively in national magazines. The magazine cooperation is steadily growing.

At a conference with Treasury officials, Walter D. Fuller, president of the Curtis Publishing Company, verbally stated: "Our board of directors has decided to give active assistance to the Bond and Stamp Campaign. We will donate advertising on a continuing basis in the "Saturday Evening Post", "Country Gentleman", and "Ladies Home Journal". Also, we will give editorial assistance from time to time".

Advertisements are now being prepared. Mr. Fuller designated Mr. Burt Gallagher, Publicity Director of the Curtis Company, as liaison officer between the Treasury and the Curtis Publishing group. Mr. Ross Barrett, Jr. will represent the Treasury.

In addition, "News Week" has given us a full page in the December 29 issue. (Page 2 - copy attached).

The "New Yorker" for the second time has given us a full page. (Copy attached).

The "Good Housekeeping" magazine has an entire fiction story which centers around a Defense Bond. It is titled "Promise Kept". (Copy attached).

Also attached are other clippings from magazines.

ADVERTISING

Next Week Defense Savings Staff officials are meeting in New York with representatives of "Saturday Evening Post", "Collier's", and "Life" to discuss an advertising project which will run for one year, involving \$1,000,000 in paid advertising. The plan is to have corporations engaged in defense activities sponsor the advertising. The plan has been worked out by the Defense Savings Staff.

SPECIAL NEWSPAPER

Attached are copies of "Defense Savings Staff News", a four page publication which gives a detailed report of the Chicago meeting.

RETAIL ADVERTISING

The highlight of the week's publicity activity was the publication in New York newspapers this week of scores of retail advertisements featuring Bonds and Stamps.

This plan is to be followed in other cities of the country

NEWSPAPER CARRIER SALES

Preliminary reports on Stamp sales through the Newspaper Carrier Plan were received this week. As of January 2nd, 213 of the 850 newspapers participating have reported selling 13,630,945 ten-cent Stamps (\$1,363,094.50 worth), or the equivalent in Bonds and Stamps of larger denominations. These newspapers have had the plan in operation for from one to four weeks, with the average about three weeks.

These figures do not include reports from the Philadelphia Evening Bulletin, which in fifteen weeks has sold 4,124,550 ten-cent Stamps. A record of the Bulletin's weekly sales is attached.

DIRECT MAIL

Direct mail sales of Defense Savings Bonds, all denominations, as of January 1 totalled \$14,238,629. Total sales for the week since December 24 were \$1,490,532.

The newest mailing, the Second Customer Mailing to 894,000 newly available names, has produced sales totalling \$910,369 in twenty days.

RADIO

The number of Defense Savings radio announcements used in December on all stations increased 300 per cent over November.

RADIO (Continued)

Commercially sponsored network programs increased from an average of five mentions per day to 38 per day, an average daily increase of 700 per cent.

A special two-column box has been set up with "Radio Daily" setting forth the best promotions worked out by stations and programs for the Defense Savings Program. (See copies attached).

David Sarnoff, RCA president and chairman of the Board of NBC, will serve as head of the National Defense Savings Minute Men. The appointment of 29 other Minute Men has been also announced. (See attached New York Herald-Tribune story of January 1).

Telegrams announcing Secretary Morgenthau's special broadcast over the NBC-Blue Network and the Columbia Network on Sunday, January 4 from 7:15 to 7:30 P.M., were sent to all New York and Washington radio editors. These wires were supplemented by telephone calls and the announcement was teletyped by the networks to all their local station publicity outlets.

Defense Bond announcements were carried to the New Year's Day's largest radio audience, estimated at 3,000,000, during the broadcast of the Rose Bowl Game. Similar announcements

RADIO (Continued)

have been set for the broadcasts of the East-West football game on January 3 and during the Joe Louis-Buddy Baer fight on January 9.

Major Benjamin H. Namm spoke on Bonds and Stamps at the Sugar Bowl game in New Orleans and over the radio.

PRESS

Comic cartoons with a Defense Savings theme, prepared especially for the Treasury by the nation's leading comic artists, are being mailed regularly to the nation's press. Two go out weekly to the daily newspapers and one each week to all other publications. One editorial cartoon a week is being mailed to all newspapers.

Samples of several cartoons published during the Holiday Season are attached.

Special press release was sent to all Washington, New York, Philadelphia and Chicago newspapers, and to Associated Press, United Press and the International News Service, announcing Secretary Morgenthau's special broadcast of Sunday, January 4 on "The Job Ahead".

PRESS (Continued)

Samples of Defense Savings mentions in college athletic pamphlets and publications are attached. This is the result of contact made by mail several days ago.

MOVIE AND RADIO STARS

Dorothy Lamour is devoting her time and talents, at her own expense, throughout the month of January to the promotion of the Defense Savings Program. Enroute to New York, she urged purchases of Defense Bonds and Stamps at stops in Alberqueque, New Mexico; Kansas City, Missouri; and Chicago, Illinois, with resultant photographic and radio publicity.

Sabu, the young Alexander Korda star, will make a tour of the nation to contact newspaper boys taking part in the Newspaper Carrier Sales Campaign. Korda is paying all expenses of the trip.

David Rubinoff will make a tour of the country and in addition to special broadcasts from radio stations, will urge all-out participation in the Defense Savings Program at appearances at schools and clubs.

Arrangements are being made to obtain photographs of Ethel Barrymore, Paul Lukas, Boris Karloff and others, shown

MOVIE AND RADIO STARS (Continued)

with stage hands, electricians, wardrobe women and other screen employees, participating in the Pay Roll Savings Plan. These photographs will be used for newspaper publicity and also will be incorporated in the Pay Roll Savings "clip sheet". These stars are now working in New York studios. Arrangements are being made for similar participation and photographs by stars in the Hollywood studios.

DEFENSE HOUSES

Copies of Los Angeles newspapers reporting activities of the Los Angeles Defense House are attached.

NEWSREELS

Paramount News is showing a short of Bing Crosby's four sons making their first screen appearance buying Defense Bonds. (Copy of the Paramount News sheet to exhibitors attached). In addition, Paramount and Universal Newsreels are showing patriotic Americans buying Bonds and Stamps. (Copy attached).

FIELD FORCE

Estimate of the status of the Field Organization is now as follows:

	<u>States</u>	<u>Changes Since December 27, 1941</u>
State and local committees organized	37	+ 2
State Committees Organized	11	0
Administrators and/or Chairmen appointed	3	- 2
Not started	<u>1</u>	0
	52	(including D. C., Alaska, Hawaii, and two field divisions in California)

(See Map attached)

TAX PROGRAM FOR FISCAL YEAR 1943

	Additional Revenue (billions of dollars)
	Liabilities ^{1/}
Closing loopholes in existing individual income (\$700 million) and estate taxes (\$300 million)	1.0
Corporate income and excess profits taxes	1.5
Additional individual income tax with low exemptions, collected at source ^{2/}	2.0
Social Security Taxes (broader coverage, higher rates, and new benefits effective after one year)	2.0
Excise Taxes Selected	.5
General business excise tax (8 percent rate on "value added," credit for 5 percent employers' payroll tax)	3.0
	<hr/> 10.0

^{1/} Collections between 1 and 1-1/4 billion less in fiscal 1943

^{2/} About 20 percent of this would come from incomes below \$2,000,
50 percent from incomes below \$5,000.

MEMORANDUM FOR THE SECRETARY

January 2, 1942.

Mail Report

Now that the first impact of the war is over, the mail is beginning to show the effect of "second thoughts" on various national conditions.

For the first time this week, we have begun to receive some more abusive letters and postal cards, mostly anonymous. They attack the President for getting us into war, are critical of war profits, want to know how much Government officials are putting into war Bonds, etc.

The news item in regard to the cost of launching ships continues to call forth letters of criticism.

There has been a marked increase of mail urging greater Government economy. Almost all of these endorse the report of the Byrd Committee, but others report local extravagance in various projects, or criticize different aspects of the Government's program.

So far as the Treasury is concerned, actual complaints are very few. They are largely in regard to lack of Bonds, or duplication of sales material.

There are also complaints as to delays in acknowledging contributions. These are distinct from letters from would-be givers who ask about special funds and whose letters need more detailed reply. In one case, a contribution was sent to the White House on December 10th; the White House informed the sender that it was being referred to the Treasury, and we received a complaint on December 30th that we had not acknowledged it. In 90% of the gift letters is a definite request that the money go toward some specified object. People want to know that their contributions go for a bomber or some such concrete bit of war activity. There are funds for penny contributions and similar popular drives starting all over the country, and all ask for this type of definite assignment for their gifts. One group of

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Memorandum for the Secretary.

January 2, 1942.

workers which had voted to work New Year's day and give their salary for a bombing plane, gave up the idea when informed the Treasury could not accept "ear-marked" gifts of this sort. However, even when the letters specified that they would like to have the money directed to some special end, there has been a great outpouring of generous contribution to the Government for the war effort, and there have been few criticisms when the writers were told that these definite assignments could not be met.

Suggestions in regard to Defense Bond campaign continue to pour in, with many alluding to the Liberty Loan organization for active and dramatic selling. Many buyers want a button, flag or other insignia showing they have made purchases.

Figures on the White House mail received in the Treasury during 1941 may be of interest. Although the mail shot up in December, being double that received in October, it was not the peak month. We received 833 pieces of mail from the White House in December, and 838 in May. In all, 6,933 pieces of mail were received and handled in 1941 -- 4,241 being acknowledged in the Correspondence Division. I may say that this is letter mail and does not represent the money mail sent from the White House, received, checked and passed on from our file room. In one morning we received 106 pieces of money mail, totalling over \$4,000. As these contributions, and those received by mail to the Treasury direct, are immediately transferred to the Division of Bookkeeping and Warrants, we do not add up the daily totals for an accurate day-by-day count.

In addition to the outright gifts, there are many offers of novelties, bond posters, songs, manuscripts, and other "gadgets" or outpourings which the inventors and authors wish the Treasury to finance, with a view to receiving everything from a 10% royalty to the entire proceeds.

Sabine E. Forbush

Comments on the Present Emergency

Jeffersonville Boat & Machine Co., Jeffersonville, Ind.
 * * * We had you herewith our check in the amount of \$4,419.46, payable to your order, as a contribution to National Defense. The amount of this donation is derived from the wages due our employees who worked on Sunday, December 14th, amounting to \$3,410.46, and the contribution of the Company of \$1,000. It is the wish of the employees and the Company that you use this money for national defense purposes as you see fit.

Alfred B. Strauss, N. Y. C. I was born in Germany and I am a resident of the United States since 1915, a citizen since 1921. I was profoundly shocked by the outrageous attack upon us by Japan. It is the duty of all Americans to assist their Government in the prosecution of this war. Were I a younger man I should feel it my obligation to enlist in the armed forces of this country. In lieu of active participation denied me, I am enclosing a check for \$25,000 as my initial contribution to a war chest for "offense". * * * I sincerely request that my identity not be disclosed as I have a brother living in Holland.

Clement Mordes, Dearborn, Mich. Enclosed please find check for 10.90 francs, issued in Paris, France, Dec. 20, 1918, to the writer for one day's ration while on detached service ferrying a "crate" from the 2nd Aviation Instruction Center to Issodun, France. The aviation field is now in the hands of the same HUNS and at war with the U. S., and I wish at this time to present the check to the Government for national defense material. During World War #1, I was too young to register for the draft and volunteered in the U. S. Air Service at the age of 19, and was among the first group of soldiers to be on foreign soil. Now I find myself eligible for the draft and have resumed flying to be of service again. In 1917 we tried to get the "crates" up - and in 1941 the boys are keeping the "ships" flying. * * * After 23 years I am parting with this check and hope that the Government will make use of same.

Arthur B. Koontz, Vice President, Charleston National Bank, Charleston, W. Va. This is merely a note to say we want you to feel free to commend us in any way you see fit, in connection with the organization or carrying out of any part of the defense program. We believe our contacts, both direct and through our corresponding banks, may be utilized to advantage, and all of us are anxious to assist. * * *

"One of the White Collars", N.Y.C. While the Government is checking up on excess profits, you ought to give some attention to the F. W. Woolworth Stores. Are they profiteering? I'll say so! Things go up 5-cents overnight. Articles sold for 25-cents two weeks ago are now selling for 38-cents. It stands to reason that the cost to them has not gone up in proportion to what they charge. No wonder they have millions!

John Zerr, Fort Madison, Iowa. This firm will pay a \$100 Defense Bond to the first Aviator, American or Phillipine, to drop a bomb on Japan, or, will pay \$100 in cash to the crew members of the one plane, the money to be divided equally. * * * We make this offer to help speed the day when American forces will bomb the living hell out of these yellow rats. I don't think any red-blooded American will now accept anything less than blowing Japan clear off the face of the earth. Let us hope that Uncle Sam does not again get soft-hearted and immediately forget Pearl Harbor and Manila. The sooner we are called upon to pay the \$100, the better we will like it.

Mrs. Alma Climo, New Orleans, La. (Letter addressed to Mrs. Roosevelt). Having received official notice of the death of my only son, Aviation Mechanists Mate, First Class, Raphael August Watson, in the attack on Pearl Harbor on Sunday, December 7th, I am sending \$10 as a contribution to the defense fund to help save other boys from a like fate. I shall from time to time send as much as I can for the same purpose - until the death of all these boys has been avenged.

- 3.-

Katherine Kennedy, Detroit, Mich. As you are more aware than any of us, a wave of hoarding is again sweeping over the country, one writer stating there is almost \$8,000,000,000 hidden away. It can be believed that this situation is brought about not only by fears of the country's future, but by the whispering campaign conducted by Hitlerites as the Axis would no doubt be glad to see a 1933 banking crisis dumped on top of our unprepared state. The campaign takes the form of rumors of the dire things which the Government is going to do to the deposited money in banks. I think it would be a smart thing if the Government would crack down instead on the hoarders.

Henry H. Amende, Automotive Dept., Syracuse, Nebraska. The enclosed check, No. 491,953, in the amount of sixteen hundred and five dollars and eighty-five cents, represents what was left of my Government insurance policy, when it was paid at that time. I have been holding this check as a nest egg for the purpose of buying just the right kind of a small acreage, but have decided to cash it in and buy \$1,500 worth of Defense Bonds from the First National Bank here.

GENERAL COMMENTS

Stanley Beaubaire, Publisher, Hanford Daily Sentinel, Hanford, Calif. * * * What I have to say is written with great care and after a series of talks I have had with many publishers in the west and east. It is related to the terrific waste of paper, ink and man power that is today going on all around you in Washington. * * * There are numerous instances, of course, but I will stick to one at the moment. It is the enormous tonnage of unwarranted "press" releases which emanate daily from Washington and which accumulate in waste baskets of editors throughout the nation. I doubt if you, or other members of the Cabinet, realize the flood of useless materials sent out under your name. We get stories printed on good bond paper (in exceptionally good envelopes) from your office, for example, telling that Mr. Joe Smith has been named director of something or other in Aberdeen, S. D., and that Mr. John Brown has been appointed to something else in Oshkosh, Wis., and that 100 young men in New Orleans are heartily in support of Mr. Joe Palooka who has been named to another job some place else. Did you know that such stupid releases are being mailed to hundreds and hundreds of newspapers throughout the country? Probably each release is of interest to one or two papers in the communities concerned, but certainly they are not of interest to many of the newspapers throughout the country. * * * This week-end a group of California newspaper publishers met in the San Joaquin Valley. Every editor present raised this question, and protested feebly against the amount of propaganda that arrives on his desk every morning. Each publisher reported that 99% of this material was promptly thrown in the waste basket. Several expressed concern for the fact that frequently newsworthy reports might be hastily thrown away with the bad reports because the recipient does not have sufficient time to read them all. If you could use your influence in Washington to see that all departments and bureaus are ordered to curtail all propaganda activities to a necessary and helpful minimum, I believe you would find a warm response from the newspapers throughout the nation. * * * While I am writing you, please accept my heartiest congratulations on the splendid manner in which you have administered an extremely difficult job. This work is the important thing and everything else is a side issue.

John W. Geiger, Changewater, N.J. Yes Sir, I have bought U. S. Savings Bonds, Defense Bonds and Stamps, but I can no longer refrain from voicing my protest against certain conditions that exist in my own community and all over the country. Three men in my immediate neighborhood where I live were forced to pay \$50 tribute to a gang of labor racketeers for the privilege of working on the defense housing project at Phillippsburg, N.J., and another neighbor who never cared much for real productive labor is appointed as a collector to see that the other boys pay, and to dictate to the employer who shall and who shall not work. I understand his salary is \$50 per week, for which his particular job produces not 5¢ worth of essential material. He spends his time running up and down the highways, using vital defense materials, such as gasoline, rubber and so forth, using his time to dictate how jobs shall be run and collecting tribute from the real workers. I can give names and addresses. * * * My protest is against the fact that such a condition is allowed to exist in this country where we are supposed to have the right to work and earn our living without interference from anyone. * * * Now I am perfectly willing that fifteen per cent of my salary be withheld for real, honest-to-God defense of my country, but I cannot hold the proper feeling in regards to such taxation when I know it is going to be handed over to another who is nothing more or less than a leech on society. I am going to continue buying Bonds and Stamps and of course have no control over what I may be taxed, but I just wondered how you folks in Washington felt about such affairs.

E. I. Dail, President & Gen. Manager, Dail Steel Products Co., Lansing, Mich. About 40% of our employees have been discharged and a balance have been placed on a schedule of two days a week. They can hardly be expected to buy Defense Bonds on a combined earning and unemployment compensation ranging from twelve to sixteen dollars per week, notwithstanding our continued efforts for the past ten months to secure defense contracts during which time we have bid on approximately twenty different jobs, but have been unsuccessful in securing any of this work, excepting a few small sub-contract jobs.

Mrs. P. F. Murray, Montebello, Calif. On Dec. 5th I wrote you a letter protesting the 15% withholding tax. Yesterday I received a reply from Mr. Ferdinand Kuhn, Jr. Probably my letter never came to your personal attention, and I certainly hope that it did not, as it was a very rude letter, and I am exceedingly ashamed and regretful for having written it. The day following my childish outburst, we were attacked by Japan and all our domestic difficulties seem so infinitesimal that I wonder how I really ever became so roiled that I was prompted to write such an unkind, sarcastic letter. My husband and I are still confronted by the same financial problems, but they do not seem so important now. I realize, regardless of the insinuations in my previous letter, that you are not really a "bloated plutocrat", just lying in wait, ready to pounce upon our meager stipend, but rather, that you are just a sadly harrassed Government official, attempting to fulfill your job, as we are trying to do ours. * * * I am truly sorry.

R. P. Hickson, Treasurer, North American Dye Corporation, Mount Vernon, N. Y. * * * Too often it seems as if the tax plan was prepared to cover the big, very successful concern with but little thought of what it will do to the thousands of small but very useful plants. In our own case, we have lost money for ten years, and the new social security and unemployment taxes have been paid out of capital, which is unfair and in the end unwise. This year our faith in the superiority of our product is being justified, and we will make a small profit. Because of the losses in previous years, however, there will be no chance for any income for our stockholders, and if there are to be increases in social security and unemployment taxes, which may again come out of capital, as they have before, the question before us will be - shall we shut down and save what we can of our capital? In that case, all of our effort to keep our help employed and our organization intact will have been in vain.

UNFAVORABLE Comments on Bonds

Evelyn B. Sharkey, Belleire, Long Island, N. Y. On Christmas day one of the stations on the radio made a broadcast to the effect that if the U. S. Treasury Bonds did not go over in a big way, the Treasury intended to have legislation passed to deduct 15 or 25 per cent of each wage earner's salary at the source. As a clerk, working at a fixed salary of \$25 per week, with three dependents, may I make a protest against such legislation. In the first place, I believe it is unconstitutional and undemocratic, and savors of the Gestapo methods used in hated Germany -- that is, Do it-or else! * * *

Mrs. Mary L. Stackpole, Seattle, Wash. "I am writing you personally" to say that you had better save paper for the grand U.S.A. instead of writing letters to thank people who are saving their own skins. Also, I would feel much better about buying bonds if some of the graft and foolishness could be eliminated. Such as \$60,000 for an officers' Club house, swimming pools, etc. If all the money went for defense, we would have plenty. Also a few salaries might be cut.

Charles B. Smith, Jr., Stamford, Conn. Last week I was in the Pennsylvania Depot and later in Grand Central Station, while in New York. I wanted to buy a few medium denomination Defense Savings Stamps. I looked all about the two main waiting rooms at Penn but found no place to make a purchase. At Grand Central I did likewise - found none and had to go to the Post Office nearby. There should be a booth at both stations. The great mural, the presence of so many uniformed men, the fresh headlines in newly bought papers, and natural patriotism make stamp and small bond-buying a psychological desire. * * * It is a simple matter to arrange a closed-time repository of stamps and money with night depository of nearby bank or hotel safe, or terminal cashier.

Virginia P. Wilner, Washington, D. C. Could you make some plans so that we children could buy defense stamps at school? I am nine years old, and often it is very inconvenient to get to a Post Office. If we could get the stamps at school, it would encourage us to buy them. Then we too would be helping America.

Mrs. Joseph C. Sweltzer, Willington, N. J. (Encloses clipping showing "Buy Defense Bonds" display.) If you knew the working people as I do, you would know that they do not want a paper saying, "Received from Mrs. B. \$74 for one bond". They want a Bond for said money. * * * "Remember Pearl Harbor": Yes we do, and never will forget it. But the workers want something to show for their money - so let us have Bonds and more Bonds. You may be sure they will buy all they can get. We are all Americans. We all know that the Bonds are selling quickly, as they should. The radio and newspapers are saying, "Buy Bonds". Well give them to us to buy.

President of the Fidelity Savings & Loan Assn. of Spokane, Wash., sends copy of letter addressed to the Federal Reserve Bank of San Francisco. This morning we received \$4,750 maturity value in Defense Bonds, which represents just one-half of our order of Dec. 15th. We also have with your office an order of Dec. 17th for Bonds totaling \$6,175, including some \$500 Bonds, wherein we mention that we are out of \$500 Bonds. * * * We wish to emphasize the fact that we are not ordering Bonds just to have them on hand, but because we need them to fill the demands of our daily customers. We were entirely out of small denomination Bonds for the two days before Christmas when many people wanted them for Christmas gifts. We find that in a great many cases, people are not satisfied to place their order for the Bonds and await future deliveries. We also note that they will not, in many cases, go to the bother of going from one place to another or to the Post Office to secure the Bonds. * * * The supply we received this morning is over half gone, and it is just noon on Friday.

Letter addressed to Senator Scott W. Lucas by B. P. Alschuler, Aurora, Ill. * * * I sent my office boy to one of our banks this morning to buy some war bonds, and the Bank had none. I then sent him to our local Post Office with a check made out to the Postmaster, and after waiting in line for a half hour, he was told that the P. O. would not accept the check. This, despite the fact that we always pay for stamps with our firm checks. He came back and reported to me, and I sent him to the bank to have the check

certified. He again waited in line and was again told that they would not accept the check. He then saw some local Post Office official who referred him to the Postmaster, and the Postmaster took the check, gave him a receipt for it and told him that he couldn't get the Bonds until the next day. Of course I wanted the Bonds so he will go back to get them, but I can well appreciate that some people would get sufficiently mad about the situation after being put to all such trouble so that they wouldn't buy the Bonds.

Molt S. McKinney, Counsellor at Law, N. Y. C., sends a complaint in regard to rulings on the purchase of Defense Bonds by husband and wife, each buying the limit individually with his or her own funds, and making the other the beneficiary. The Treasury notified Mr. and Mrs. McKinney they would have to surrender one or the other. Mr. McKinney's letter, addressed to Mr. Bell, (copy sent H.M.Jr.), summarizes the correspondence and says further -- " * * * At the time said purchases were made, the Irving Trust Co., 1 Wall Street, N.Y.C. advised me that it was entirely in order to have each purchase registered either in the name of the individual purchaser of said Bonds or in the joint names of such purchaser, and that of the husband or wife. It was in accordance with this advice that the individual purchases by each of us were registered in our joint names. Since the receipt of your letter of Nov. 10, 1941, I have shown it to the Irving Trust Co., and they still say that the purchases as made and recorded are perfectly proper and in full accord with the law. * * * May I take this opportunity to offer a suggestion, which I hope will be accepted in the same friendly manner in which it is submitted, namely, the voluminous mail matter sent out by the Treasury Department in a case of this kind. As you will note from the second page of your letter to me, there were 7 enclosures accompanying this letter, comprising a total of 25 pages, in addition to the letter itself. I wonder how many people, other than lawyers, would undertake to read all this stuff without getting thoroughly disgusted with the whole business. It takes more than a lawyer to understand what all this reading matter is about, and as evidence of this fact, I am attaching for your information a letter recently written by Mr. George P. Whaley to Mr. Eugene W. Sloan of the Treasury Dept. I might add that Mr. Whaley was a former director of the Chase National Bank." Mr. Whaley's letter lists six points in which Savings Bond literature "leaves us in doubt respecting certain questions -

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answers to which are needful for decision", and asks clear and categorical reply to each point.

Mrs. Cordie Webb Ingram, Hoxton, Texas. On October 16, 1937, I bought a \$100 U. S. Savings Bond. * * * The Bond became lost or destroyed. I wrote the Treasury Dept. when I discovered my loss of \$100 Bond C 1937, No. C 562,386 C. I then met all the requirements made of me, but nothing has been done toward furnishing me with a duplicate Bond. Before buying, I was repeatedly assured of the safety of investment in Government Bonds, and what happened to me could happen to you or to anyone else. I am in a position now to invest in some Defense bonds, but feel that I cannot do so when refused relief on the loss of described Bond, all my correspondence being open for examination and to verify my statements. I am asking you to please find out for me why relief to me is being held up indefinitely.

FAVORABLE Comments on Bonds

H. P. St. John, Cashier, First State Bank, Webster City, Iowa. * * * I am of the opinion that the banks of this country can sell between fifty and sixty billion dollars worth of these Bonds without undue pressure, and unreasonable effort. Do you, as head of the Treasury Department, have a goal in mind for the distribution of Defense Bonds as to total for subscriptions? If you have anything you would like to suggest, I would appreciate it. Up to this date our little bank has sold about \$10,000 worth of Defense Bonds, and we have not scratched the surface in so far as the possibilities are concerned. We are learning to "talk" Defense Bonds more intelligently and feel that results are forthcoming.

Walter R. Alvin, Special Agent, State Land Board, Salem, Oregon. In reply to your recent letter, I beg to state that I am buying a \$100 Defense Bond each month for the duration of the war. I have purchased these Bonds each month since last July. Under the superb leadership of our great President, America will win this war. During the years past it appears that he glimpsed far horizons that the average man could not discern; thus, his wisdom and foresight will sustain us in our hour of trial.

Matthew J. Cash, Jamaica, Long Island, N.Y. I am a Lieut. in the Police Department of the City of New York and that \$1,000 Bond which I purchased, represented practically all of my lifes savings, since my salary is \$4,000 per year, and I have the various obligations so common to the average American family, and so therefore cannot pledge to buy up to the limit allowed in one year. Believe me Sir, I am not one of those who have felt that "it can't happen to us". I realize the seriousness of the situation and only regret that the part I am playing is very limited. If in my capacity as a Police Officer or that of a private citizen, I can be of service to my country, consider me at your service and ready to answer any call. * * *

Morris Dubnow, Allentown, Pa. I am an American naturalized citizen of the Jewish race, and living 21 years of my life under the Czar of Russia, I can appreciate my Golden 38 years of life in this the God's best country in the world. * * * Now I am starting to pay by buying every week a Defense

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Bond, and advising all my friends to do the same. * * *
Hyman Solomon helped George Washington to win liberty,
let us, his descendants, help to preserve it. Yours for
Victory and Liberty.

For your information.

January 2, 1942.

To Archibald MacLeish

From Alan Barth

EDITORIAL OPINION
ON FOREIGN AFFAIRS:
TESTAMENT OF FAITH

Responsibility

Whatever the failings of the American press, it has faced this time of crisis with a high sense of responsibility. It has reported defeat to the American people -- what The Washington Post defines as our "most important military defeat in more than a century" -- and has reported it without the smallest suggestion of defeatism.

Neither editorial writers nor radio commentators gave the public adequate preparation for this defeat. It is apparent, indeed, that they were themselves the victims of a complacent contempt for Japanese power. But now, having at last grasped the dimensions of the Pacific problem, they present it in perspective as merely one phase, an initial phase, of what must be a long struggle on many fronts against the Axis as a whole. Editorial eyes have focussed on the entire target.

Faith

Newspapers and radio currently express completely restored confidence in American armed forces. The shakeup in the Far Eastern command assuaged the shock of Pearl Harbor losses. The difficulties besetting the Army and Navy and the demands of over-all strategy are now commonly recognized. The military and naval chiefs are represented as proceeding in accordance with reasoned plans.

It seems noteworthy that there have been almost no hysterical demands for the preservation of American soil at the expense of larger objectives. Nor has there been undue clamor for a demonstration of American strength by immediate reprisals against the Japanese. Even the loss of the Philippines is now calmly presented, perhaps with a trace of complacency, as a probable cost of winning the larger battles of the Pacific and the Atlantic.

Despite the emphasis on reverses and difficulties, there is no apparent diminution of long-run confidence. Great pride is expressed in the courage displayed by American and Filipino fighting men; perplexity rather than annoyance is the expressed response to Pravda's taunts of "cowardice"; commentators express only the highest praise for General MacArthur's management of his responsibilities. The pledge made to the Philippines by the President and by the Navy

is a principal keynote of editorial comment. In a typical expression of opinion, The St. Louis Post-Dispatch declares: "Their freedom may be lost, but it will be redeemed. There can be no doubt that as American strength is mobilized, and the original Japanese advantage of surprise attack is counteracted by superior force, the invaders will be blasted off the islands and swept into the sea."

Offense

Winston Churchill's rhetorical question in his address to Congress -- "What kind of people do they think we are?" -- has been made the theme of innumerable editorials. The anger engendered by the surprise assault on Hawaii has been inflamed by the bombing of Manila. Editorial comment reflects a rising temper, particularly against the Japanese, and a growing eagerness to carry the fighting to the enemy; there appears to be a widespread desire for air raids which will punish the Japanese people.

This offensive psychology manifests itself, too, in pronounced editorial impatience toward Vichy. Editorial writers showed some willingness to defend the State Department protest on the Free French seizure of St. Pierre and Miquelon; they did so, however, with a distinct air of apology. They recognized that the Free French action was awkwardly inopportune and acknowledged the

technical justification for Secretary Hull's sharp rebuff. But the prevailing feeling seemed to be one of regret that democratic solidarity had not been given precedence over technical considerations and the placation of Marshal Petain. Many commentators now urge tough tactics in dealing with the Vichy Government; they regard it as being in the Axis camp beyond redemption and recommend American occupation of all France's Atlantic possessions. "Straight thinking," says The Dallas News, for example, "asserts that there is no de facto government in France nor even a de jure one, that France is governed from Berlin and that De Gaulle, if anybody, represents the real wish of the French people."

Everywhere, in comments on the war production, on the enlargement of Lend-Lease aid, on the conversion of plant facilities, on civilian sacrifices, there seems to be a genuine eagerness to carry on the war as aggressively as possible.

Defense

Counteracting this aggressiveness, of course, there is a latent isolationist sentiment, now temporarily silenced. It evidences itself in occasional demands for the hoarding of American strength and the protection of the home front.

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It is significant, however, that the press has been responsible for almost no suggestions that naval or military forces be concentrated on home defense assignments. The accent has been entirely on civilian defense activity.

The feeling is extremely prevalent among editorial writers that air raids on the United States, particularly in the coastal areas, are both possible and probable. The dominant view is that such raids are likely to be only of a "token" nature; but some raiding is expected from the Germans, even more than from the Japanese. Commentators urge vehemently that the lesson to be learned from Pearl Harbor is that we must be prepared for any eventuality. They are by no means satisfied with the air raid precautions taken to date. Army control over civilian defense is commonly advocated.

The commentators show small awareness that home defense may divert important productive facilities from the offensive war effort. Both press and radio reflect a high degree of confusion as to proper domestic precautions. Clarification of the genuine civilian defense needs may avert the growth of a defensive point of view in the public mind.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE January 2, 1942

TO Ferdinand Kuhn, Jr.

FROM Joseph Melis

EDITORIAL OPINION
ON THE HOME FRONT:
THE SHADOW OF SACRIFICES

The 50-billion dollar war program and the impending shut-down of automobile production have had a sobering effect on the nation's press. Newspapers are considering with increased thoughtfulness the sacrifices that will be necessary on the home front to win a long and hard war.

Editorial writers throughout the country stand solidly behind the President in his effort to bring about a swift transition from peacetime to total war production. They accept the far-reaching economic implications and the steep increase in taxation inherent in the new war program as part of the inevitable cost of victory. But while anticipating and willing to accept a tax rate higher than at any time in our history, the press insists that the government cut non-defense expenditures to the bone and put all its energy into the efficient prosecution of total war.

War Taxes

Newspapers as a whole want the war financed as far as possible on a pay-as-we-go basis. They tend to evaluate the wisdom of various war tax proposals by three standards. New taxes, they insist, should (1) raise a large revenue quickly, (2) divert purchasing power, and (3) encourage rather than "stifle" business.

Judged by these standards, a federal sales tax is favored by most editorial writers. The opposition to a withholding tax, although still widespread, seems to be diminishing. And there is a tendency to fear that increased taxes on business profits will "kill the goose that lays the golden eggs" by destroying the initiative of private enterprise. The possibility of enforced savings is receiving almost no editorial attention at this time.

Editorial comment on withholding taxes, sales taxes, and increased business taxes can be summarized as follows:

Withholding Tax: It is generally recognized that a withholding tax, graduated in proportion to income, would be an easy way to raise income and at the same time siphon off purchasing power. But many newspapers still attack the idea on the ground that such a tax would be "confiscatory," would work undue hardships on employers because of the bookkeeping involved, and would lead to demands for increased wages.

Sales Tax: The press as a whole prefers a general sales tax to a withholding tax as an income-raising and anti-inflation measure. Many editorial writers recognize that a sales tax in ordinary times would be highly inequitable. But as taxes increase and become more general, this objection, it is argued, is apt to become academic. Some newspapers, among them the Baltimore Sun, urge that expenditures for such essentials as food, clothing, medicine and housing be exempted from any sales tax.

Business Taxes: A number of newspapers, large and small and in various sections of the country, have recently editorialized that this must be a war without "war millionaires." Nevertheless, these newspapers maintain that the present excess-profits tax and corporate-income tax on the whole are adequate, and they hark back to Senator George's statement that "this is no time to experiment with new tax theories." They express the fear that the coming Treasury recommendations may tax small business out of existence and may destroy the profit-earning and revenue-raising capacity of big business.

In contrast to the sentiment expressed by most newspapers, the minority liberal and labor press is opposed to a sales tax. Liberal and labor publications favor instead a stiff increase of excess profits and income taxes.

Non-defense Spending

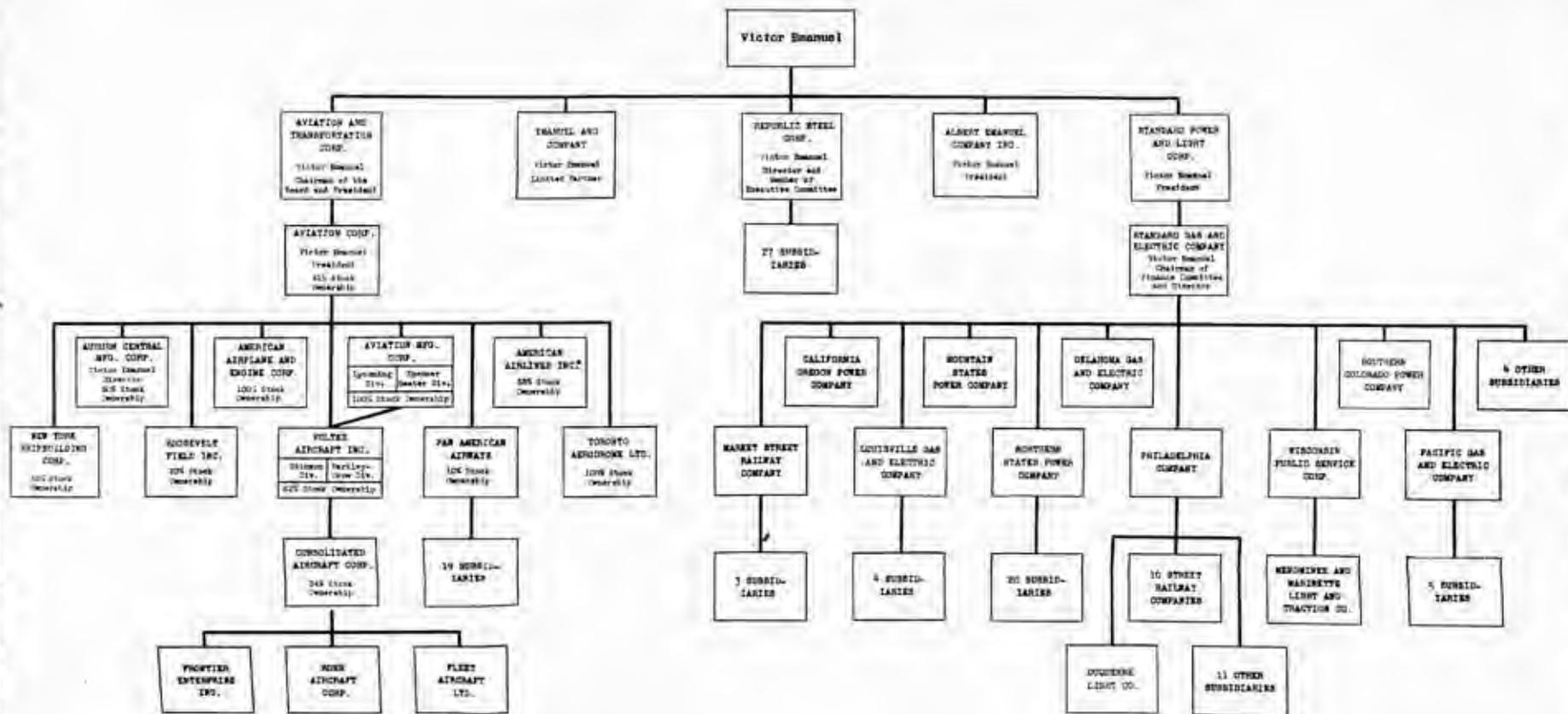
Although willing to accept a greatly increased tax burden, newspapers throughout the country are demanding with more insistence than ever that the cost of the war be offset as much as possible by a paring of non-defense expenditures. Editorial writers view with increasing impatience the New Deal activities that do not directly advance the war effort, no matter how important these activities may be in the long run. "Billions for defense," the Houston Post editorialized, "but not a dollar for useless projects -- useless at least in this time of stress and storm."

The Byrd Committee report continues to win wide support.

Leading newspapers in the farm belt agree with the Committee's proposals to slice agricultural benefits, but make little mention of Secretary Morgenthau's suggestion that parity payments should be cut.

PRINCIPAL BUSINESS INTERESTS OF VICTOR E. MANUEL, AS DERIVED FROM PUBLISHED SOURCES
(interests do not necessarily represent control)

December 1941



*Aviation Corporation's interest in the stock of American Air Lines is held in trust by John J. O'Connell, Secretary of Commerce, during World's War II.

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WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

January 2nd, 1942.

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

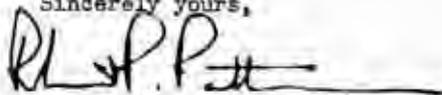
Dear Henry:

The order for 65,000 trucks from Dodge was one of a series of the orders entered in the last three days. These orders total some 380,000 trucks. They have been placed as follows:

<u>Company</u>	<u>Quantity</u>	<u>Type</u>
12/30		
Fargo Motor Corporation (Dodge)	64,918	3/4-ton 4x4 Trucks
Ford Motor Company	63,146	1/4-ton 4x4 Trucks
Diamond T Motor Car Company	5,156	4-ton 6x6 Trucks
The White Motor Company	1,803	6-ton 6x6 Trucks
Willys-Overland Motors, Inc.	43,601	1/4-ton 4x4 Trucks
Fargo Motor Corporation (Dodge)	8,150	1/2-ton, 4x4 Trucks
1/1/42		
Diamond T. Motor Car Company	2,400	40-ton tank transporter tractor trucks
Studebaker Corporation	5,100	2 1/2-ton 6x6 Trucks
" "	12,000	2 1/2-ton 6x6 "
Chevrolet Motor Company	35,415	1 1/2-ton 4x4 "
Yellow Truck & Manufacturing Co.	122,781	2 1/2-ton 6x6 "
" "	14,700	2 1/2-ton 6x4 "
Mack Manufacturing Company	700	10-ton 6x4 Cargo Trucks.
Yellow Truck	3,908	2 1/2-ton 6x6 Trucks.

Trusting that this information will be of service to you, and with best regards, I am

Sincerely yours,



Robert P. Patterson,
Under Secretary of War.

rpp:lm

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE 1/2/42

TO Secretary Morgenthau
 FROM Mr. Foley

You have inquired concerning the material relating to the procurement of supplies for the armed forces during the war of 1914-1918 that is collected in the six volumes of the "War Memoirs of David Lloyd George" (1933-1937), and the two volumes of David Lloyd George's "Memoirs of the Peace Conference" (1939).^{1/} An examination has been made of those volumes, and the significant material therein relating to the procurement of war supplies is summarized below.

1. The Outbreak of the War.

The beginning of the war found English forces with insufficient cannon, shells, machine guns and other supplies. The traditional military reactionism and dislike of responsibility created a bottleneck, in that the War Office was distrustful of business men and unwilling to deal with other than their usual sources of supplies, although those sources were hopelessly swamped.^{2/} The

- 2 -

shortage of shells soon became acute, and at Lloyd George's insistence, a Committee on Munitions Supply was appointed. The Committee met with manufacturers and offered financial assistance in expanding plants. Orders were also placed in the United States.^{3/} The indiscriminate enlistment of all who presented themselves, resulted in a shortage of skilled workers. The failure of the War Office's main contractors to furnish adequate supplies led that Office to instigate a scheme for the transfer of skilled workers from other industries. The objection raised by various firms to the transfer of their workers led to a survey of plant facilities with a view to utilizing additional plants either as sub-contractors or as direct contractors.^{4/}

The shell shortage became so acute that it was not possible to maintain an adequate defense, much less an offense. On February 22, 1915, Lloyd George addressed a memorandum to the Cabinet members calling attention to available resources and suggesting that they be commandeered if necessary. This resulted in a conference which authorized an investigation of available machinery for the production of war supplies.^{5/}

- 3 -

In March 1915, the Third Defense of the Realm Act was passed, authorizing the commandeering of plants and machinery, but the War Office was reluctant to make use of the new power. Another Council meeting was held and a Committee appointed. The War Office, however, insisted upon restrictions which practically nullified the effectiveness of the Committee. The first tasks of the Committee were a study of French production, and a scheme for regional organization of munitions firms.^{6/} Growing unrest in Parliament and among the people over the munitions issue among others resulted in the foundation of a coalition Cabinet. In that Cabinet Lloyd George became Minister of Munitions.^{7/}

Lloyd George strongly deplored the shortsighted attitude of England and France in 1914 in not sending equipment to Russia where men were available to fight the Germans but where equipment was scanty.^{8/}

2. The Ministry of Munitions 1915-1916

The duty of the Ministry of Munitions, of which Lloyd George was Minister from June 1915 to July 1916, was to supply the kind, quality, and quantity of munitions

- 4 -

ordered by the War Office.^{9/} The Ministry was responsible for the production and supply of ammunition, rifles, machine-guns, mechanical transports, trench warfare stocks, optical instruments and glassware, metals and materials, tanks, bombs, poison gas, railway material, machine tools, timber, electrical power, agricultural machinery, mineral oils and building materials. Four departments were set up: Munitions Supply, Explosives Supply, Engineers Munitions Department, Secretarial and Organization of Labor. Those departments were in turn subdivided. The Ministry was then organized on an area basis, the Government supplying material and advice, and local organization being left to local Boards of Management. Each district had an Area Office composed of an Organizing Secretary, Superintending Engineer, and a Labor Office. To those Offices, the Boards of Management were responsible. The Boards of Management undertook orders and distributed them among various firms. It was endeavored to eliminate divided authority. Everything having to do with munitions was to be under the control of the Ministry of Munitions.^{10/}

A Health of Munitions Workers Committee was appointed to

advise on industrial fatigue, hours of labor, personal health and physical efficiency. Later, a Welfare Section of the Ministry was set up. The Ministry built flats and houses and obtained accommodations for other workers and provided canteens and mess rooms in factories. ^{11/}

The Ministry was set up with business men as the heads of all departments. In contrast to former War Office procedure, the Ministry itself undertook to organize firms and labor for munitions production. In order to secure the maximum results, Lloyd George thought it necessary to secure the advice from men who had personal experience of the practical exigencies of the situation on the battlefield. He also thought it imperative to have more intimate contact between the governments of France and England on the question of munitions supply. It was Lloyd George's opinion that by giving large orders, it would be possible to secure earlier deliveries, because it encouraged firms to increase their power of output. If an excess were produced, it would be invaluable as a reserve to assist all allies. To secure maximum efficiency, control by the Government of the finished article made inevitable control of the preliminary stages of manufacture. Construction of

- 6 -

new plants and expansion of existing plants were necessary to produce the quantity needed. Best results were to be obtained by close cooperation with the particular trade or industry controlled. The armament firms were to build and manage the new factories and additions to their existing works with the Government providing all the capital both for the building and running of the plant. The factories would belong to the Government with the firms getting a percentage commission on the output. The greater the production, the smaller would be the cost of the finished article.^{12/}

The labor problems raised by the production of war supplies were manifold. Men with experience and initiative were required in all branches of production for maximum results. It was essential to utilize to the utmost the knowledge of science in research, test, and design. New inventions and changes in method and design were essential to increase production. To secure those objectives, it was necessary (1) to check the enlistment of skilled men, obtain their return from the armed forces and "dilute"*them with unskilled labor where possible,

* To "dilute" was to intermingle unskilled labor with skilled labor so as to reduce the number of skilled laborers required.

(2) to induce better time-keeping by employers and to prevent constant job changing, (3) to control drinking in munitions areas, (4) to train and employ women, and (5) to bring labor and work together by transferring workers or spreading production. By the Third Defense of the Realm Act, provision was made for the compulsory transfer of labor, and factories were given a defense against actions based on their non-fulfillment of civil manufacturing contracts. The problems of strikes and "dilution" were settled by the Treasury Agreement between the Government and the Trade Unions. In order to settle the labor problem, it was necessary to limit the profits of manufacturers by the Munitions of War Act of 1915 which also dealt with strikes, lockouts, and mobility of labor.^{13/} Legislation was obtained permitting control of the sale and supply of alcohol in production or transportation areas, and under it a Central Control Board was set up.^{14/}

Supplies were of no value without sufficient railroad facilities to move them to the required destination. Therefore, construction of new roads, under the control of men experienced in that field of operation was deemed

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necessary by Lloyd George.^{15/}

3. The Food Supply, 1915-1917

The supply of food, for civilians as well as soldiers, was a foremost problem of the war. The final event of the war depended more on food than on fighting, for famine was a most powerful offensive weapon which led directly to the fall of Russia and the collapse of Austria and Germany.^{16/}

It was Lloyd George's opinion that one person should be selected, with all the necessary legislative, administrative, and financial powers, to organize the food supplies, including purchase, production, distribution, and prices. England should be as self-sufficient as possible. The manufacture of machinery for cultivation should be increased. The acreage of land which produces vital food products should be extended. Utilization of all available labor was necessary for agricultural purposes.^{17/}

Lloyd George was of the opinion that with planning the production of food in England could be doubled. Accordingly, a Food Production Department was established on January 1, 1917. It was an independent department, responsible to the Minister, but otherwise unrelated to the Board of Agriculture. There was commenced an extensive

program of cooperative and compulsory measures to increase harvests. Land formerly used for merely ornamental purposes, or not adequately cultivated, was requisitioned, manpower to work in the field was procured, and minimum prices to farmers for crops and minimum wages to farm workers were guaranteed. The results were gratifying. ^{18/}

In December 1916, the Office of Food Controller was established, and by May 1917, a far-reaching system of control over supplies was instituted. The distribution of food was the main concern of the Office in order to insure sufficient food supply for the civil population and the armed forces. Not until a general system of compulsory rationing was introduced were the difficulties of securing an approximately fair distribution of the available supplies surmounted. The rationing of food, requisitioning of food, restrictions on the sale of food, and food price control were under the jurisdiction of the Office. It was a decentralized system in its later development: local Food Control Committees were appointed to exercise many important functions. ^{19/}

An inter-allied (international) food control was proposed. Several international bodies were actually set up

to deal with specific commodities.^{20/}

In the autumn of 1916, a Ministry of Shipping was set up in order to insure the national control of shipping and to restrict imports to essentials. George concluded that such a step should have been taken as soon as it was known that it was going to be a long war. Restriction by means of a rise in the price of freight had not been effective. The only satisfactory solution was planned control to secure vital imports and to exclude non-vital imports.^{21/}

4. The Equipment of the American Army

Lloyd George concluded that the equipment of the American Army for the war effort was "a lamentable story of indecision and bustling inefficiency". The reason for such a situation he found primarily in the refusal of American industrial leaders who were charged with the duty of equipping the American Army to give consideration to the experience of England and France in war production in 1914-1917. He asserted that those industrial leaders insisted on using American designs and patterns of war materials to the exclusion of designs developed in Europe during the war. That fault was not remedied because

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there was no American governmental leader who could give direction, impulse, and inspiration to those that were laboring in war industries. President Wilson did not have the temperament to fill such a role. Lloyd George maintained that the men placed in charge of the organization of the resources of the United States "all seemed to hustle each other-- but never the job". The result was that American-made airplanes, guns, tanks, and ships were not available for effective use in the war. ^{22/}

5. Canadian Effort

In 1914, a voluntary Shell Committee was formed in Canada to organize Canadian peace-time industrial capacity for munition production. General Sam Hughes was the head of that Committee which was superseded at the end of 1915 by the Imperial Munitions Board, a voluntary body under the chairmanship of Sir Joseph Flavelle. The Imperial Munitions Board was subject to the control of the British Ministry of Munitions. The total value of the Canadian shipments of military supplies exceeded ^{23/} 200 million pounds.

S. N. 74.

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Footnotes

1. Printed in England under the title, "The Truth About the Peace Treaties" (1938).
2. 1 War Memoirs, pages 112-125.
3. 1 War Memoirs, pages 125-134.
4. 1 War Memoirs, pages 134-135, 146-149.
5. 1 War Memoirs, pages 149-154.
6. 1 War Memoirs, pages 158-167.
7. 1 War Memoirs, pages 196-207.
8. 1 War Memoirs, pages 397-405, 413.
9. 1 War Memoirs, pages 208-237.
10. 1 War Memoirs, pages 237-250.
11. 1 War Memoirs, pages 301-308.
12. 2 War Memoirs, pages 17-103.
13. 1 War Memoirs, pages 250-277.
14. 1 War Memoirs, pages 282-300.
15. 2 War Memoirs, pages 222-236.
16. 3 War Memoirs, pages 43, 45, 77, 135-136, 199, 220.
17. 2 War Memoirs, pages 371-378.
18. 3 War Memoirs, pages 199-246.
19. 3 War Memoirs, pages 204-209, 246-260; 4 War Memoirs, pages 191-195.
20. 3 War Memoirs, pages 260-267.

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21. 3 War Memoirs, pages 15-16, 172-198.
22. 5 War Memoirs, pages 448-453.
23. 6 War Memoirs, pages 327-328.

Volume V. WAR MEMOIRS OF DAVID LLOYD GEORGE (1917-1918) pp. 448-453.

When we come to the equipment of the American Army for the task, it is a lamentable story of indecision and bustling incompetency. The record of Britain's first ten months of blundering in the matter of equipment robs us of the right to point the finger of scorn at America's effort. But it must be remembered that when America entered into the struggle her industry was already largely organised for war by the immense Allied orders for war material of every kind which her industries had been executing for the Allies. In rifles, explosives, and artillery the work which had been turned out in American workshops ran into thousands of millions of dollars. In addition to that, they had at their disposal the experience acquired by the Allies in two and a half years of actual war. Allied officers were sent over to instruct the American War Office as to where the Allies had failed, and how they ultimately succeeded, what had been their difficulties and how they overcame them. Unfortunately, their advice was too often disregarded and somewhat discouraged.

It cannot be said that the Allied Commissions were altogether resented by the great industrial leaders who were charged with the duty of equipping the new American Army, but the impression was created of a sentiment that where mechanisation was concerned, America had nothing to learn from Europe. There was more than a lingering trace of the fixed idea that European methods were effete in industry as well as in government. "Europe" and "effete" were inseparable words in all popular American rhetoric at that date.

As far as European workshops were concerned, certainly before the War, there was undoubtedly a great deal of justification for this conviction. So when we thought America might like to profit by the lessons we had learned in the trials of actual warfare, the American industrialists were inclined to regard our lectures as an invitation to them, who were masters of all the manufacturing arts, to take a post-graduate course at a dame's school. Hence they would have none of our aeroplanes nor of our cannon. They assumed on traditional principles the inferiority of these and they decided to have patterns of their own, which would demonstrate to antiquated European craftsmen what could be done by a nation which had demonstrated its supremacy in machinery. The world was to be impressed with the superiority of American workshops. No allowance was made for the practical consideration that finish and precision in every detail were essential to the weapons of war, and that for that reason, new patterns took a long time to evolve, to test and perfect. The serious delays that occurred in equipping the great army of men that America sent to Europe were largely attributable to this psychology.

All this would have been remedied, if there had been any real drive at the head of affairs. It is only the man at the top who can give direction, impulse and inspiration to those who labour at the multifarious tasks of Government. It is only the man who wields authority who can accept responsibility for decisions which may involve an overriding of national pride and susceptibilities. It is

he alone who can supply the necessary push which saves valuable time and produces quick results. Languor at the top means flaccidity all round. Hesitancy at the top means vacillation and confusion of counsel and of action in every department of State. Procrastination at the top encourages sloth and slackness down below.

President Wilson was not cut out for a great War Minister. He knew nothing about war. Why should he? It was not his training, nor his temperament. He certainly had no delight in it. He shuddered at the thought of it. The turning-out of weapons for human slaughter not only did not interest him, it horrified him. When he was forced into declaring war, he could not adapt himself to the new conditions that were imposed upon him by this departure from pursuits and inclinations of a lifetime. He had a stubborn mind and walked reluctantly along paths he disliked, however necessary he had discovered it to be that he should tread them. No push or drive for war could be expected from a temperament so antipathetic to all its exigencies. To ask him to turn his mind on to the manufacture of cannon and bombing machines was just as if you expected him to oversee the output of electric chairs because the execution of criminals was an integral part of good government.

This attitude on the part of the President marked the essential difference between him and Lincoln; between a man brought up and dwelling in academic circles whose instinct was to lead the nation up to ideas of culture in an atmosphere of tranquillity, and the man who was reared and trained in hard surroundings where nature had to be fought

at every step for every ounce of bread. Lincoln also detested war, and especially did he shrink from the fratricidal conflict which he had done his best to avert, but which circumstances he had failed to control had in the end forced him to wage. But here came the difference between him and his distinguished successor. Having reached the conclusion that the shedding of blood was the only alternative to the rupture of America, he threw the whole of his strong personality into the preparations for a successful termination of the struggle. With indomitable energy, he took steps to raise and train men to battle, and to manufacture adequate weapons to equip them for victory. It is one of the inexplicable paradoxes of history, that the greatest machine-producing nation on earth failed to turn out the mechanism of war after 18 months of sweating and toiling and hustling. The men placed in charge of the organisation of the resources of the country for this purpose all seemed to hustle each other - but never the job.

Let us take the aeroplanes as an example. When America entered the War, the British and French aeroplanes were as efficient as any that hovered over the battlefields of Europe. In their production the experiences of the War had taught designers what defects needed remedying, and by this time most of the snags had been overcome. For some time, the Germans had acquired a fortuitous superiority through the ingenuity of a great Dutch inventor, but owing to the lucky mistake which landed a German Fokker machine behind the Allied lines,

we had achieved a design comparable with the best German machines. There were no better pilots in any army than the daring and skilful aviators of the French and British Air Forces. American manufacturers would have been wise to start their enterprise by manufacturing to French and British designs. They could have gone on improving and perfecting as experience taught them, wherever amendment and improvement were desirable or attainable, but unfortunately their untimely pride intervened. They considered that it would be a reflection on American inventiveness and ingenuity merely to keep to European patterns. They must have something original to send to Europe; something which would astonish the natives and drive the inferior German planes into the clouds to seek refuge from this new terror from the West. So the "Liberty" machine was projected, but refused to be invented. One machine after another was tried but each turned out to be as great a disappointment as its predecessor. When at last a new design had been achieved which seemed to be effective, and was ready for manufacture, General Pershing's Staff intervened with suggestions for further improvement. When these alterations had been made instructions came from General Pershing for fresh alterations. The result was inevitable. No American aeroplanes were sent across the Atlantic during the whole of 1917. Even during the great battles of April, May and June, 1918, American aviators had to fly in French machines for they had none of their own. It was July, 1918, before the paragon was fully developed and then it turned

out no better than, in fact not as good as, the thousands with which the British and French aviators had already won the command of the air before the "Liberty" machines had left the workshop or even the draughtsman's table.

When the Armistice was signed November 11th, half the aeroplanes used by the American Army were of French and British make.

The same tale of fussy muddle can be repeated in the matter of guns, light and heavy, for the new American Army. The light and medium artillery used up to the end of the War by the American Army was supplied by the French. The heaviest artillery was furnished by the British. No field guns of American pattern or manufacture fired a shot in the War. The same thing applies to tanks. Here one would have thought that the nation who were the greatest manufacturers of automobiles in the world could have turned out tanks with the greatest facility and in the largest numbers, but not a single tank of American manufacture ever rolled into action in the War.

Transport was so defective that ships sometimes took a couple of months to turn round at the ports, and on land it was so badly organised that, in spite of help which was forthcoming from other armies, a large number of the American troops who fought so gallantly in the Argonne in the autumn of 1918 were without sufficient food to sustain them in their heroic struggle in a difficult terrain. The American soldiers were superb. That is a fact which is acknowledged, not only by their friends and British comrades, but by their enemies as well.

There were no braver or more fearless men in any army, but the organisation at home and behind the lines was not worthy of the reputation which American business men have deservedly won for smartness, promptitude and efficiency.



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

January 2, 1941

1942

MEMORANDUM TO THE SECRETARY:

We have been making purchases during the latter part of December of semi-finished steel requirements for the British, totaling 772,000 tons for delivery during the first quarter of 1942. This tonnage was allocated to twenty-two steel mills, the bulk of the requirements having been allocated to U. S. Steel Corporation and the Bethlehem Steel Corporation.

With the exception of the U. S. Steel Corporation and Bethlehem Steel Corporation, orders have been placed with all of the mills at prices which we have paid previously. The U. S. Steel Corporation and Bethlehem Steel Corporation, however, have taken the position that we should pay the published trade prices (as published in the "Iron Age",) we to pay such published prices in effect as of dates of actual shipments from the mills with the added stipulation that such prices would not exceed the price ceilings of "Federal regulatory agencies". The point is that these companies evidently question the legality of OPA.

We have refused to close on this basis as this practice would encourage inflation and would nullify the effect of price control. Further, such a precedent, if permitted, would be sought by other industries.

Mr. MacKeachie has asked me to attend a meeting next Monday with Under Secretaries of War and Navy, Patterson and Forrestal, and Mr. Henderson for the purpose of cooperating in this matter as both Army and Navy are faced with the same proposition and I understand that Mr. Patterson has taken the position that the steel mills should fix a firm price for quarterly periods, which has been the usual trade practice, such prices, of course, to be within OPA limitations, the alternative being to obtain steel under the requisitioning act which provides for determination and payment of a fair price.

I will keep you currently informed of the developments.

FOR DEFENSE



Clifton E. Mack
Clifton E. Mack,
Director of Procurement

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 2, 1942

TO Secretary Morgenthau
 FROM H. D. White
 Subject: Conference on Lend-Lease Purchases of Completed
 Defense Articles in Canada, January 2, 1942.

Members of the Division met this morning with Mr. Noyes of Lend-Lease. After discussing the Canadian dollar position and the probable effect on it of the Lend-Lease decision not to purchase completed defense articles in Canada for transfer to United Kingdom, the group unanimously agreed that:

1. Canada's present gold and dollar holdings are now about \$185 million. Even if the Lend-Lease authorities do not modify their position, the dollar position of Canada will probably not drop below \$175 million by June 30, though it may drop to \$100 million by the end of 1942.

2. In view of the fact that Canada's dollar assets are not yet low and will not greatly diminish by June 30, the Treasury does not feel justified at this time in informing the Lend-Lease authorities that the Canadian dollar position is critical. The Lend-Lease Administration is most reluctant to reverse its decision not to purchase completed defense articles in Canada for transfer to the United Kingdom unless the Treasury is willing to say to the Lend-Lease authorities that the Canadian dollar position is critical.

3. The Canadians maintain that the decision of the Lend-Lease Administration is contrary to the spirit of the Hyde-Park Agreement and also of the recent Joint War Production Committee. We do not feel that we can agree with them in this view.

The Canadians are going to be very disappointed, however, if the Treasury does not bring about a change of decision by the Lend-Lease authorities. They have over \$20 million of scout cars suitable for the Libyan desert which our Army wishes to buy at once for Lend-Lease to British forces in Libya.

4. The Canadians can, of course, check a drain on their gold and dollar assets when such a drain becomes really serious by making direct Lend-Lease arrangements, which our Lend-Lease authorities would prefer, or through the sale of some of its holdings of U. S. securities.

Revised Outlook for Canadian Exchange Position

On the basis of data submitted by Dr. Clark on December 29, Canada's holdings of gold and available U. S. dollars as of the end of each quarter through March 1943, will be as follows:

(Millions - U.S. dollars)

1941, December 31	185
1942, March 31	219 - 224
June 30	181 - 191
September 30	140 - 155
December 31	91 - 112
1943, March 31.	30 - 55

The above figures are based on the assumption that receipts of Canadian dollars, January 1942 - March 1943, will fall below the estimates submitted by the Canadian Government in November, by the following amounts:

(Millions - U.S. dollars)

Tourist receipts	25 - 50
Newly-mined gold	20
Ships	30
Other war exports (if Young ruling stands)	<u>23</u>
Total	98 - 123

These estimates do not allow for a possible expansion of Canadian exports to the United States which may be expected to follow abrogation of duties on war imports into this country, nor for the effect upon non-military trade which may be expected to result from direct rationing of civilian goods in both countries.

The attached appendix gives more detailed information on the revisions and the distribution by quarters of the expected decline from the earlier forecast.

Statistical Appendix

Revised Estimates of Canadian Dollar Position

The earlier estimate of tourist receipts, amounting to \$101 million during the fifteen months ending March 31, 1943, has been reduced by \$25 - 50 million, in accordance with the statement made on page 2 of Dr. Clark's memorandum of December 29. In this memorandum Dr. Clark reports: ".... it is not improbable that U.S. tourist expenditures in Canada, which are to a very large extent based on automobile travel, will fall off materially — perhaps as much as \$25 - 50 million."

In the November estimates, receipts from newly mined gold were fixed at \$181 million in 1942, as compared with \$187 million in 1941. It seems improbable that strikes and the pressure on marginal mines can together reduce this figure below \$165 million per annum, or \$204 million for the entire fifteen months.

In November, receipts from the sale of ships to the United States during the entire period were estimated at \$160 million. Of total exports under the Hyde Park Agreement, in the amount of \$501 million, \$81 million represented components purchased in the U.S. If it be assumed that approximately 1/5 of the \$160 million to be derived from ships would have been paid out in the purchase of steel plates and other supplies in the U.S., the net dollar receipts on this account, for the period ending March 31, 1943, should not exceed \$130 million, even under the November estimates. Allowing for a continuation of the current lag of three months, as a result of failure to obtain sufficient plates, it has been assumed that approximately \$100 million net may be expected from ships during the fifteen months ending March 31, 1943.

Finally, with respect to the Young ruling, only \$32 million was included in the November estimates for contracts with the War Department which are not now firm contracts, and hence subject to this administrative restriction. After allowing for the proportion of these which would not be sold to the United Kingdom as finished goods, and for the U.S. components of these contracts, it is believed that net dollar receipts might be reduced only \$23 million as a result of the Young ruling.

In order to arrive at some statement of the gold and dollar balances held at the end of each quarter, a more or less arbitrary distribution by quarters has been made, as follows:

- 2 -

Deficiency (-) or Excess (+) by Comparison
with November estimates

	(Millions of U.S. Dollars)				1943 I
	1942				
	I	II	III	IV	
Ships	-10	-15	-15	+10	—
Gold	-4	-4	-4	-4	-4
War supplies (Young ruling)	-3	-8	-7	-4	-1
Tourist receipts (Minimum figure)	0	-5	-20	0	0
Tourist receipts (Maximum figure)	<u>-5</u>	<u>-10</u>	<u>-25</u>	<u>-6</u>	<u>-4</u>
Total	-17 to -22	-32 to -37	-46 to -51	+2 to -4	-5 to -9
Cumulative Total	-17 to -22	-49 to -59	-95 to -110	-93 to -114	-98 to -123

By applying the cumulative deficiency totals to the earlier data, the balances in gold and dollars held at the end of each quarter have been estimated, and set forth in the body of this memorandum.

TREASURY DEPARTMENT

314

INTER OFFICE COMMUNICATION

DATE January 2, 1942

TO Mr. White
FROM Mr. Ullmann
Subject: U.S.S.R. - Lend-Lease

1. According to Lend-Lease authorities, the total value of requisitions already cleared for purchase is estimated at \$800 million. All the military supplies in the Moscow Protocol have been requisitioned.

2. Since the fulfilling of the Moscow Protocol will involve between \$1 billion and \$1.3 billion, between \$200 million and \$500 million remains to be requisitioned.

3. Requisitions should not be confused with either the placing of orders or the delivery of goods. Requisitions are merely the first step in the process.

4. Of the \$800 million requisitioned, \$575 million is to be paid out of U. S. Army appropriations -- not out of Lend-Lease funds. Therefore, while the Russians will have the benefit of an advance of \$1 billion, Lend-Lease funds will be used to the extent of not more than \$425 million.

5. Lend-Lease authorities are inclined to classify the advance to the Russians as a commercial loan rather than as "Lend-Lease", since the Russians anticipate repaying the whole amount.

Because of this, I am told, the Russians are very careful about the prices paid for the articles purchased under the agreement.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE January 2, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£65,000
Purchased from commercial concerns	£22,000

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

The Canadian dollar continued to recover from the current low of 14-5/8% discount reached on December 30. Today's closing quotation was 13-3/4%.

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

Argentine peso (free)	.2345
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5310
Venezuelan bolivar	.2660
Cuban peso	1/8% premium

A few days ago, the Federal Reserve Bank of New York received an order from the Bank of Sweden to sell 250,000 Argentine pesos at best. Owing to the thinness of the peso market, the Federal requested that the Bank of Sweden leave this order open until next Tuesday, which the latter agreed to do. Today, the Federal sold 100,000 Argentine pesos in New York at the rate of .2350.

In order to increase the Stabilization Fund's gold balance, we purchased \$300,000 in gold from the General Fund.

No new gold engagements were reported.

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

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

We made no purchases of silver today.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 2, 1942

TO Secretary Morgenthau

FROM T. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£65,000
Purchased from commercial concerns	£22,000

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

The Canadian dollar continued to recover from the current low of 14-5/6¢ which was reached on December 30. Today's closing quotation was 13-5/4¢.

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

Argentine peso (free)	.2345
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayan peso (free)	.5310
Venezuelan bolivar	.2660
Cuban peso	1/6¢ premium

A few days ago, the Federal Reserve Bank of New York received an order from the Bank of Sweden to sell 250,000 Argentine pesos at best. Owing to the thinness of the peso market, the Federal requested that the Bank of Sweden leave this order open until next Tuesday, which the latter agreed to do. Today, the Federal sold 100,000 Argentine pesos in New York at the rate of .2350.

In order to increase the Stabilization Fund's gold balance, we purchased 700,000 in gold from the General Fund.

No new gold engagements were reported.

In London, spot and forward silver were fixed at 25-1/2d, equivalent to 42.67¢.

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

We made no purchases of silver today.

DEPARTMENT OF STATE

Washington

In reply refer to
840.51 Frozen Credits/4997

January 3, 1942.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a paraphrase of telegram no. 2230 of December 29, 1941 from the American Embassy at Rio de Janeiro, stating that the French Embassy here has received instructions from the Vichy Government to distribute one million dollars to French diplomatic missions in the American republics.

Enclosure:

From Rio de Janeiro,
no. 2230, December 29,
1941.

sh: copy
1-3-42

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317

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brasil.

DATE: December 29, 1941, 7 p.m.

NO. : 2230

The Embassy refers to its telegram No. 1069, 1 p.m., dated the 13th of August.

Instructions from the Vichy Government to distribute the \$1,000,000 to French diplomatic missions in South America and Central America have been received by the French Embassy here.

CAFFERY

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1-5-42

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DEPARTMENT OF STATE

Washington

In reply refer to
FD

January 2, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram no. 5, dated January 1, 1942, from the American Embassy, Rio de Janeiro, Brazil, concerning negotiations between the Governments of Brazil and Great Britain relative to the use of sterling by Spain to buy cotton during 1942.

Enclosure:

From Embassy, Rio de Janeiro,
no. 5, January 1, 1942.

Copy:hmd:1/3/42

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil

DATE: January 1, 1942, 9 p.m.

NO.: 5

I have received information to the effect that the Spanish Government will be authorized by the British Government to utilize sterling to buy eighteen thousand tons of cotton during each quarter of 1942 on conditions as follows:

1. Quarterly 3,000 tons are to be purchased from interests of Great Britain on the African west coast;
2. Quarterly 3,000 tons are to be purchased in Brazil if the Government of Brazil will agree to credit the sterling to an account which will be utilized only for the settling of claims of Great Britain caused by the Brazilian Government's recent action in expropriating the Brazil Railway Company's properties.

Negotiations by the British Embassy here with the Ministers of Finance and Foreign Affairs are now being made, and I was told yesterday by a member of the staff the reaction was favorable at the very first.

CAFFERTY

3399:ham:1/3/42

Treasury Department ³²⁰
Division of Monetary Research

Date January 5 1942

To: Miss Chauncey, Room 285
From: Mr. White

I do not believe this is of sufficient importance to be called to the Secretary's attention. The problem it presents is being taken up at a Foreign Funds Control meeting.

DEPARTMENT OF STATE

Washington

In reply refer to
FD

January 2, 1942.

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrases of telegram No. 1110, dated December 26, 1941, and telegram No. 1074, dated December 18, 1941, from the American Embassy, Madrid, Spain, concerning the disposition of United States dollar currency held in Spain.

Enclosure:

1. From Embassy, Madrid,
No. 1110, December 26, 1941.
2. From Embassy, Madrid,
No. 1074, December 18, 1941.

eh:copy
1-3-42

PARAPHRASE OF TELEGRAM RECEIVED

From: American Embassy, Madrid, Spain.

Date: December 26, 1941, 7 p.m.

No. : 1110.

RUSH.

Again the Director of the Exchange Institute has inquired in regard to our views concerning shipment of American currency as reported in my telegram No. 1074, B.M., dated the 18th of December.

London is being urged by the British Embassy to grant navicerts for monthly shipments of \$50,000.

My opinion is that in all probability encouraging the Government of Spain to remove U. S. currency which it is now holding to the U.S. might be better; (my understanding is that this currency amounts to approximately \$1,000,000) and that thereafter according to an agreement with Great Britain to give consent to perfectly legitimate shipments in the future which represent current legitimate transactions which are not to exceed a stated amount. Control of the movement of the corresponding credit would thus be permitted to us; further, the possibility of this quantity falling into German hands, in the event of a German invasion of Spain, would be removed. The policy of acting openly by the exchange control authorities who are now friendly would be encouraged and the temptation later to act as intermediaries for "dumping" on the part of the Axis would be discouraged.

We could insist that the Institute give us permission to examine its records in order to assure ourselves that the amount of this currency which is now held, or subsequent purchases thereof was not then or is not now germinated from transactions with Axis powers or as payments for Spanish goods made by them.

WEDDELL

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PARAPHRASE OF TELEGRAM RECEIVED

323

From: American Embassy, Madrid, Spain.

Date: December 18, 1941, 9 p.m.

No. : 1074.

I have been informed by the Director of the Foreign Exchange Institute that he has been buying dollar paper currency from returning Spaniards, vessels, tourists, etc., which he has been shipping until recently to the U.S. at the rate of (*) dollars each voyage on the Spanish vessels Marquis de Comilas and Magellanes. Navicerts for continuing these shipments have been refused by the British authorities. Since he cannot send this currency to the U.S. he is, therefore, faced with two decisions. One is to so reduce the rate quoted that sales would be discouraged and the other is to refuse to purchase dollar currency. The Foreign Exchange Institute Director is unwilling to take steps such as these without letting the Government of the United States know about the situation. He would appreciate being informed as to whether, in order to overcome this impasse, the Government of the United States would intercede with the authorities of Britain. His estimation is that the amount to be shipped would not exceed \$50,000 in any one month. The Director said that he was willing to allow an Embassy representative to investigate his records which show the source of purchase of this currency. The Embassy would appreciate the Department's comments.

WEDDELL

(*) Apparent omission.

eh:copy
1-3-42

324
BRITISH EMBASSY,
WASHINGTON.

PERSONAL
AND SECRET

January 2, 1942.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

H. Halifax

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

Copy No. 25

BRITISH MOST SECRET

(U.S. SECRET)

OFTEL No. 1

Information received up to 7 a.m., 1st January, 1942.

(I) NAVAL

Attacks on shipping. 28th Dec. A British ship of small tonnage was sunk by enemy action in the Eastern MEDITERRANEAN.

31st Dec. A British tanker was torpedoed about 200 miles north west of the BOTT OF LEVIS.

(II) MILITARY

LIBYA. Enemy is now believed to have the remnants of five Italian infantry divisions and one Italian and two German armoured divisions in the JEDABYA area, round which several strong points have been constructed. There is also a line of defended posts stretching thirty miles south eastwards towards EL HASELIAT. From which place the enemy had been forced to withdraw by one of our mobile columns.

30th Dec. During the morning there was another tank battle between forty enemy tanks and fifty-eight of our own some fifteen miles south east of JEDABYA. Tank casualties are not yet known but are likely to be considerable on both sides. In the afternoon, our armoured forces withdrew northwards to protect the left flank of the troops engaging the strong enemy post north east of JEDABYA.

PROVINCE AREA. 31st Dec. The assault on BARDIA with tanks and infantry commenced early in the morning after heavy air and artillery preparations. It is believed that good progress has been made.

MALAYA. In PERAK our position is unchanged. During 30th Dec. the Japanese, supported by artillery and mortar fire, appeared to be feeling our defences. There has been minor enemy air activity against our communications. On the West Coast, a small party of Japanese have penetrated southwards from TRENGGANU towards KUANTAN where they are being engaged.

RUSSIA. Heavy fighting is continuing south west of KALININ. The Germans have made a further withdrawal west of KALUDA.

(III) AIR OPERATIONS

WESTERN FRONT. 31st Dec. and 31st Dec./1st Jan. No offensive operations undertaken by our aircraft and enemy activity was negligible.

Regraded Unclassified

- 2 -

MEDITERRANEAN. LIBYA. 30th Dec. Three squadrons Blenheims bombed thirty tanks and 200 mechanical transport which were attacking our troops twenty-three miles south east of JEDABYA. All bombs burst among the mechanical transport. Four other squadrons heavily attacked enemy positions at BARDIA. 8 Blenheims attacked mechanical transport on the FAS-TRIPOLI and TRIPOLI-ZOUARA roads.

30th/31st. Seven Wellingtons attacked barracks and mechanical transport sheds at MISURATA. Repeated hits were scored on the targets.

HAUTA. 30th/31st. Twenty-three enemy aircraft dropped bombs on the island demolishing a number of houses.

31st. Three enemy raids, one of which consisted of forty-six bombers and fighters, attacked TAKAU aerodrome. One ME 109 was destroyed. No damage to aerodrome reported.

FAR EAST. MALAYA. 30th. Enemy aircraft attacked KUALA LUMPUR and PORT SWETTENHAM. No reports of damage.

(IV) INTELLIGENCE

Oil. In their efforts to reduce the consumption of petrol still further, the Germans are reported to be ordering large quantities of producer gas apparatus for use on mechanical transport on the Russian Front. They have not delivered any oil under their agreement with SWEDEN since October and have intimated they will not recommence deliveries in the near future.

TREASURY DEPARTMENT

327

INTER OFFICE COMMUNICATION

DATE January 2, 1942

TO Secretary Morgenthau
FROM Mr. Kemerck
Subject: O.C.I. Report: "Germans and Rumania, Currency and Finance."

Source: Official in Rumanian National Bank, End of October.

Inflation is on the way in Rumania. The note issue has increased from 64 billion Lei in December, 1940, to 90 billion Lei in September, 1941 (a 40 percent increase in nine months) and is now increasing at a rate of 5 to 6 billion a month. The inflation is being caused by government financing of the war by advances from the National Bank and by German exploitation. If the latter is not soon stopped, the situation will get out of hand.

- a. The Germans have been buying heavily in Rumania and have run up a clearing debt of 15 1/2 billion Lei (around \$100 million) in the last few months. The National Bank, of course, has had to compensate Rumanian exporters to this amount.
- b. The Rumanians still have to pay one billion Lei a month for the German Army of Protection - which is no longer in Rumania. The money is being used to buy controlling interests in Rumanian industry.
- c. At the beginning of October, the National Bank refused to convert any more Reichsmarks into Lei. It also refused to accept the Lei notes the Germans secured in Bulgarian-occupied Dobrudja.

TREASURY DEPARTMENT

328

INTER OFFICE COMMUNICATION

DATE January 2, 1942

TO Secretary Morgenthau
FROM Mr. Kamarck
Subject: Summary of Military Reports

German Threat to U. S. Shipping

The British believe that it is probable that German submarines may be moving towards the western Atlantic. (Probably the purpose is to attack coastal shipping off our shores as in the last war.)

(U.K. Operations Report, December 18-25, 1941)

Far East

The British estimate that the Japanese air force now operating in Indo-China, Siam and Malaya has been increased to 560 airplanes of all types. The number of land-based heavy bombers in the Pacific Islands has been increased to a total of 24. (The latter planes are, of course, to put up a screen of air protection for Japanese operations in the western Pacific.)

The present Japanese strength on the Malay Peninsula is estimated by the British at 4 divisions and 1 tank regiment.

Our army believes that the Japanese have at least 6 divisions in the Philippines.

(U.K. Operations Report, December 18-25, 30;
U.S., M.I.D., December 31, 1941)

Submarines Refueled in Spanish Harbor

German prisoners taken by the British (presumably from captured submarines) state that some German submarines refueled from merchant ships lying in Vigo, Spain (just north of the Portuguese border) about the middle of December. (On August 23, the Assistant Collector of the Customs at Port Arthur, Texas, wrote a letter to the State Department

informing the Export Control Division that German submarines were being fueled off Vigo with American oil sent to Spain.

(U.K. Operations Report, December 18-25, 1941)

Russo-German Front

The British state that Russian pressure is preventing the Germans from executing a planned withdrawal. There is no immediate prospect of the Germans succeeding in stopping the Russian advance and in stabilizing the front.

At Archangel the ice situation is becoming serious. The British believe, however, that more extensive use of Murmansk can improve import conditions.

(U.K. Operations Report, December 18-25, 1941)

The French Military Attache in Finland believes that the withdrawal of Nazi specialist troops from Finland to be sent to Russia as the cadres for new units, indicates high German casualties in the war.

(O.C.I., "The War This Week, December 24-31, 1941")

Libya

General Rommel's two armored divisions now consist of some 50 tanks, (or around ten percent of his original strength). British pursuit is being hampered by rain and mud on the supply routes. The Germans are suffering from a shortage of transport and mechanical repair difficulties. The future of the battle now depends on the British ability to transport and maintain supplies in sufficient volume. (General Rommel, according to our army, is now digging in while waiting for reinforcements. The German bombers based on Crete, and the German submarines in the Mediterranean are attempting to interfere with any British supplies moving along the Cyrenaican coast to Benghazi.)

(U.K. Operations Report, December 18-25, 1941)

Next German Offensive

No German troop movements have been reported to substantiate the numerous rumors of an imminent attack on Spain.

There have been several reports of German preparations for future military action based on Bulgaria.

Enemy activity against Malta has increased by day and night.

(U.K. Operations Report, December 18-25, 1941)

The Nazis are reported to have sent heavy air reinforcements to southern Italy, and units of ten different air force wings from Russia and one from Norway have been seen on northern Italian airfields. Air units in Greece are also being strengthened.

Vichy has ordered French North African officials to deliver 3,600 tons of gasoline to the Axis at the Libyan border.

(O.C.I., "The War This Week," December 24-31, 1941)

(The foregoing reports fit into the pattern of a German move into French North Africa via Italy and Sicily, or of defensive preparations against a British push to Tripoli.)

Italy

British raids on Naples have completely destroyed half of the Royal Arsenal, caused severe damage to the torpedo works and damage to the Alfa Romeo (airplane engine) works, an oil depot, and the roofing of the airframe works.

(U.K. Operations Report, December 18-25, 1941)

RESTRICTED

G-2/2657-220; No. 588 M.I.D., W.D. 11:00 A.M., January 2, 1942

SITUATION REPORTI. Pacific Theater.

Philippines: Manila was occupied by the Japanese in the early afternoon of January 2. Enemy air activity has moderated slightly. No important news from the front lines. Jolo, the capital city of Jolo province (island in Sulu group) has been occupied by a small Japanese landing force. Hawaii: No further reports of hostile action. Malaya: Hostile air raids on Singapore resulted in small damage. There is no change in land operations. Caroline Islands: The press states that Australian planes have opened an offensive on the Japanese Mandated Caroline Islands. China: Press reports allege that the Japanese are on the outskirts of Changsha. West Coast: No further reports of hostile activity.

II. Eastern Theater.

Ground: There is little change in the situation on the Russian front. The Russians claim the capture of Staritsa (30 miles northeast of Rzhev and 40 miles southeast of Kalinin).

Air: The Press reports that German planes in the Crimea have counterattacked Russian troops which recaptured Kerch and Feodosiya. The Germans claim a Russian freighter and a small warship were sunk by these attacks.

III. Western Theater.

Air: British bombing attacks on airdromes of northern France continued.

IV. Middle Eastern Theater.

Ground: In the Agedabis sector there is a decrease in activity. The Axis forces under General Rommel apparently have dug in, awaiting reinforcements, while the British are gathering strength to continue their push into Tripolitania.

In the Frontier Area, Bardia is under heavy attack by British forces.

Air: According to the Press, Axis aircraft have attacked British land forces on the Agedabis front at the eastern edge of Tripolitania. The British planes carried out attacks against Misurata and El Melaha deep in Tripolitania.

RESTRICTED

January 3, 1942.

MEMORANDUM FOR THE SECRETARY'S FILES

The following decisions were made by the Secretary in conference with Mr. White at 9:30 Saturday morning, January 3, 1942.

1. Letter to the President on Procurement-Lend-Lease was signed.
2. The Secretary approved of the purchase from Russia of \$20 million of gold for future delivery. The Secretary suggested that Russia might avail herself of the advice and assistance of Treasury-Procurement for the purchase of non-military goods, such as tractors, etc., which she is buying.
3. Cochran's report. The Secretary instructed me to have a copy sent to Secretary Hull, over Secretary Morgenthau's signature, but did not approve of sending one to Mr. Knoke.
4. Stabilization Fund Section arrangements. Mr. White spoke to the Secretary with respect to making changes in the Stabilization Fund Section.
 - (a) The Secretary said that that was my (White's) responsibility and to go ahead and do whatever I thought necessary.
 - (b) I spoke to him about Professor Brown's survey of stabilization fund history and he instructed me to have Mr. Brown wind up his activities. He did not approve of Mr. Brown's going any farther with the study.
 - (c) I suggested an increase in Mr. Southard's salary and the Secretary approved a \$500 increase.
5. Sir Frederick Phillip's letter on shipbuilding facilities sale to the Maritime Commission. The Secretary signed the letter to the Maritime Commission recommending the sale and suggested that a copy of the letter be sent to Sir Frederick.
6. Canadian request for Treasury assistance to modify Lend-Lease interpretations. The Secretary decided to sit tight on it and said: "Let's see what Canada will do with the Scout Cars." He stated that he felt Canada ought to sell them or Lend-Lease them to England. He added that Canada can always come in under Lend-Lease if she is in financial difficulties, but concluded that we should not take any action in the matter.
7. The Secretary signed the letter to the Minister of South Africa about gold mining.

- 2 -

8. The Secretary stated it was all right to go ahead with attempting to secure legislation for the minting of silver coin.

9. The Secretary approved my (White's) suggestion that I could raise with Welles the question as to whether or not he would wish to have prepared a proposal on an Inter-Allied Stabilisation Fund for the Rio conference. Mr. White explained to the Secretary that the proposed resolution was not drafted but that if Mr. Welles was interested, we could draft one and clear it with Secretary Morgenthau before giving it to them. Mr. White stated he would explain to Mr. Welles that Secretary Morgenthau had not yet cleared any draft but was favorable to the idea of presenting it in Rio if the State Department thought it would be helpful for their purpose.

HPW

JAN 3 1942

My dear Mr. Minister:

I have received your letter of December 27.

I shall be glad to examine the material on your dollar exchange problem, as soon as I receive it.

Very sincerely yours,

(Signed) H. Hergenthan, Jr.

Secretary of the Treasury

Mr. Ralph W. Close,
Minister,
Legation of the Union of South Africa,
Washington, D. C.

S.N.

n.m.c
cc - Mr. White

30/1/42
1/1/42

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335

LEGATION OF
THE UNION OF SOUTH AFRICA
WASHINGTON, D.C.

27th December, 1941.

My dear Mr. Morgenthau,

Thank you for your letter of the 15th instant.

Though it is obvious that we can do nothing but bow to the ruling of the Committee concerned, I must frankly express my great disappointment.

You refer to a principle adopted at a recent meeting of representatives of Departments interested, that high preference rating for equipment and supplies for Gold Mining should be given only in special circumstances.

I had realized that, in view of the position as it was understood to be, a special case would have to be made for Gold Mining equipment and supplies for each country concerned; but I did hope until I received your letter that I had made out an absolutely strong special case for the steel needed for our particular South African Gold Mining Industry - on my showing, inter alia, -

1. That the steel was essential for the maintenance (not the development) of our Gold Mining Industry.
2. That the particular steel in question is obtainable only in the United States as it cannot be produced in the Union of South Africa.
3. That the war economy of the Union of South Africa absolutely depends on the Gold Mines as one third of our revenue comes from Direct Taxation and one third from Indirect Taxation of the Gold Mining Industry.

All this has been clearly and repeatedly shown in urgent telegrams from our Prime Minister, of which I told you the full substance.

- These -

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

- 2 -

These showed that the serious interruption of the War Economy which would result from the Gold Mining Industry being left short of essential steel as in this case if our application fails, would have most serious repercussions on the War Effort of the Union: and how serious that would in turn be for our common War Effort I am sure it is needless for me to do more than allude to. This logical "chain of seriousness" did seem to me to be complete.

The Committee on the other hand obviously did not agree.

I do hope, however, that the ruling in question (based apparently on the views that this "chain of seriousness" is not a special circumstance for the purpose of obtaining a high preference rating) is only a temporary one and will be open to reconsideration.

In the meantime I am awaiting the answer to a telegram which I sent to our Prime Minister asking for the full data which, in your letter you indicate, will be necessary from the "Dollar Exchange" point of view for the Treasury to have if it is to take any action to assist us in our problem.

Very sincerely yours,

Ralph W. Cross

Minister.

January 3, 1942
9:56 a.m.

Phillip Murray: Mr. Secretary, how are you this morning?
WJr: How are you? Mr. Murray?
P: You've done a remarkably fine job there.
WJr: What's that?
P: Oh, now, I shouldn't have to spend the next half hour explaining what you've done to the country this morning.
WJr: Oh. (Laughs)
P: (Laughs)
WJr: What I've done?
P: Yes.
WJr: Well, I appreciate that you lifted that one sentence.....
P: All right. Well, that's.....
WJr:because my wife is a very hard-headed lady, and felt that might start a whole train of attack on the President.
P: I see. Well, we didn't want that.
WJr: And she said it's the kind of thing that - well, to use her own - well, that you might expect from Wheeler or Lindbergh.
P: That's right.
WJr: And she was afraid that there might come another ad from the Gold Star Mothers.
P: I see.
WJr: You see?
P: Um huh. I understand.

- 2 -

EMJr: And I think that if she felt that way, other people might feel that way.

M: That's right, that's right. Well, we lifted it anyhow.

HMJr: Well, when that was lifted, she was thrilled with the ad.

M: Well, it looks mighty good to me in the morning paper, anyway.

EMJr: And I listened to this radio commentator at a quarter of eight.....

M: Uh huh.

EMJr: ...whatever - Earl Godwin.

M: Oh, yes.

EMJr: And he started off with this thing, and then came the story of the twenty-four nations afterwards.

M: Oh, well. That's remarkable.

EMJr: And he gave it a very friendly angle.

M: He did?

EMJr: Uh huh.

M: Oh, I think it's a bombshell.

M: Oh, it is; and that, coupled with what Henderson had to say in the Post this morning.

EMJr: Wasn't that wonderful?

M: Wonderful. I think that one just sort of supports the other there.

EMJr: (Laughs) If anybody's accused of helping you, I think it will be Henderson.

M: Yeah. More than likely they'll be saying that Henderson has done this damned dirty job this morning.

- 3 -

HMJr: (Laughs)

M: (Laughs)

HMJr: Aren't you happy about it?

M: Yes. I'm feeling quite good about it this morning, Mr. Secretary.

HMJr: I am. I think it's a powerful thing.

M: I think it is myself.

HMJr: Yeah. I think it's the most powerful thing that's happened in this town for a long time.

M: I think it is. I think it's going to have a decidedly good effect, too.

HMJr: Tell me, what other papers are you running it in?

M: Well, I'm running it in the Detroit paper this morning, I believe, one of the Detroit papers. The New York Times, see, is going to get it Monday morning.

HMJr: Oh.

M: PM, of course, is carrying it, almost in full.

HMJr: I see.

M: And then the Washington papers are carrying it again Monday, see?

HMJr: I see. The same ad.

M: The same ad, yeah.

HMJr: I see.

M: Yes. That's right.

HMJr: Well.....

M: So it will get them all.

HMJr: I'll be curious to know what kind of repercussions you get.

M: All right. And let me know what you get, also, will you?

HMJr: Well, I'm - yes, yes.

M: Fine.

HMJr: So nice of you to call me.

M: Well, thanks, Mr. Secretary. Good-bye.

Mr. OPM:

You read the news.

The Marines at Wake Island at first fought off the Japanese with only four planes. Then, they fought them off with two. Finally, in the desperate end, they fought with one plane.

Wake Island is lost. Guam is lost. The Philippines are in dire straits. The United States, the nation with the greatest mass production machinery, has been unable to match Japan in equipment.

Why is that, Mr. OPM?

You know that to bring the war to a quick, victorious end, we have to produce a maximum of the implements of war as rapidly as possible.

You know that our automobile industry is the greatest mass production organization in the world. We have the basic machinery, the plant space, the skilled man-power, the managerial force to produce tanks and planes, guns and trucks. We can give our country and our allies unquestioned military superiority over our enemies.

Mr. OPM, why aren't we doing it?

Half of the nation's auto plants today are closed down. Virtually all of them will be down by the end of January -- blacked out not by Hitler and Japan.

Approximately 250,000 automobile workers, men trained in precision, mass production methods, and highly skilled tool and die makers, are now idle. Fully 400,000 will be idle by the end of January.

The nation has lost 2,000,000 man days every week in war production thru failure to put the 400,000 automobile workers to work.

Does this make sense, Mr. OPM?

Our war production is scattered. It is on an insignificant scale, in inadequate quantities. Only a few plants are turning

out the vital materials of war. Only one General Motors plant has been finally converted. We are promised accomplishments many months from now when new plants will be completed.

This is the record of the costly price we have paid for permitting business-as-usual to shunt aside the needs of national security.

Here is what the Tolan Committee of the House of Representatives thinks of our war production today:

1. "Only a negligible part of this (the automobile industry's) plant capacity is presently employed in the war effort."

2. "A great automobile corporation showed that it was producing the tools of war at a rate, which, if general, would require fifteen years for the completion of the armament program already projected."

3. "Manufacturers have been reluctant to convert their production facilities from civilian to military production, and the defense agencies of the Federal Government have not required such conversion."

Mr. OPM. more than a year ago, the Congress of Industrial Organizations presented a simple, practical plan for utilizing and adapting the available machinery in the automobile industry for plane production. The program, drafted by Walter F. Reuther and other members of the CIO's Automobile Worker's Union, was referred to you for study and recommendations. You did nothing about it.

Labor is ready and determined to do its part in the national war effort. It is willing to accept the bitter necessities of a righteous war.

Labor has the right to expect that industry shall also do its part.

Tomorrow in Washington, representatives of automobile labor, automobile management, and of OPM will meet to determine what part

the automobile industry is to play in America's war effort.
It is a conference long overdue.

Mr. OPM, the responsibility of war production is yours.
What are you going to do?

An Open Letter to Mr. OPM

Mr. OPM:

You read the news.

The Marines at Wake Island at first fought off the Japanese with only four planes. Then, they fought them off with two. Finally, in the desperate end, they fought with one plane.

Wake Island has been taken. Guam has been taken. The Philippines are in dire straits. The United States, the nation with the greatest mass production machinery, has been unable to match Japan in equipment.

Why is that, Mr. OPM?

You know that to bring the war to a quick, victorious end, we have to produce a maximum of the implements of war as rapidly as possible.

You know that our automobile industry is the greatest mass production organization in the world. We have the basic machinery, the plant space, the skilled man-power, the managerial force to produce tanks and planes, guns and trucks. We can give our country and our allies unquestioned military superiority over our enemies.

Mr. OPM, why aren't we doing it?

Half of the nation's auto plants today are closed down. Virtually all of them will be down by the end of January—blacked out not by Hitler and Japan.

Approximately 250,000 automobile workers, men trained in precision, mass production methods, and highly skilled tool and die makers, are now idle. Fully 400,000 will be idle by the end of January.

The nation has lost 2,000,000 man days every week in war production thru failure to put the 400,000 automobile workers to work.

Does this make sense, Mr. OPM?

Our war production is poorly allocated. It is on an insignificant scale, in inadequate quantities. Only a few plants are turning out the vital materials of war. Only one General Motors plant has been converted. We are promised accomplishments many months from now when new plants will be completed.

This is the record of the costly price we have paid for permitting business-as-usual to shunt aside the needs of national security.

Here is what the Tolson Committee of the House of Representatives thinks of our war production today:

1. "Only a negligible part of this (the automobile industry's) plant capacity is presently employed in the war effort."
2. "A great automobile corporation showed that it was producing the tools of war at a rate, which, if general, would require fifteen years for the completion of the armament program already projected."
3. "Manufacturers have been reluctant to convert their production facilities from civilian to military production, and the defense agencies of the Federal Government have not required such conversion."

Mr. OPM, more than a year ago, the Congress of Industrial Organizations presented a simple, practical plan for utilizing and adapting the available machinery in the automobile industry for plane production. The program, drafted by Walter P. Reuther and other members of the CIO's Automobile Workers' Union, was referred to you for study and recommendations. You did nothing about it.

Similar plans for increasing production of steel, aluminum, copper and other materials vital to the successful execution of the war program were proposed. You did nothing about them.

Labor is ready and determined to do its part in the national war effort. It is willing to accept the bitter necessities of a righteous war.

Labor has the right to expect that industry shall also do its part.

On Monday in Washington, representatives of automobile labor, automobile management, and of OPM will meet to determine what part the automobile industry is to play in America's war effort. It is a conference long overdue.

The Automobile Workers' proposals for all-out production will again be placed before you.

Mr. OPM, the responsibility of war production is yours. What are you going to do?

CONGRESS OF INDUSTRIAL ORGANIZATIONS
Philip Murray, President

UNITED AUTOMOBILE, AIRCRAFT AND AGRICULTURAL IMPLEMENT WORKERS, CIO
R. J. Thomas, President

George F. Addes, Secretary-Treasurer

Regraded Unclassified

January 3, 1942
10:43 a.m.

Grace
Tully: Hello, Mr. Secretary; how are you?

HMJr: I'm alive.

T: That's good.

HMJr: And kicking.

T: Yeah.

HMJr: You called me at five minutes to six, mind you.

T: I called you at five minutes to six to give you this message from the President, and I gave him the message about the Executive Order and so forth.

HMJr: Good.

T: And he said, well, that was two weeks ago or something. He says, "You tell Henry to keep his pants up." (Laughs) And I called you to tell you to keep your pants up.

HMJr: He said that was two weeks ago?

T: (Laughs) About the Executive Order. Apparently it isn't going to be signed or something. He seemed to think that that was discussed two weeks ago and then forgotten and then that was that.

HMJr: I mean - well (Laughs) I know how to keep my pants up.

T: (Laughs) Not keep them on, but keep them up. (Laughs)

HMJr: I don't get his message. What does it mean?

T: "Tell Henry to keep his pants up." I don't know. I said, "Well, all right, I'll call him right now and tell him that," but you were gone and then I didn't disturb you home.

HMJr: But that was two weeks ago.

T: What?

HMJr: Would you gather that he isn't going to do anything?

T: I gather it from that, yes. Uh huh.

HMJr: What?

T: And it was discussed and talked, and apparently he isn't going to sign any Executive Order. That's what I took from that.

HMJr: I wonder if you're right?

T: Yeah, I'm pretty sure.

HMJr: You're pretty sure.

T: And also, he also knows now that if it comes before him, you see, that you don't wish him to sign it until you've had an opportunity to talk with him.

HMJr: He was perfectly pleasant about it?

T: Oh, yes. Heavens, yes.

HMJr: Thank you.

T: And laughed about it and said, "You tell Henry to keep his pants up," so I was just calling you.....

HMJr: Well, I've got.....

T:to deliver the message. (Laughs)

HMJr: Tell him I'm wearing suspenders and a belt.

T: (Laughs) All right. Fine, I will.

HMJr: Thank you.

T: All right, Mr. Secretary. Good-bye.

HMJr: Good-bye.

January 3, 1942
1:06 p.m.

HMJr: Hello. Mr. Gromyko.

Andrei A.
Gromyko: Yes.

HMJr: This is Mr. Morgenthau.

G: How do you do, Mr. Secretary.

HMJr: I just wanted to tell you.....

G: Uh huh.

HMJr:that we'll be very glad to buy twenty million dollars of gold.....

G: Uh huh.

HMJr:and if you will see Mr. White, he'll work out the details.

G: Very well. Thank you very much.

HMJr: We'll do it today.

G: Very well. I shall see him today at two o'clock.

HMJr: Fine. Well, he'll give you a check.

G: Very well.

HMJr: We'll pay for it. We'll do it today.

G: Very well. Thank you very much, Mr. Secretary.

HMJr: Your credit is very good with us.

G: Thank you very much.

HMJr: Keep up killing the Germans.

G: Yes, repulse them. (Laughs) Very good news.

HMJr: Keep on. Kill a few more.

G: We shall try to go on.....

HMJr: Fine.

G:with our stuff.

HMJr: Good.

G: (Laughs)

HMJr: Keep on till you get to Berlin.

G: (Laughs) All right. Oh, it's very - too far to Berlin. It's a shorter step to Minsk - from Smolensk to Minsk.

HMJr: Well, it may not be as far from where you are to Minsk as it is from Minsk to Berlin.

G: (Laughs) That is right.

HMJr: All right.

G: Thank you very much, Mr. Secretary.

HMJr: Good-bye.

G: Good-bye.

January 3, 1942

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Mr. Kuhn took this draft to the Secretary's house for discussion this afternoon (Saturday).

DRAFT OF SECRETARY MORGENTHAU'S BROADCAST
"THE JOB AHEAD"
January 4th, 1942

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2d
draft

Tonight I can give you proof that the country remembers Pearl Harbor. I am happy to report to you that Defense Bond sales in the month of December produced more than five hundred million fighting dollars for fighting men. Actual cash deposits from Defense Bond sales reached the record total of \$528,000,000, about twice as much as the average for the previous seven months.

This grand response is just one sample of what our people will do, in every field of the war effort, now that they are awake and aroused to their country's danger.

It is especially good news to me that \$341,000,000 of the December total came from the sale of the Series E Bonds, the "people's bonds", that start at a price of \$18.75. The sales of Series E Bonds were almost three times what

they had been in previous months. All this indicates that more and more people with moderate ~~and small~~ incomes are acquiring the good habit of saving for their country.

The rush to buy bonds was so great that in some places the supply ~~of bonds~~ ran out for a time. We just couldn't print the bonds fast enough after Pearl Harbor. In Honolulu, while the smoke ~~from Pearl Harbor~~ still darkened the sky, the citizens of Hawaii replied to the bombs by buying bonds ten times as fast as before, ~~(and we had to authorize the issuance of temporary receipts in place of bonds to meet the demand.)~~ As a result of that superb demonstration, and many others like it throughout the country, we promptly placed the Bureau of Engraving and Printing on a three-shift 24-hour basis. We're glad that

the country is pushing us. We like to be pushed. The presses are at work all night, every night. While there still are shortages in some cities, we are now accumulating several weeks' advance supply of bonds to meet the demand which, I am confident, will never slacken until the war is won.

It is important, however, to keep in our minds the relation between Defense Bond sales and the total amount of money that we have to borrow. In December your Government spent about four times as much on the war effort as you subscribed in Defense Savings Bonds. In the months to come it will spend at a far greater and ever increasing rate. You read the President's statement of last week that we shall have to devote half of our entire national income to the war effort. That statement foreshadowed

such huge expenditures in the coming year that even the half billion dollar record you established in the purchase of Defense Bonds in December will seem to be almost insignificant.

War is never cheap, but let me remind you that it's a million times cheaper to win than to lose. The French, the Czechs, the people of a dozen conquered and ravaged countries, can tell us what it costs to lose. We have made up our minds to win. We have made up our minds to produce and to fight with such an overwhelming number of planes, of ships, of tanks, of guns and of trained and fully equipped men, that the Nazis and Japanese and their kind can never again threaten our freedom. The cost of our war effort should frighten no one but our enemies.

~~To us, it is just a necessary measuring of the size of~~
~~the job ahead.~~

If this were a different kind of war, I should not
be speaking to you, ^{to people} in your homes tonight about the job ^{ahead}
that ~~faces us~~. ~~But~~ this is a people's war. Everything
that the people of this and other free countries have won
through centuries is now at stake. You will want me, as
Secretary of the Treasury, to finance this people's war
by going to the people themselves for the sinews of war.
I am ~~not~~ going to finance it by depending primarily on
a few financiers. I am depending on you, on each and
every one of you who may be listening to my voice this
evening. In particular, I am depending on the ⁴⁰~~35~~,000,000
American men and women who earn regular pay.

You may ask "What is the Treasury's goal? Can't the
Treasury give us some figure to shoot at?" The Treasury's
goal is to make every pay day Bond Day. It is to have

every wage-earner and salary-earner put aside a part of every pay check, every week, for the purchase of Defense Bonds and Stamps. And when I say "a part" I do not mean a mere token contribution of a few nickels every week, or the mere contribution of one percent or two percent of the weekly pay check. This is not a token war. It is not a two percent war. It is not a war that can be won with spare change. Each of us will have to figure out the very most that we can set aside to buy Defense Bonds, for our own good and for our country's good, as long as the war may last.

The industrial workers of this country are making a good start. Voluntary payroll saving plans are now in operation in thousands of factories, and in most of our largest business concerns, to make it more convenient

for workers to accumulate their savings for the purchase of Defense Bonds.

Many of you already know about these payroll saving plans. The most popular of them is a method by which you or your union can tell your company how much you wish to set aside from your pay, to be saved for Defense Bond purchases. Your company accumulates your savings for you, and when you have enough to buy a Defense Bond your company will deliver the bond to you, registered in your own name. That is all there is to it.

Until now a very small fraction of employees have taken advantage of these plans, and a comparatively small proportion of companies have agreed to provide the facilities. Since Japan attacked us the extent of participation has

been much greater, from labor and from management alike.

I am receiving reports already of some companies in which 90 percent or more of the employees are making good use of this easy road to voluntary saving. In this connection I should like to pay a sincere tribute to the labor unions which are urging their members in all parts of the country to get behind the Defense Savings effort.

But the response from industrial workers so far is only a beginning. If you haven't heard how to join in a voluntary payroll saving plan, or if the details haven't been explained to you, or if your company has refused to install such a plan for you, I wish you would write to me at the Treasury Department in Washington. It's the Treasury's responsibility to tell you about payroll saving;

our State organizations are ready to tell you all about it, and will cheerfully send someone to your factory to explain it to you.

I am in dead earnest when I say that millions more must take part in these payroll saving plans, and must invest hundreds of millions of dollars more, if we are to do our job. Our plans at the Treasury for financing the war are based upon the belief that the American people will want to assume a big share of the cost of the war, of their own free will. The response to payroll saving will tell us whether that belief is right or wrong.

I have such faith in the American people that I believe they will want to do the job in the voluntary way -- but it is up to you to prove it. ~~to~~

I suggest, then, that each of us sit down this very evening to study our family budget; that each of us decide this very evening, not the least but the most that we can afford every week for the purchase of Defense Savings Bonds; that we then translate that amount into a percentage of our pay, five, ten, or even fifteen percent, whatever we choose, and stick to it by setting that percentage aside week after week without fail. Remember, the more bonds we buy, the more planes will fly. Remember, every bond we pledge ourselves to buy will add to the weight of the bombs that will fall on Tokyo and Berlin. Remember, also, that every dollar we ~~pledge to set aside~~ now will come back to us with interest after that happier day when victory is ours.

Now is the time for all of America to line up as 130 million united people, using their dollars to support

and sustain their fighting men in the front line. Those fighting men are looking to us right now. They are looking to us in our homes and factories, looking from the Philippines and Iceland, from the silent gray ships that are guarding our shores, from all the posts of danger in all the seven seas -- looking to us to keep them supplied and to do our part as they are doing theirs. Those ^{men} have the right to look back home and see us standing shoulder to shoulder, with all sections, all groups, all the old divisions and dissensions swept away in our united resolve to win this war.

I don't pretend that purchase of Defense Bonds is all we need to do here at home to achieve victory. But I do say that the buying of Defense Bonds is the first

thing we can do. It is the first concrete test of our willingness to back up our soldiers and sailors and airmen. At first sight the amount of money we have to raise through borrowing and taxes may seem impossible, but we in the Treasury have struck the word "impossible" out of our dictionary. With your help we are going to do the job.

Let us, then, resolve to be worthy of ~~these~~^{our} men in uniform. Let us prove that we will lend to defend our right to be free -- that we will pour out a mighty torrent of dollars "to defend life, liberty, independence and religious freedom . . . against savage and brutal forces seeking to subjugate the world."



Personal

Ottawa,
January 3, 1942

My dear Mr. Secretary:

I was indeed sorry not to have had a chance to see you while in Washington, or for that matter to have so much as a word with you over the 'phone. I discovered, however, that I was none the less much in your own thoughts, for I carried away with me the new records which you had so kindly sent to the Mayflower to replace the ones which, unfortunately, fared so ill in their journey.

The new records are in perfect condition and I am looking forward with delight to sharing them, from time to time, with colleagues and other of my parliamentary friends.

Churchill, while here, recalled how we had shared together at Chequers the music of one of the records. We came nearly repeating the performance at Laurier House, and would have done so had we had just a little more time for recreation than the evening with me afforded.

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What a wonderful success
his visit to America and Canada
has been!

Please let this line bring,
with my renewed thanks for your gift,
my warmest and best of wishes for
the New Year, to Mrs. Morgenthau,
Joan, the boys and yourself.

Yours very sincerely
W. H. H. Morgenthau, Jr.

The Honourable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D.C.,
U. S. A.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

January 3, 1942.

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

I have spoken over the telephone this morning with Mr. Edy of the FWA and Mr. Dryden of the WPA in regard to the Washington and Richmond Self-Help cooperatives.

Mr. Edy told me that Mr. Hunter had been ill for several weeks which accounts for the fact that we have not been able to get him on the telephone. He said Mr. Hunter probably would be away from his office for some time in the future. His office, however, is not giving out this information.

Mr. Edy told me that he had spoken with Mr. Martin, one of Dryden's assistants, and had gotten general information in regard to the attitude of WPA toward these projects:

As to the Richmond project, Edy reported that Hummel, the local WPA director, was in favor of continuing the project. Instructions, however, had been sent to WPA regional directors to continue only projects which were necessary for defense. Because of these instructions Hummel was to obtain a recommendation from the local defense director.

As to the Washington project, Edy reported that they were attempting to shift people from WPA rolls to the training program in so far as this could be effected.

I told Edy of your interest in both projects. Specifically I said that if anything were done to curtail either project during the current fiscal year, you would want an opportunity to speak to General Fleming before such action was taken. Edy suggested that I speak directly with Dryden and said if I didn't get satisfaction there, he or General Fleming would be glad to speak to you or me about the matter. Accordingly, I telephoned Dryden and Dryden assured me that nothing would be done in the way of curtailing either project without first speaking to us about it.

I have given this information to Mrs. Doyle.

S. H. F. L.



TREASURY DEPARTMENT

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WASHINGTON

DEFENSE SAVINGS STAFF

January

3

1942

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

Dear Sir:

Enclosed you will find a new set of Defense Bond and Stamp Announcements, #39 through #100, which we would like to have you use whenever possible during January. Toward the end of the month you will receive a new return postcard on which to indicate the total number of Defense Bond and Stamp Announcements used on your program during the month of January.

Once again, hearty thanks to you for the splendid cooperation you are giving the Treasury Department's Defense Savings Program.

Best Wishes for a very happy and prosperous New Year.

Sincerely,

Marjorie L. Spriggs,
Chief, Women's Programs,
Radio Section.

FOR DEFENSE



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Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-89

"It is not a sacrifice to buy more Bonds . . . rather it is a privilege."
And with these words, our President has said what each and every American woman must now realize. Yes, a *privilege* to aid in defeating the back-stabbing, bloodthirsty, and power-crazed aggressors. A *privilege* to give our valiant forces the guns and ships, the bombs, bullets, and *planes* that will bring these international criminals to their knees, pleading for mercy. For as surely as I am standing here, that day will come.

So buy all the United States Defense Bonds you possibly can today and every pay day hereafter. Get them at your bank, or post office, or savings and loan association. Get Defense Stamps from your newspaper carrier boy or retail store. Do this at once. No home that can afford it can be called a truly American home unless it buys United States Defense Bonds and Stamps and *continues* to buy them.



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

Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-90

If you buy United States Defense Bonds *now*, your savings will *increase*. After a few years, you'll have *more* dollars to spend. After we are victorious over the Axis, you will be offered more and better goods of *all* sorts, and you'll have *more money* with which to purchase them. Buy Defense Bonds at your bank, post office, and savings and loan association. Make it a pay-day habit to buy Defense Bonds.



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

Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-91

Mothers of America! I am here today to ask you to join with me in a solemn pledge . . . a pledge that will do much to speed the day of victory . . . to bring the cruel, ruthless aggressors to their knees.

As you cherish America . . . as you hold dear the blessings of liberty . . . I ask you to stand, and with your hand on your heart to take this oath with me:

"I swear to put every dollar and cent I can into buying the ships, the guns, tanks, and planes that are needed by us and our democratic allies for *sure* and *inevitable* VICTORY.

"I swear, too, to go today or tomorrow and buy United States Defense Bonds or Stamps at my post office, bank, savings and loan association or from my newspaper carrier boy or retail store . . . and to keep on buying them every pay day hereafter."

Billions are needed . . . needed fast. Mothers, can you afford *NOT* to help?

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



Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-92

You've often heard the expression . . . "as safe as a Government Bond." You know that a Bond, put out by the Treasury and "backed by the full faith and credit of the United States Government" is *safe*. As safe as the strongest nation in the world. So you realize you won't be running any *risk* when you go to your post office or savings and loan association or bank to buy one or more Defense Bonds. For the smallest Bond, you pay eighteen dollars and seventy-five cents now. In ten years . . . it comes back to you thirty-three-and-a-third percent "richer" . . . a total of twenty-five dollars. . . . Start today to buy Defense Bonds—as many as you can—as often as you can, for savings for yourself and for Victory for your country.



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

Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-93

At this very minute, scores of thousands of valiant Americans are manning the defenses of our great Nation. Sailors, soldiers, marines, flyers—are in the line of *battle* on land, on sea, and roaring through the skies. These men are *doing their duty*. Are YOU doing yours? Are you investing *every* cent and dollar you can in United States Defense Bonds and Stamps? If you are not, please bear this in mind:

Billions are needed . . . and needed fast. Billions to buy the planes, the ships, the tanks, the guns that will protect America from the horrors of merciless dictatorship—and that will *speed OUR day of victory!!*

So buy United States Defense Bonds at your bank, post office, or savings and loan association. Buy Defense Stamps from your newspaper carrier boy or retail store. There is no time to waste.

So buy today and regularly thereafter—**BUY EVERY PAY DAY UNTIL THIS WAR IS WON!!**

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



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Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-94

Have you heard about Uncle Sam's amphibian tractor? It floats on the water, crawls up on a beach, and speeds across country. It's used by the Nation's famous fighting force, the United States Marine Corps. You'd like to see the Marines well supplied with these armored, land-and-water cars, wouldn't you? Then buy more United States Defense Bonds. . . . These Bonds provide all kinds of arms and equipment to *all* your fighting men in the Army, Navy, *and* Marines. Buy Defense Bonds at your bank, post office, and savings and loan association. Invest profitably in *your own* Victory.



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

Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-95

Even as I speak to you now, thousands upon thousands of American soldiers, sailors, and flyers are protecting *you* and *me* from the most ruthless gang of international cutthroats in all history. It is your duty and mine, and the duty of every American woman, to give our valiant forces the tanks, ships, planes and arms they need to bring the dictators to their knees.

So go today or tomorrow to your bank, post office, or savings and loan association and buy United States Defense Bonds. Get Defense Stamps from your newspaper carrier boy or your retail store. Billions are needed . . . needed—*FAST!* Mothers of America . . . can you afford NOT to help?



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

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Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-96

See if you know the answers to four *important* questions about your money. Here are the questions. *What is a Defense Bond?* It is official proof that you have loaned money to the United States Government. *Can I get my money back if I need it?* Yes, the Government stands ready to buy back your Bond, even before maturity—but smart Defense Bond owners hold on to their Bonds and get good interest. *What is the smallest amount of money I can invest in Defense Bonds?* Eighteen dollars and seventy-five cents for a Bond that will be worth twenty-five dollars in ten years. *Where can I get Defense Bonds?* At post offices, banks, savings and loan associations, through the voluntary pay-roll allotment plan where you work, or direct by mail from the Treasurer of the United States, Washington, D. C.



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

Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-97

Yesterday, I met an old and very dear friend of mine. She said something that startled me at first, until I realized it was the absolute truth. She said, "No home that can afford it can be called a truly *American* home unless it owns U. S. Defense Bonds or Stamps."

Think it over a moment, and you'll see it's true. For each and every one of us is threatened . . . our Nation is in danger . . . our freedom and happiness . . . our very souls. We are in this war together. And not one of us will rest safely until the bloodthirsty aggressors have been brought to their knees. It is *your* duty . . . *my* duty . . . and the duty of *every single American* to buy all the United States Defense Bonds and Stamps we possibly can.

So go to your bank, or post office or savings and loan association today and every pay day hereafter to buy Defense Bonds. Get Defense Stamps from your newspaper carrier boy or retail store. *But buy them.* All you can . . . and buy them regularly. Your President has said, "It is not a sacrifice to buy more bonds . . . rather it is a privilege."

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



Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-98

Keep 'em flying . . . all those young eagles in the United States Air Corps . . . trained for Victory! And *how* can you "Keep 'em flying?" By purchasing *more* and MORE Defense Bonds. Buy Defense Bonds at your bank, post office, or savings and loan association. Already, liberty-loving Americans have bought Bonds enough to buy swarms of war planes for American pilots. But, for final Victory, we need many, many more planes. Keep 'em flying. Keep on buying. If you can't afford a Bond *today*, buy Defense Stamps, at your retail store, or ask your newspaper carrier boy to deliver them, every week. Defense Stamps grow into Bonds. Buy United States Defense Bonds today and every day—as many as you can, for Victory.



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

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Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-99

Yesterday I met an attractive young wife who lives down the street from me. She told me something that I think you and I, and every American woman, must realize now that war is here.

She said she's been saving for over a year now to get a fur coat she'd set her heart on. It seemed so terribly important. But suddenly, America was thrust into war. And nothing mattered quite so much as the defense of America. And so, without a moment's hesitation, this young wife took the pennies and dollars she had so lovingly saved up . . . took the entire amount . . . and bought *all* the United States Defense Bonds and Stamps she could. Her little chin was strong and determined when she told me this. And then, I want to tell you, I was looking at a *real patriot*.

I've told you this because today you and I *can and must* do our part in bringing victory to our country. We all must go to our post office, bank, or savings and loan association and buy as many United States Defense Bonds as we possibly can. Get Stamps from your newspaper carrier boy or retail store. Billions are needed . . . needed fast. Can you afford NOT to help?

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



Treasury Department Defense Savings Staff



WOMEN'S PROGRAM

Announcement

WAR COPY!

W-100

Your dollars *do* count . . . those dollars you put into United States Defense Bonds. Already patriotic Americans have put enough dimes and dollars into these safe Bonds to buy many hundred submarines. And maybe you think Uncle Sam's Navy isn't glad to see *such* a possibility assured by your savings! The Navy is doing *its* part to speed your Victory over the Axis . . . and *your* Bonds help. Buy Defense Bonds at your bank, post office, or savings and loan association. For Victory for you and your country—buy Defense Bonds today and every day.



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

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Two Business Days of January, 1942, and December and November 1941
 (November 1-3, December 1-2, January 1-2)
 On Basis of Issue Price

(Amounts in thousands of dollars)

Item	Sales			Amount of Increase or Decrease (-)		Percentage of Increase or Decrease (-)	
	January 1942	December 1941	November 1941	January over December	December over November	January over December	December over November
Series E - Post Offices	\$ 8,784	\$ 4,205	\$ 4,394	\$ 4,579	-\$ 189	108.9%	- 4.3%
Series E - Banks	20,964	6,496	5,171	14,468	1,325	222.7	25.6
Series E - Total	29,749	10,701	9,565	19,048	1,136	178.0	11.9
Series F - Banks	4,021	1,956	2,009	2,065	- 53	105.6	- 2.6
Series G - Banks	15,384	12,970	13,292	2,414	- 322	18.6	- 2.4
Total	\$ 49,153	\$ 25,627	\$ 24,866	\$ 23,526	\$ 761	91.8%	3.1%

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

January 3, 1942.

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

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

UNITED STATES SAVINGS BONDS

Daily Sales - January, 1942
On Basis of Issue Price

(in thousands of dollars)

Date	Post Office Bond Sales Series I	Bank Bond Sales				All Bond Sales			
		Series I	Series F	Series G	Total	Series I	Series F	Series G	Total
January 1942									
1	\$ 3,982	\$ 10,229	\$ 1,964	\$ 7,605	\$ 19,798	\$ 14,211	\$ 1,964	\$ 7,605	\$ 23,780
2	4,802	10,736	2,056	7,779	20,571	15,538	2,056	7,779	25,373
Total	\$ 8,784	\$ 20,964	\$ 4,021	\$ 15,384	\$ 40,369	\$ 29,749	\$ 4,021	\$ 15,384	\$ 49,153

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

January 3, 1942.

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

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 3, 1942

TO Secretary Morgenthau
 FROM Mr. White
 Subject: Elimination of nickel from 5-cent coin

OK.
 (m)

1. It is proposed to eliminate nickel and some of the copper from the 5-cent piece by minting a coin containing equal parts of silver and copper.
2. The reasons for this step are the following:
 - (a) OPM requests elimination of nickel from United States coinage, which took nearly one-fourth of estimated non-defense nickel consumption in November 1941.
 - (b) It will be easier to refuse Latin American requests for coinage nickel, and to induce the British Empire to stop minting nickel, if the United States also no longer mints nickel. It is estimated that Latin America during 1942 will ask for 1.4 million pounds of nickel or 80 percent more than the nickel consumption of the United States Mint in 1941.
 - (c) A silver-copper 5-cent piece would provide an outlet for about 25 million ounces of Treasury-held silver a year, at the current rate of minting 5-cent coins.
3. The Mint reports that there are no technical difficulties in minting a silver-copper 5-cent piece of a fineness of about .500. The silver in this coin would exceed 5 cents in value if the market price of silver should rise above 62.2 cents an ounce. Such a coin would be the same weight and diameter as the present coin but would be slightly thinner. It is believed this would not materially complicate slot machine operation. The shift from nickel to silver in the 5-cent piece will result in a seigniorage loss of about \$11 million dollars per year.

Division of Monetary
Research

- 2 -

4. There is at present available in the General Fund 1.3 billion ounces of silver, which could be used for the manufacture of minor coins. The 25 million ounces which it is estimated would be required annually for the new coin would be about 2 percent of this total.
5. If this change in our coinage has your approval, it will be necessary to revise the coinage laws to provide for a silver-copper 5-cent piece. The Legal Division is drafting legislation to authorize the minting of such a coin for a 5-year emergency period.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 17, 1941

TO Mr. White
FROM Mr. Southard

Subject: Summary of silver coinage proposal for new 5-cent piece

- (1) Mr. Jordan, nickel expert at OPM, insists the nickel situation is very bad and that the saving of 400 to 500 tons of nickel, made possible by this proposal, would be most welcome. It is also possible that the British Empire can be induced to abandon nickel in coinage if we lead the way. Moreover, Latin American countries will be more likely to acquiesce in our refusal to allow them nickel for their coins.
- (2) The amount of silver required to replace nickel and some of the copper in our present 5-cent piece (on the basis of a half silver-half copper coin) would be 25 million to 30 million ounces per year. This is less than 3 percent of the 1.3 billion ounces of silver at present held in the General Fund of the Treasury (see Mr. Hicks' memorandum). Mr. Hicks estimates that the re-coining of all outstanding nickels would require only about 177 million ounces of silver, or less than 14 percent of the silver held in the General Fund.
- (3) Silver has been acquired under the Silver Purchase and Gold Reserve Acts at prices ranging from 35 cents to 72 cents per ounce. But, as shown in a memorandum by Mr. Hawkey, 1.2 billion ounces were acquired at prices ranging from 35 cents to 45 cents an ounce, of which 183 million were acquired at 35 cents per ounce.
- (4) I am informed that the Legal Division's memorandum will state that the availability of silver in the General Fund presents no problem.

TREASURY DEPARTMENT

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INTER-OFFICE COMMUNICATION

DATE December 18, 1941

TO Mr. White
FROM Mr. Hawkey

Subject: Silver purchases contracted for at various prices under the Silver Purchase and Gold Reserve Acts, 1934 - 1941.

As shown in the attached table, since 1934 we have contracted for the purchase of about 2,047,504,000 ounces of silver .999 fine under the Silver Purchase and Gold Reserve Acts. Of this, about 1,195,255,000 ounces were bought at prices ranging from 35 to 45 cents per ounce .999 fine, such prices being subject to minor adjustment. The remaining 852,249,000 ounces were bought at various prices, ranging from 40.57 to 76.38 cents. Extensive investigation would be required to determine the specific prices paid for this latter silver.

The figures in the table are based on a New York Federal Reserve Bank table listing monthly purchases and price ranges. Comparison with our own daily memorandum records resulted in a fairly accurate indication of the prices paid for more than half of the contracted purchases.

Exact calculation of the net price paid for every lot of silver delivered against the contracts would require extensive investigation, probably calling for examination of the detailed records maintained by the New York Federal Reserve Bank. One of the main difficulties would be to determine the net cost, including all shipping expenses, of the large amount of silver bought in London during 1934 and 1935, at widely fluctuating prices. Impossibility of finding net costs of these London purchases at short notice was the main reason why the 852,249,000 ounces (mainly bought in 1934 and 1935) were grouped in the table at the 40.57 to 76.38 price range.

Silver purchases contracted for at various
prices under Silver Purchase and Gold Reserve
Acts, 1934 - 1941 ^{1/}

Price in cents per ounce .999 fine ^{2/}	Number of ounces .999 fine
45.00	525,732,000
44.00	3,043,000
43.00	475,914,000
40.00	4,543,000
38.50	1,788,000
38.00	582,000
36.75	979,000
35.00	182,674,000
	<hr/>
Total purchased at above prices	1,195,255,000
	<hr/>
Other purchases, at various prices from 40.57 to 76.38 ^{3/}	852,249,000
	<hr/>
Grand Total	2,047,504,000
	<hr/> <hr/>

^{1/} Note that all amounts shown represent silver purchases contracted for. Actual deliveries may vary somewhat from contract amounts. Gold Reserve Act purchases included in above figures have been transferred to Silver Purchase Act account.

^{2/} All prices subject to minor adjustments for commissions and other expenses.

^{3/} Most of this silver was purchased in 1934 and 1935, at prices ranging from 40.57 to 76.38 cents, but mainly above 45 cents. Much of it was bought in London. The net cost of such purchases cannot be determined without detailed examination.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE December 18, 1941

TO Mr. White
FROM Mr. Hicks

Subject: Silver Available for Coinage of 5-cent pieces.

The attached table shows the monetary silver stocks of the United States expressed in millions of ounces. It will be noticed that there is at present more than 1.3 billion ounces of silver bullion in the Treasury's General Fund. This silver is not legally required for securing silver certificates, and, presumably, could be used for the manufacture of minor coin. In addition to this silver, there is in the silver certificate fund about 9.6 million ounces of silver in excess of legal requirements, which might also be available.

In the fiscal year ended June 30, 1941 315 million 5-cent pieces were struck, with a gross weight of 50.4 million ounces. To coin an equal number of 5-cent pieces with an alloy of 50% copper and 50% silver would require 25.2 million ounces of silver, or less than 2% of the silver held in the General Fund. There are now in circulation about 2.2 billion 5-cent pieces. To re-coin all of these with the 50-50 alloy would require only about 177 million ounces of silver, or less than 14% of the silver held in the General Fund.

On the basis of the volume of coinage done in the fiscal year ended June 30, 1941, use of this coin for new coinage would save:

432 tons of nickel or all nickel used last year for minting,
432 tons of copper, or 9% of the copper used last year for the minting of all coins, 33% of the copper used last year in nickels.

If all nickels now in circulation were re-coined in this alloy materials saved would be:

3,034 tons of nickel,
3,034 tons of copper.

MONETARY SILVER OF THE UNITED STATES

	(millions of ounces)	
	October 31, 1941 <u>(final)</u>	December 12, 1941 <u>(preliminary)</u>
Silver held in Treasury		
Securing silver certificates		
Silver bullion	1,133.9	1,138.5
Silver dollars	377.0	374.8
In general fund		
Subsidiary coin	5.1	2.0
Bullion for re-coinage	-	-
Bullion	<u>1,360.5</u>	<u>1,358.7</u>
Total held in Treasury	2,876.5	2,874.0
Silver outside Treasury		
Silver dollars	46.2	
Subsidiary coin	<u>343.5</u>	
	<u>389.7</u>	
Grand Total	<u>3,266.2</u>	

December 13, 1941.

MEMORANDUM

TO: The Honorable, The Secretary of the Treasury.

FROM: Nellie Tayloe Ross, Director of the Mint.

In accordance with your instructions, experiments have been conducted at the Philadelphia Mint to determine whether suitable substitutes could be found for the strategic metals in minor coins. Tests with many alloys have been made. As a result, recommendation is made that there be adopted, for the five-cent piece, an alloy of 500 parts silver and 500 parts copper. This alloy would present no mechanical difficulties and would entail no necessity for a change of design.

Two sample coins, struck from the proposed alloy, are herewith submitted. The bright, silvery color they now present while newly coined, will gradually assume a yellowish appearance, after they have gone into circulation.

Another saving of strategic metal can be made by reducing the tin content of the one-cent piece to a mere trace. This would not materially affect the quality or appearance of the coin. The law permits the Director of the Mint to make this change by administrative action, as it reads: "...the alloy of the one-cent piece shall be ninety-five per centum of copper and five per centum of tin and zinc, in such proportions

- 2 -

as shall be determined by the Director of the Mint."

This change, assuming you have no objection, will be promptly made, and the effort will be continued to find a way to reduce the copper content. On the basis of the production in the fiscal year 1941, thirty-five tons of tin can be saved by this recourse.

In further reference to the proposed change in the five-cent piece, the following observations are offered:

1. Weight and Size

Experimentations were made upon the premise that there should be maintained the present size, weight and non-magnetic property of the coin, in order not to destroy its adaptability to mechanical devices of subway stations, the telephone company and countless commercial enterprises which merchandise goods through vending machines. An appreciable alteration in any of these respects would render the coin unfit for use in these established mechanical devices and would thereby visit widespread injury upon business enterprises. The samples submitted are the same weight and diameter as the five-cent piece now being made but slightly thinner.

2. Change in law prescribing content of the coin, and effect upon its monetary value.

The monetary value, established by law, of the silver in the subsidiary coins is $1.38\frac{1}{2}$ per ounce. The use of silver in the five-cent piece in the same ratio, preserving its present size, would result in a silver content of only 225 parts in 1000, and would produce a coin brassy in appearance, similar to the cent piece. This would undoubtedly be confusing to the public. Moreover, the objective of saving strategic metals would not be achieved for while less nickel would be used, more copper would be consumed. In order to conserve strategic metals it is recommended, therefore, that a change of legislation be secured which will permit a content of one-half silver and one-half copper.

The result would be to eliminate all the nickel now used in the coin, and one-third of the copper. Based upon the production of 1941 (fiscal year) it would amount to a saving of 435 tons in nickel and 435 tons in copper, per year.

- 3 -

Upon the basis of 77.16 grains, the weight of the coin at present, the silver content of the new coin would be 38.58 grains. This is slightly more silver than is contained in the dime (34.722 grains). The monetary value of the silver in the new piece would be \$0.622+ per ounce.

3. Silver to be used

It will be necessary to use Silver Purchase Act silver in the manufacture of this coin, because of its low monetary value. Newly-mined domestic silver has been purchased at a rate higher than the monetary value of the silver that would be in the coin, and thus a loss would be incurred. As you know, none of the Silver Purchase Act silver except the "nationalized" has yet been used in coinage and it may be necessary to ask for a change in the law to permit its use for this purpose. At the end of November, the average price of the stock of this silver held by the Mints and Assay Offices was \$0.467328+ per fine ounce.

4. Seigniorage

Upon every thousand nickels we now turn into the General Fund approximately \$48.00 in seigniorage. The adoption of the new coin would mean a reduction to approximately \$12.00 on every thousand. We would be substituting material costing thirty-five cents an ounce for that costing thirty-five and twelve cents a pound.

If you approve of these changes, the General Counsel's Office will be asked to draft the legislation necessary to put them into affect.

Approved:



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

391

January 3, 1941 *cal*

MEMORANDUM TO THE SECRETARY:

Supplementing my memorandum to you of yesterday's date relative to the position of U. S. Steel Corporation and Bethlehem Steel Corporation that they requested contracts with price stipulations open, such prices to be fixed as of dates of shipments of steel, it is now indicated that these companies are willing to concede to the Government's request that firm prices be quoted for quarterly requirements which has been the practice heretofore.

Accordingly the meeting scheduled for Monday morning will not be required and we are now taking steps to close for the first quarter of 1942 steel requirements on the basis of firm prices for the quarter.

Cliff E. Mack
Clifford E. Mack,
Director of Procurement

FOR DEFENSE



TREASURY DEPARTMENT

392

INTER OFFICE COMMUNICATION

TO Secretary Morgenthau
FROM Mr. Foley

DATE

Jan 3, 1942

The Department of Agriculture is still disturbed about the farm situation on the west coast, not so much as an immediate problem, but because they feel that the situation is still sufficiently disturbed to prevent planting of new crops. The problems they raise are briefly as follows:

1. Non-Japanese laborers, particularly Filipinos, are refusing to work under Japanese proprietors or foremen.
2. Japanese farmers (either proprietors or lessees) are not cultivating their farms for fear that their investment in fertilizer, seed and labor may be lost through cancellation of their leases, or otherwise.
3. There are not enough competent white farmers immediately available to replace the Japanese farmers.
4. Some pressure is developing within the State to have the Attorney General reexamine leases covering Japanese-operated land in view of the California alien land laws, and to persuade appropriate authorities to take over the Japanese-operated farms.

Agriculture feels that the immediate problem of the distribution of crops has been taken care of, but that there remains a psychological reaction which must be met if these Japanese farmers are to continue to work the land.

At the request of Agriculture, Norman Towson and John Lawler are leaving immediately for San Francisco, where they will explore the subject in detail with representatives of the Department of Agriculture and other government and state agencies in an effort to aid in the solution of the problem.

S. W. 76



THE SECRETARY OF STATE
WASHINGTON

January 3, 1942

My dear Mr. Secretary:

I want to thank you for your letter of December sixteenth and the enclosed export report.

My associates and I greatly appreciate your sending these regular reports to us and, if not inconvenient, would be very glad if you could continue to do so.

With best wishes,

Sincerely yours,

6
W. J. Hall

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

January 3, 1942

Dear Mr. Keller:

Thank you so much for sending me copies of the Detroit News and the Detroit Times. I was delighted to read the stories on the truck orders which they both carried so prominently on their first pages.

With kind regards,

Yours sincerely,

(Signed) S. B. ...

Mr. K. T. Keller,
President, Chrysler Corporation,
Detroit, Michigan.

File WMC

CHRYSLER CORPORATION

*Detroit, Michigan*A. T. KELLER
PRESIDENT

December 31, 1941.

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

Dear Secretary Morgenthau:

Herewith are copies of the
front pages of The Detroit News and the
Detroit Times, of December 31st, headlining
the story of the truck orders.

With kind regards, I
remain

Yours sincerely,



KTK:LS

IN THE NEWS

Huss Reveals Hitler's Secret Weapon Against the United States

DETROIT TIMES

Day Times Newspaper Carrying International Evening News Service and Complete Sport Dispatches

42ND YEAR, NO. 92 DETROIT, MICHIGAN, WEDNESDAY, DECEMBER 31, 1941 20 PAGES THREE CENTS

RED LINE

CHRYSLER WAR ORDER TO GIVE 25,000 JOBS

Japs at Manila's Gates

\$80,000,000 Cost Includes 'New Vehicle'

Production by April Contract Also Calls for More Trucks

THE BRITISH RAID ON THE GERMAN-HELD NORWAY COAST



RAF BOMBS HITTING TARGETS AT THE DEMOLISHED NAZI AERODROME AT HERLA. Shrapnel splashing in the water near Trons, a plain during a five-hour raid in which units of the naval, air force and the Commando cooperated in destroying plants, quiting docks and escaping with many prisoners. It was a supply depot for Russia-bound Nazi ships.

Nippons' Bombers Control the Air

Capital Strafed, Americans Open Last-Ditch Fight

MANILA, Dec. 31 (AP)—Japanese bombers controlled the air over Manila today as they strafed the capital and opened a last-ditch fight against American fighters.

The Japanese bombers were seen in the sky over Manila today as they strafed the capital and opened a last-ditch fight against American fighters.

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SEMI-DAILY WORK... THE WEATHER... TODAY

End Williams' Ouster Hearing; Up to Governor

Williams' ouster hearing... up to Governor

Jap Sneak Blitz Fuehrer's Blow

Jap sneak blitz... Fuehrer's blow

Detroit's Aliens Told to Turn In Cameras, Radios

Detroit's aliens... turn in cameras, radios

THE WEATHER... TODAY... with a cartoon character.

Alter Winchell

Winchell's new book 'The American People'...

Winchell's new book 'The American People'...

V. Durling

Durling's new book 'The American People'...



Text accompanying the portrait of the man.

THEY'LL DO IT EVERY TIME



Cartoon dialogue and text: 'And who's laughing from here?'...

On Broadway

Broadway news and theater reviews.

Continuation of Broadway news and theater reviews.

On the Side

Side news and local events.

Continuation of side news and local events.

Roosevelt, Aides Work Furiously On War Strategy

WASHINGTON, Dec. 26.—President Roosevelt and his aides worked furiously today to work out a new war strategy...

Continuation of the article on Roosevelt's war strategy.

Seize Cameras Of Aliens Here

DETROIT, Dec. 26.—Immigration officials here today seized cameras from the hands of several aliens...

Continuation of the article on camera seizures.

Chrysler Gets 80 Million Order

DETROIT, Dec. 26.—Chrysler Corp. today announced it had received an order for 80 million dollars...

Continuation of the article on Chrysler's order.

Obituaries

Thomas F. McNamara, 32 Years City Fireman, Dies



Thomas F. McNamara, 32, died today after a long illness...

Percy Thomas, Veteran Telegrapher, News Man's Dead

SAN FRANCISCO, Dec. 26.—Percy Thomas, veteran telegrapher and news man, died today...

Sol Hess, The Nebbs' Controversial Dead In Chicago

CHICAGO, Dec. 26.—Sol Hess, controversial figure, died in Chicago...

Young Gangster Again In Toils

DETROIT, Dec. 26.—A young gangster was again in the toils of the law today...

Continuation of the article on the young gangster.

End Williams' Ouster Hearing; Up to Governor

DETROIT, Dec. 26.—The hearing on the ouster of Williams ended today...

Continuation of the article on Williams' ouster.

Admits Aiding Williams

DETROIT, Dec. 26.—A man admitted today that he had aided Williams...

Continuation of the article on the man who aided Williams.

J. of M. Will Train Ordnance Inspectors

DETROIT, Dec. 26.—The Joint Ordnance Inspectors will be trained by the J. of M....

Continuation of the article on the J. of M. training.

Auto War Council

DETROIT, Dec. 26.—The Auto War Council today called for united action...

Continuation of the article on the Auto War Council.

San Life in War

DETROIT, Dec. 26.—San Life in War is a must for every citizen...

Continuation of the article on San Life in War.

Psychiatrist Urges Detroiters to Stay Away From Gossip, Have Faith in Experts

DETROIT, Dec. 26.—A psychiatrist today urged Detroiters to stay away from gossip...

Continuation of the article on the psychiatrist's advice.

Admits Aiding Williams

DETROIT, Dec. 26.—A man admitted today that he had aided Williams...

Continuation of the article on the man who aided Williams.

Auto War Council

DETROIT, Dec. 26.—The Auto War Council today called for united action...

Continuation of the article on the Auto War Council.

San Life in War

DETROIT, Dec. 26.—San Life in War is a must for every citizen...

Continuation of the article on San Life in War.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of British Air Commission,
who enclose Statement No. 13 - Aircraft Shipped -
for the week ended December 30, 1941

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

January 3, 1942

STATEMENT NO. 13.

AIRCRAFT DESPATCHED FROM THE UNITED STATES WEEK ENDED

DECEMBER 30, 1941.

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED OFR USE IN CANADA
<u>CCESSNA</u> T-50	Canada	—	—	—	2
<u>CONSOLIDATED</u> Catalina I A	Canada	—	—	—	6
<u>NORTH AMERICAN</u> Mustang	U. K.	U. K.	7	—	—
TOTAL			7	—	8

B. In accordance with a request made by Mr. Kamarck from the Office of the Secretary of the Treasury to P. S. to D. G., a separate list is being prepared and will be issued as soon as possible showing cumulative totals by Sea, by Air, and Flight Delivered for Use In Canada, for the year ending December 31, 1941.

British Air Commission,
January 2, 1942.

JAN 3 1942

My dear Admirals:

Sir Frederick Phillips had informed me that the British Government would like to sell to the Maritime Commission, directly or through the Defense Plant Corporation, the shipbuilding facilities that have been constructed for it at the Todd Bath Shipbuilding Corporation Yards in South Portland, Maine, and at the Todd California Shipbuilding Corporation, Richmond, California.

In view of the British Government's need for dollars, I believe the United States Government would be justified in purchasing these Yards, and I should like, therefore, to recommend their purchase to you.

You will appreciate, of course, that the Treasury, in making this recommendation, does not wish to be understood as passing judgment on the price which the British Government has set for the properties.

Very sincerely yours,

(Signed) H. W. H. W. H. W.

Secretary of the Treasury.

Admiral E. S. Land, Chairman,
U. S. Maritime Commission,
Commerce Building,
Washington, D. C.

By Messengers

W. H. H. W.

W. H. H. W.

HCW:EH:dlm
22-41
FILE COPY

TREASURY DEPARTMENT

401

INTER OFFICE COMMUNICATION

DATE January 1, 1942

TO Secretary Morgenthau

FROM H. D. White

Subject: British Request that the Maritime Commission Purchase
Todd Shipbuilding facilities owned by the British.

There is attached a memorandum from Sir Frederick requesting your assistance in selling two British-owned shipyards to the Maritime Commission. Sir Frederick says that purchase of the California Yard is urgent because the Maritime Commission is ready to place contracts for building ships in the Yard when the British ships are completed next October. The Maritime Commission would not buy these Yards if its own policy were the sole criterion, but it is willing to do so if you write to Admiral Land and state that the purchase would provide for the British dollars that the Treasury believes they need.

The Maritime Commission for its own part would prefer to lease the Yards at a nominal rental. They would like to pay a "nominal" rental because Maritime Commission ships are turned over to the British for a "nominal" hire.

Sir Frederick states that the cost of the two Yards is \$14 million. However, in the list of British contracts submitted to the Treasury in February, the Yards were listed at \$8 million, and in a British document submitted to the Treasury in August the Yards were listed at \$9 million.

In view of the fact that the war in the Far East will make Britain's dollar position considerably more difficult, I think you should recommend the purchase of these shipyards to the Maritime Commission. The question of price, however, should be their responsibility. The British sale of these shipyards is similar to their sale of armament facilities in this country, and I see no grounds, therefore, upon which we could refuse to assist them in selling shipyards.

I am attaching a proposed draft of a letter to Admiral Land.

Willard Hotel,
Washington, D.C.,
December 31, 1941.

Dear Mr. Secretary,

By virtue of contracts entered into with Todd-Bath Iron Shipbuilding Corporation and Todd-California Shipbuilding Corporation, His Majesty's Government in the United Kingdom will shortly acquire title to two shipyards located in Portland, Maine, and Richmond, California. The cost of these yards amounts to approximately \$7,500,000.00 and \$6,500,000.00 respectively. Both yards appear to be eligible for eventual sale to Defense Plant Corporation, and in view of certain repairs and improvements which must shortly be made, an immediate sale of the California yard is desirable. I attach a somewhat fuller statement on this.

The possibility of effecting a sale of the yards has been briefly discussed with the General Counsel of Defense Plant Corporation, who suggested that the Maritime Commission should be first consulted. The Commission has tentatively taken the view that in the usual course of its business it would prefer a lease of the facilities at a nominal rental to purchase. It has indicated, however, that it would consider a purchase of the yards, either directly or through Defense Plant Corporation, if it were proved that such a purchase is desirable from the point of view of the British dollar position, and if it were also ascertained that the purchase could be made without any diversion of funds from its planned programs of shipbuilding.

You will recollect that the sale of capital facilities in this country, created by the use of our own dollars before the Lend-Lease Act, is a recognized method for obtaining dollars, and has already been applied at the Beaches Powder Plant and in other cases.

Could I prevail upon you to indicate to Admiral Land that in order to provide relief for the British dollar position it is desirable that the yards be purchased rather than leased at a nominal rental?

Yours sincerely,

F Phillips

cc: Mr. C. G. ...
Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington,
D. C.

TODD-CALIFORNIA SHIPBUILDING DIVISION OF
PERMANENTE METALS CORPORATION,
RICHMOND, CALIFORNIA.

This Corporation has two contracts with the British Purchasing Commission, one for the construction of facilities in which to build thirty (30) cargo vessels and the other for the actual construction of the vessels.

The facilities consist of a 7-way shipyard with necessary fitting-out berths, etc.

The construction of the facilities has been entirely paid for with British dollars. Title passes to the United Kingdom Government on completion and the formalities for this are now under way.

The cost of the facilities has been approximately \$6,500,000.

The Maritime Commission wished to place immediately a contract for ships of its own emergency type (EC2) to follow on the British order which will be completed about October 1942. To fit the facilities for this further construction, considerable work of repair and improvement must be carried out. The Maritime Commission proposes to provide the funds required, and it is now urgently necessary to devise some means of allowing them to do this without delay.

Washington, D.C.,
December 31, 1941.

THE SECRETARY OF THE TREASURY
WASHINGTON

January 3, 1942.

My dear Mr. Ambassador:

Pursuant to and in confirmation of the conversations had between you and the Secretary of the Treasury it is agreed as follows:

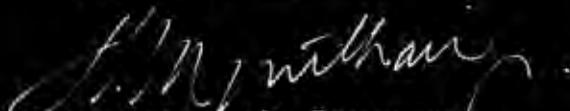
(1) The Government of the United States hereby purchases from the Government of the Union of Soviet Socialist Republics 602,000 fine troy ounces of gold which 602,000 fine troy ounces of gold the Government of the Union of Soviet Socialist Republics hereby agrees to deliver to the United States Mint at San Francisco or to the United States Assay Office at New York within 180 days from the date hereof for the account of the Secretary of the Treasury of the United States.

(2) The purchase price of such gold will be at the rate of \$35 per fine troy ounce less 1/4 of 1% and less usual mint charges. Twenty million dollars, constituting an advance payment, shall be paid by January 5, 1942 to the Government of the Union of Soviet Socialist Republics by credit to the account of the State Bank of the U.S.S.R., on the books of the Federal Reserve Bank of New York. Final adjustment will be made after the gold is melted, weighed and tested at the mint or assay office.

(3) The Government of the Union of Soviet Socialist Republics agrees to reimburse and indemnify the Government of the United States and the Secretary of the Treasury for any advance payments and expenses in the event that the gold herein purchased is not delivered as herein provided within 180 days from the date hereof or in the event that the gold is under weight. All risk of loss remains with the Government of the Union of Soviet Socialist Republics until delivery of the gold at the

United States Mint at San Francisco or the United States Assay Office at New York, and all expenses incurred in connection with the delivery of the gold to such mint or assay office shall be for the account of the Government of the Union of Soviet Socialist Republics.

Very truly yours,


Secretary of the Treasury.

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

The foregoing is agreed to on behalf
of the Government of the Union of
Soviet Socialist Republics.


Ambassador

Ambassador,
Union of Soviet Socialist Republics.

Dear Mr. President:

Reference is made to your letter of December 28, 1941, informing us of your desire that the Soviet Aid Program, as provided in the Moscow Protocol Agreement, be reestablished beginning January 1, and that existing deficits are to be made up and shipped from this country not later than April 1.

You can be assured that the Treasury Department, in the carrying out of its part of the Soviet Aid Program, will do everything in its power to meet the schedule which you have set. In the past, the Treasury has placed orders immediately upon receipt of the requisitions from the Lend-Lease authorities. Similarly, in the future, no time will be lost in the placing of orders. At all times, the Treasury is pressing dealers to make deliveries as rapidly as possible.

We are appending a table which shows the status of Treasury operations in relation to specific items in the Protocol Agreement, and to your expressed desire that the deficits be made up by April 1.

Very sincerely yours,

Wendell Willkie
Secretary of the Treasury

The President,

The White House.

CEM:HDR:es
1/2/42

*Reviewed by Secret Service
1/22*

cc to the Secretary of Lend Lease

U.S.S.R. - U.S.A. 1959-1960 PROTOCOL AGREEMENT

STATEMENT BY THE U.S. PROCUREMENT DEPARTMENT, PROCUREMENT DIVISION, ON STATUS OF PURCHASES UNDER THE AGREEMENT AS OF DECEMBER 31, 1961. (Cont'd)

(3) ADVANCE NOTICE RECEIVED OF REQUIREMENT AND PRELIMINARY PURCHASE STATE TAKEN PENDING RECEIPT OF COMPLETE REQUISITION.

MATERIAL	TOTAL PROTOCOL REQUIREMENT	SHIPMENTS REQUIRED BY PROTOCOL BY APRIL 1, 1962	AMOUNT FOR WHICH REQUISITIONS ARE IN PROCESS
High Speed Tool Steel	500 Tons	500 Tons	500 Tons
Tool Steel	4,500 "	3,000 "	500 "
Alloys	Not Specified	Not Specified	2,300,000 Lbs.
Calibrated Steel	" "	" "	5,960 Tons
Cold Rolled Steel Strips	72,000 Tons	48,000 Tons	1,245 "
Cold Rolled Steel Sheets	72,000 "	48,000 "	8,050 "
Steel Wire	63,000 "	42,000 "	1,996.5 Tons
Steel Wire Rope	10,800 "	72,000 "	2,000 Tons
Alloy Steel Ball Rod	Not Specified	Not Specified	500 "
Brass Wire	" "	" "	600 "
Drill Sharpening Machines	" "	" "	10 Pieces
Electric Sealers	" "	" "	9 "
Diesel Drilling Units	" "	" "	10 "
Gas Engines with Compressors	" "	" "	26 "
Pumps	" "	" "	79 "
Cranking Plants	" "	" "	2 "
Gantry Cranes	" "	" "	2 "
Cone Crushers	" "	" "	14 "

(4) ITEMS OF CHARACTER USUALLY PURCHASED BY PROCUREMENT DIVISION UNDER LEASE LEAD, BUT NO NOTICE OR REQUISITIONS YET RECEIVED.

Hot Rolled Steel	63,000 Tons	42,000 Tons	--
Steel Billets (Shell Steel)	72,000 "	46,000 "	--
Steel Alloy Tubes	1,800 "	1,200 "	--
Stainless Steel Wire	180 "	120 "	--
Forging and Press Equipment	\$36,000,000.00	\$24,000,000.00	--

STATEMENT BY THE U. S. TREASURY DEPARTMENT, PROCUREMENT DIVISION, OF
STATUS OF PURCHASES UNDER THE AGREEMENT AS OF DECEMBER 31, 1941

(A) ITEMS ON WHICH REQUISITIONS HAVE BEEN RECEIVED IN WHOLE OR IN PART.

MATERIAL	TOTAL PROTOCOL REQUIREMENT	SHIPMENTS REQUIRED BY PROTOCOL BY APRIL 1, 1942	AMOUNT FOR WHICH REQUISITION RECEIVED	AMOUNT PURCHASED	SHIPMENTS TO DATE
Aluminum	18,000 Tons	12,000 Tons	6,000 Tons	6,000 Tons	3,700 Tons
Nickel	1,200 "	Not Established	1,200 "	1,200 "	1,200 "
Molybdenum	2,700 "	1,800 Tons	900 "	900 "	900 "
Rolled Cartridge Brass Strip	45,000 "	30,000 "	15,000 "	15,000 "	3,185 "
Zinc, Electrolytic	5,750 "	4,500 "	3,000 "	3,000 "	3,000 "
Copper Goods (Tubing and other items of copper)	2,700 "	1,800 "	1,650 "	1,650 "	731 "
Ferro-Silicon	2,700 "	1,800 "	900 "	900 "	300 "
Ferro-Chromium	1,600 "	1,200 "	600 "	600 "	250 "
Tinplate	36,000 "	24,000 "	20,000 "	20,000 "	2,000 "
Barbed Wire	36,000 "	24,000 "	12,000 "	12,000 "	12,000 "
Nichrome Wire	180 "	120 "	180 "	180 "	- 0 -
Graphite Electrodes	3,500 "	2,400 "	3,900 "	3,900 "	65 "

VARIOUS INDUSTRIAL EQUIPMENT

TOTAL	\$21,000,000.00	\$15,000,000.00	\$8,026,409.71	\$8,026,409.71	- 0 -
	Not Specified	Not Specified	24 Pieces	24 Pieces	- 0 -
Gas Carburizing Furnaces	" "	" "	1 "	1 "	- 0 -
Aluminum Rolling Mill	" "	" "	75 "	75 "	- 0 -
Slush Pumps	" "	" "	7 "	7 "	- 0 -
Carburizing Furnaces	" "	" "	5 "	5 "	- 0 -
Rotary Hearth Furnaces	" "	" "	3 "	3 "	- 0 -
Melting Furnaces	" "	" "	50 "	50 "	- 0 -
Electric Furnaces	" "	" "	9 "	9 "	- 0 -
Air Compressors	" "	" "	4,773 Gross Tons	4,773 Gross Tons	- 0 -
Crucibles	" "	" "			

THE WHITE HOUSE
WASHINGTON

December 28, 1941

Confidential

My dear Mr. Secretary:

I desire that the soviet aid program as provided in the Protocol Agreement be re-established beginning January 1.

Existing deficits are to be made up and shipped from this country not later than April 1.

I realize that some amendments such as relate to anti-aircraft guns and their ammunition must be made as to times of delivery but I wish if possible when such amendments must be made you would give consideration to increasing the Protocol in other items essential to the Russians.

The whole Russian program is so vital to our interests I know that only the gravest consideration will lead you to recommend our withholding longer the munitions our Government has promised the U.S.S.R.

I wish, therefore, that all items go forward promptly after January 1, unless I authorize the specific amendment.

Very sincerely yours,



The Honorable
The Secretary of the Treasury.



OFFICE OF THE DIRECTOR

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TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON

January 8, 1942

MEMORANDUM TO THE SECRETARY

There is submitted herewith the operating report of Lend-Lease purchases for the week ended January 8, 1942.

In addition to the usual requisitions from the British and Russians, we received advance copies of requisitions from the Chinese for gasoline and lubricating oil requirements, totalling approximately 350,000 drums. During the past week there were purchased various drums for Turkey and numerous clothing items for Poland.

Mr. Stettinius announced yesterday that Czechoslovakia has been added to the list of countries entitled to receive aid under the Lend-Lease Act.

Clifton E. Mack
Clifton E. Mack
Director of Procurement

FOR DEFENSE



OPERATING REPORT - LEND-LEASE PURCHASES

WEEK ENDED JANUARY 3, 1942

TOTAL ALLOCATIONS		\$602,869,220.00
LESS: REVOLVING FUNDS	\$125,330,609.00	
FUNDS AWAITING		
CLEARANCE BY O.P.M.	<u>8,722,125.00</u>	<u>134,052,734.00</u>
NET ALLOCATIONS		\$468,816,486.00

*REQUISITIONS APPROVED FOR PURCHASE		\$485,755,718.88
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PURCHASES PREVIOUSLY REPORTED	\$341,715,321.30	
PURCHASES THIS WEEK	<u>21,770,386.51</u>	

TOTAL PURCHASES		<u>363,485,707.81</u>
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REQUISITIONS IN PROCESS INCLUDING THOSE AWAITING SPECIFICATIONS		\$122,270,011.07
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*THE DIFFERENCE BETWEEN NET ALLOCATIONS AND REQUISITIONS APPROVED FOR PURCHASE REPRESENTS ALLOCATIONS IN EXCESS OF COMMITMENTS, REQUISITIONS TRANSFERRED TO OTHER AGENCIES, AND CANCELLED REQUISITIONS.

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DEPARTMENT OF STATE

Washington

In reply refer to
FF 840.51 Frozen Credits/4901

January 3, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith a copy of air mail despatch no. 3744 of December 24, 1941 from the American Embassy at Buenos Aires, together with translations of circulars nos. 202, 244, 246, and 262, concerning the financial measures adopted by the Argentine authorities effecting transactions with or for the benefit of the Axis countries.

Enclosure:

From Buenos Aires,
no. 3744, December 24,
1941, with enclosures.

eh:copy
1-6-42

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No. 3744

Buenos Aires, December 24, 1941

SUBJECT: STATUS OF FINANCIAL MEASURES ADOPTED BY THE
ARGENTINE AUTHORITIES AFFECTING TRANSACTIONS
WITH OR FOR THE BENEFIT OF THE AXIS COUNTRIES

CONFIDENTIAL

The Honorable,

The Secretary of State,

Washington.

Sir:

I have the honor to submit below a summary of the existing measures in Argentina affecting transactions with or for the benefit of the Axis countries. Reference is made to the Embassy's telegrams Nos. 1402 of December 8, 12 midnight, 1417 of December 10, 3 a.m., 1422 of December 10, 7 p.m., 1431 of December 11, 9 p.m., and 1532 (en clair) of December 23; and despatches Nos. 3683 of December 10, 1941, and 3735 of December 23, 1941. The discussions on the subject had with the Foreign Office and with authorities of the Central Bank and the notes presented, are reported in the telegrams and despatches aforementioned.

The only measure of this nature thus far adopted by the Argentine authorities since December 7 and up to December 23 was the issuance by the Central Bank of Circular No. 262 of December 11, 1941, which was reported to have been the result of instructions by the Ministry of Finance following the receipt of the Embassy's Note No. 636 of December 9. A translation of that circular is enclosed herewith (errors in the translation of the circular previously reported were corrected in the Embassy's en clair telegram no. 1532 of December 23). The circular indicates in the preamble that the only purpose is to suspend the movements of funds and securities between Argentina and Japan.

with such exceptions in particular cases as the Central Bank might deem necessary, and provision is made for the suspension of such transactions. The circular goes further, however, than merely providing an embargo on transfers of funds to and from Japan, for it "freezes" accounts of funds and securities in Argentina of persons or firms domiciled in Japan (as well as prohibits deposits in such accounts), although operations may be conducted if expressly authorized by the Central Bank. The Central Bank has intimated that the amount of Japanese funds in Argentina is probably several million pesos, which includes a million pesos held by the Central Bank for the credit of the Yokohama Specie Bank in connection with the shipment of Japanese gold here last October, reported to have had a value of approximately 10,000,000 pesos.

Although an official of the Central Bank has informed a member of the Embassy staff in confidence that the Bank intended to be sparing in granting authorizations in special cases, there is, of course, an important deficiency in the measure in that there are not blocked internal transactions of Japanese nationals residing in Argentina. These peso assets are left freely at the disposition of such individuals and firms and they are thus, in at least some degree, under the control of Japan and perhaps the other Axis countries. The Central Bank has indicated that the taking of this further step was not being contemplated. The number, however, of Japanese residents in Argentina is estimated to be under 7,000.

Of much greater importance is the problem of commercial transactions for the benefit of the other Axis countries, more particularly Germany and Italy. It was hoped that with the entry of those two countries into the war against the United States and certain other countries of the Western Hemisphere, the Argentine authorities would take the same action as in the case of Japan, but it now seems unlikely that this will be done in any event before the conference next month at Rio de Janeiro.

Meanwhile, however, a degree of Central Bank control over commercial transactions with Germany and Italy is provided by the Bank's circulars Nos. 244 of September 1, and 246 of September 12. The former of these (which refers to Decree No. 66,230 of June 26, 1940, and the Bank's circular No. 202 of June 27, 1940) makes provision for the cases in which transfers of payment may and may not be made without authorization between Argentina and the countries with which it has compensation or payments agreements (which include Germany but not Italy). The general rule is that such transfers may be made only within the accounts provided by the agreements.

Circular No. 246 of September 12 after referring to "difficulties in regularly effecting arbitrage against dollars" and to Decree No. 100,316 of September 9, 1941, which makes it necessary to obtain the authorization of the Central Bank in order to conduct "arbitrage operations of foreign exchange in direct or indirect form," appears to place, for purposes of transfers of payment, all the countries of continental Europe, as well as China and Japan, in the same category as the countries with which Argentina has compensation or payments agreements. As to the decree itself, the limitations which it places on arbitrage transactions might seem to be significant in view of the difficulty in obtaining lira and marks in the Buenos Aires market and the need, therefore, to make remittances to those countries by way of neutral or other third countries. In practice, however, the facility with which Swiss francs may be purchased here has until now, despite circular no. 246, rendered it comparatively simple to make remittances to Germany and Italy without having to resort to actual arbitrage. It has not been difficult to obtain Swiss-franc telegraphic transfers, apparently on the theory that they were officially presumed to be in pursuance of legitimate trade transactions, and it has even been possible to do this without furnishing any information.

After obtaining the transfer, the remitter would have little difficulty in arranging with a Swiss bank or other agency in Switzerland for conversion of the franc into marks or lira. Other currencies have also been used as intermediate currencies for such transactions, although to a less conspicuous extent. However, the Central Bank has just issued a new circular, No. 264, dated December 22, 1941, which, according to Dr. Edgardo Grumbach, head of the foreign-exchange department of the Bank, is designed to prevent remittances of this character by placing on the local organizations furnishing the transfers the onus of the legitimate character of the transactions. It will probably still be possible, however, to obtain remittances to Switzerland for conversion into Axis currencies through the less scrupulous exchange brokers. Copies and copies of translations of this circular will be submitted to the Department in the next airmail pouch.

Estimates of German and Italian investments in Argentina were submitted to the Department in the Embassy's despatch no. 3467 of November 7, 1941. These figures, which were compiled by the Committee of the National Congress investigating Nazi activities and which were stated to be substantially correct by the Central Bank, showed for Germany 35,549,000 pesos (approximately \$8,500,000 U.S. cy. at the prevailing free-market rate of exchange), this figure being entirely for direct investments, while for Italy, they showed 77,213,000 pesos (approximately \$18,400,000) for direct investments and 1,861,000 pesos (approximately \$450,000) for portfolio investments.

Copies of the Central Bank's circulars Nos. 202, 244, 246, and 262 have been previously sent to the Department as they have been issued without covering despatches. There are now enclosed, however, three additional sets of these, including Decree No. 66,230 of June 26, 1940 (which is an annex of Circular No. 202 of June 27, 1940) and decree No. 100,316 of September 9, 1941 (which is an

Annex of Circular No. 246 of September 12, 1941). There are enclosed also translations of the four circulars and the two decrees.

Respectfully yours,

For the Ambassador

James W. Gantenbein
Second Secretary of Embassy

Enclosures:

1. Circular No. 202 and annex
2. Circular No. 244
3. Circular No. 246 and annex
4. Circular No. 262
5. Translation of Enclosure No. 1
6. Translation of Enclosure No. 2
7. Translation of Enclosure No. 3
8. Translation of Enclosure No. 4

Gn.
851
JWG:dnb

A true copy of the
signed original
dnb

sh:com 12C-4

Enclosure No. 5.....Despatch No. 3744....

(TRANSLATION)

CIRCULAR No. 202
(Accountancy Department)

CENTRAL BANK OF THE ARGENTINE REPUBLIC

Buenos Aires, June 27, 1940

TO AUTHORIZED INSTITUTIONS AND BROKERS

We take pleasure in addressing you in order to inform you that by virtue of the provisions of Decree No. 66,230 of the 26th instant, a copy of which is attached herewith, operations involving persons of real or juridical standing residing or domiciled in the countries with which there exist agreements of compensation of payments (1), shall be made from this date in accordance with the following rules:

1. - Transfers of funds in favor of such countries:

- a) Remittances that have to be made through compensation accounts (circulars No. 126 of December 30, 1937, No. 162 of April 1, 1939, No. 181 of January 11, 1940 and No. 198 of June 10, 1940): will continue to be made as hereto, as established for each country by the provisions in force, with the exception of the provision regarding temporary character established in the following paragraph.

Transfers of funds to France, its colonies, protectorates and territories under mandate, to be paid through the "Franco-Argentine Accord", shall be effected only after being previously authorized by this Central Bank.

2. - Other operations.

A permit granted by this Central Bank will likewise be required for the following operations:

- a) Remittances of bonds or securities of any kind, in national or foreign currency, in favor of such persons.
- b) Debits in accounts in money, bonds or securities of any kind, in national or foreign currency, already existing or which may be opened in the country in the name of the persons to whom reference is made in the preceding paragraph.
- c) Change of domicile registered on this date in such accounts in money, bonds or securities, unless such changes are made within the territory of each one of those countries.

We remain

Very truly yours,

Annex

Tr:AA:dnb

BANCO CENTRAL DE LA REPUBLICA ARGENTINA

(One signature illegible) (Signed: E. Grumbach)

Present: Germany, Spain, France and the British Empire.

(TRANSLATION)

ANNEX TO CIRCULAR NO. 202 (Accounting Department)

Buenos Aires, June 26, 1940.

VENUEAS:

It is advisable to take measures for the better fulfillment of the existing agreements of compensation of payments, guaranteeing that all remittances to the countries with which there exist such agreements may be effected through compensation accounts in the measure allowed by funds accumulated therein in payment of our exports to the respective countries:

THE PRESIDENT OF THE ARGENTINE NATION DECREES:

ARTICLE 1 - All remittances to the countries with which there exist agreements of compensation of payments shall be effected through the accounts provided for in the respective agreements.

ARTICLE 2 - With a view to the strict fulfillment of the provisions of the preceding article, the following operations are subject to control by the Central Bank of the Argentine Republic, which will regulate the conditions under which they may be connected:

a) All remittances of bonds and securities of any kind and transfers of funds in national or foreign currency having to be made by banks and firms of this country in favor of persons or entities having legal standing, resident or domiciled in the countries referred to under Article 1.

b) All operations the amount of which has to be debited in accounts in money, bonds or securities of any kind, in national or foreign currency, already existing or which may be opened in banks or firms of the country in the name of the persons to whom reference is made in the preceding paragraph.

ARTICLE 3 - Let this be communicated, etc.

(Signed) ORTIZ
P. Groppo.

DEGREE NO. 66,230

COPY
Tr:AA:bk

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(TRANSLATION)

CIRCULAR No. 244
(Accountancy Department)

CENTRAL BANK OF THE ARGENTINE REPUBLIC

Buenos Aires, September 1, 1941

TO THE INSTITUTIONS AUTHORIZED TO
OPERATE IN FOREIGN EXCHANGE

In accordance with Decree No. 56,230, a copy of which was sent as an annex to our circular No. 202 of June 27, 1940, all remittances to the countries with which Argentina has compensation or payment agreements (1) must be made through the accounts established in the respective agreements and movements of funds or securities outside of those accounts may be effected only by special authorization of the Central Bank.

In order to simplify the conducting of the last named operations, the Central Bank has decided to empower the authorized institutions, after the verifications to be made in each case, to issue directly the permits requested of them in accordance with the provisions of the present circular and, in order to avoid confusion, there are summarized below all the regulations which will govern such movements of funds or securities:

I - Operations, the execution of which may be authorized directly
by the institutions:

- 1.) The transfers of funds by compensation or payments accounts which will remain in effect as to the present date, according to the conditions established for each country by the regulations in force.
- 2.) The receipt of funds (credits or deposits) in accounts in pesos of national currency opened in the authorized institutions in the name of depositors residing or domiciled in countries included in the said decree, provided that they pertain to direct operations between Argentina and the countries where the respective depositors of the accounts reside or are domiciled.
- 3.) The removal of funds (debits or withdrawals) from the accounts indicated in the preceding paragraph when the said funds are destined:
 - a) to effect remittances by intermediary of compensation or payments accounts;
 - b) to transfer them to other accounts in pesos of national currency opened in the authorized institutions in the name of persons established in the country itself where there is domiciled the holder of the account who provides the funds;

(1) At present; Germany, Spain, France and the British Empire.

c) to effect expenditures, payments, or investments in the country in accordance with the following:

- expenses for cables and postage, imposts, taxes and banking commissions;
- current expenses in connection with real estate located in the country, being property of the holder of the account, the administration of which is in charge of the authorized institution which grants the permit;
- payment to navigation companies, steamship agencies, and captains of ships whenever the funds are destined to meet expenses of ships in Argentine ports;
- payments to insurance companies resident in the country provided that they pertain to the fulfillment of reinsurance contracts;
- in order to acquire Argentine bonds or securities; provided that these are deposited in the names of the holders themselves.

4.) Semi-monthly, the institutions shall inform the Central Bank concerning the amount and scope of the operations included in points 2 and 3 of this chapter, for whose execution they are given authorization.

II - Operations for which there will be required a permit issued by the Central Bank.

- 1.) All movements in the aforementioned accounts in pesos of national currency which are not expressly indicated in the preceding chapter.
- 2.) Transfers of funds in favor of the aforementioned countries which may not be effected by means of the compensation or payments accounts or by the intermediary of the accounts in pesos of national currency to which reference has been made.
- 3.) Withdrawals from the accounts of bonds and securities and from the accounts in foreign currency opened in the name of persons resident or domiciled in the aforementioned countries.
- 4.) Remittances of bonds or securities of any nature in favor of persons domiciled in such countries.

Changes of domicile of the holders of the accounts subject to the regulations of Decree No. 66,230 may be registered only in the respective accounts if there is a previous authorization of the Central Bank.

Very truly yours,
CENTRAL BANK OF THE ARGENTINE REPUBLIC
(One signature illegible) (Signed) E. Grumbach

Tf:JWG:dnb

Copy:bj:l-6-42

ENCLOSURE NO. 7 DESPATCH NO. 3744

TRANSLATIONCIRCULAR NO. 246
ACCOUNTING DEPARTMENT

CENTRAL BANK OF THE ARGENTINE REPUBLIC

Buenos Aires, September 12, 1941

TO THE INSTITUTIONS AUTHORIZED TO OPERATE
IN FOREIGN EXCHANGE

Owing to the difficulties in regularly effecting arbitrage against dollars - to which reference is made in Decree No. 100,316 of the 9th current, a copy of which we enclose - the Central Bank, with a view to normalizing the system of payments with the countries affected (1), has decided to consider the accounts which the authorized institutions may maintain in their correspondent banks in the countries mentioned, in the respective currency, as compensation or payments accounts.

For this purpose, there will be applied to the movements of funds and securities between said countries and our country, the regulations in effect pertaining to Germany, Spain, France and the British Empire, communicated in our circular no. 244 of the 1st instant.

By virtue of the provisions of the aforesaid Decree, we request you to be good enough to consult the Central Bank regarding the arbitrage operations which have to be conducted abroad or in the country for your own account or for the account of third persons.

Very truly yours,

CENTRAL BANK OF THE ARGENTINE REPUBLIC

(One signature illegible) (Signed: E. Grumbach)

Annex

- (1) By virtue of the monetary measures adopted in the United States there may not now be regularly arbitrated against dollars currencies of the countries of continental Europe, China and Japan.

(TRANSLATION)

Annex to Circular No. 246
(Accounting Department)

MINISTRY OF FINANCE
OF THE NATION

Buenos Aires, September 9, 1941

WHEREAS:

There does not exist at the present time the possibility of buying or selling regularly by means of arbitrage against dollars, currencies of the countries whose funds are affected in the United States by the monetary measures in the said country;

By virtue of this, the Central Bank of the Argentine Republic has had to conduct special operations for procuring foreign exchange of the said countries in order to be able to pay for the importation of essential articles proceeding from them;

Availing itself of the facilities offered by the local free market there are meanwhile being conducted operations outside of arbitrage which respond in general to movements of funds not connected with transactions of our own country and create disturbances in the development of our foreign exchange operations;

In order to avoid those disturbances, it is desirable to limit the operations of arbitrage to those which pertain exclusively to direct transactions between Argentina and the respective countries, these having prior authorization;

Article 14 of Law no. 12,160 empowers the Executive Power to establish the rules to which there are to be adjusted the operations of foreign exchange, the handling of which has been transferred to the Central Bank.

THE VICE PRESIDENT OF THE ARGENTINE NATION

IN EXERCISE OF THE EXECUTIVE POWER

D E C - 2 1 5:

ARTICLE 1 - For such time as it is not possible to effect regularly arbitrage operations in certain foreign exchanges against dollars, there will be required the previous authorization of the Central Bank of the Argentine Republic in order to perform arbitrage operations in foreign exchange in direct or indirect form.

- 2 -

- ARTICLE 2 - The preceding regulation will govern for arbitrages which are executed in foreign markets, ordered from Argentina, and for those which must be executed in the local market by virtue of orders given from abroad.
- ARTICLE 3 - The Central Bank of the Argentine Republic will regulate the conditions in which there may be effected the movements of funds abroad which may involve, in direct or indirect form, operations of arbitrage.
- ARTICLE 4 - Let this be communicated, etc.

(Signed) Castillo

Carlos Alberto Acevedo

DECREE No. 100,316

Copy:lc:1/6/42

Enclosure NoS.....Despatch No..3744.....

(TRANSLATION)

CIRCULAR No. 262
(Accountancy Department)

CENTRAL BANK OF THE ARGENTINE REPUBLIC

Buenos Aires, December 11, 1941

TO THE INSTITUTIONS AUTHORIZED TO OPERATE IN FOREIGN EXCHANGE

We take pleasure in addressing you in order to inform you that owing to the state of war existing between the United States and Japan, the Ministry of Finance has decided, pending the adoption of measures which the circumstances may deem advisable, to suspend for the time being and until the adoption of further measures, movements of funds and securities between Japan and Argentina.

At the same time we hereby inform you that the Central Bank has been empowered to authorize as exceptions operations which by their nature cannot be delayed without causing disturbances or inconveniences which it may be desirable to avoid.

Consequently there may not be conducted the following operations without an express authorization from the Central Bank in each case:

1. Transfers of funds or securities abroad, in national or foreign currency, in favor of or for the account of or by order of real or juridical persons who are resident or domiciled in Japan.
2. Transfers of funds or securities from abroad in national or foreign currency in favor of, for the account of or by order of real or juridical persons who are resident or are domiciled in Japan.
3. Withdrawals (egresos) of funds (debits or withdrawals) from accounts in national or foreign money now existing or which may be opened in the country in the name of real or juridical persons resident or domiciled in Japan.
4. Deposits (ingresos) of funds (credits or deposits) in accounts in national or foreign currency referred to in the preceding paragraph.
5. Deposits or withdrawals in or from accounts of stocks or securities opened in the names of the aforementioned persons.

Changes of domicile of the holders of the accounts to which the preceding provisions refer may be registered in the respective accounts only if previously authorized by the Central Bank.

We request that you be good enough to consult us with respect to all other operations in which there may be a direct or indirect interest on the part of real or juridical persons domiciled or resident in Japan.

We remain

Very truly yours,

CENTRAL BANK OF THE ARGENTINE REPUBLIC

(One signature illegible)(Signed:)E.Grumbach *

dnb

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DEPARTMENT OF STATE

Washington

In reply refer to
FD

January 3, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of the paraphrase of telegram no. 3, dated January 1, 1942, from the American Embassy, Rio de Janeiro, Brazil, concerning an offer made by the Italian Embassy to the Bank of Brazil.

Enclosure:

From Embassy, Rio de Janeiro,
no. 3, January 1, 1942.

eh:copy
1-5-42

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil.

DATE: January 1, 1942, 7 p.m.

NO. : 3

An offer has been made by the Italian Embassy here to sell 100,000 in American currency to the Bank of Brazil. I believe that this is a portion of the \$2,500,000 in United States currency which was brought from the United States to Brazil by couriers of Italy. (Reference is made to telegram no. 590 sent by the Embassy on November 14, 1940 at 7 p.m.) The Italian Embassy was informed by the Director of Exchange that the proposal would be considered.

The Director of Exchange thinks that steps to control currency of the United States which is being circulated in foreign countries should be taken immediately by our Government. He made the point that similar control by the British of sterling notes has worked very well. He is getting ready to cooperate and he seems to think that assistance will be given by the central banks in the other American countries.

CAFFERY

eh:copy
1-5-42

TREASURY DEPARTMENT

429

INTER-OFFICE COMMUNICATION

DATE January 3, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£36,000
Purchased from commercial concerns	£ 5,000

In addition to the above figures, one of the New York banks purchased £55,000 in registered sterling from the Export-Import Bank.

Open market sterling remained at 4.03-3/4. The only reported transaction consisted of £1,000 purchased from a commercial concern.

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

Canadian dollar	15-7/8@ discount
Argentine peso (free)	.2345
Brazilian milreis (free)	.0510
Colombian peso	.5775
Mexican peso	.2005
Uruguayan peso (free)	.5310
Venezuelan bolivar	.2000
Cuban peso	1/8@ premium

There were no gold transactions consummated by us today.

No new gold engagements were reported.

BRITISH EMBASSY
WASHINGTON, D.C.

January 3rd., 1942.

PERSONAL
AND SECRET

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

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

MOST SECRET

(U.S. SECRET).

OPTEL No. 2.

Information received up to 7 A.M. 2nd January 1942.

(1) NAVAL.

One of H.M. Submarines claims three hits with torpedoes on Laden 6,000 ton tanker off Cephalonia on 30th December. The British Tanker reported yesterday torpedoed is still afloat. A small British Merchant Vessel, in South bound East Coast convoy was sunk by mine yesterday.

(2) MILITARY.Libya.

The first objectives in our attack on Bardia were taken by noon on 31st December, in spite of a partially successful counter attack, they were all regained and consolidated. About 1,000 enemy prisoners, including some Germans, were captured. Operations continue. In the forward area, El Hasiat was reported clear of enemy on the 31st.

Malaya.

In Perak, slight contact has been made with the enemy to the North West of Kampar. At Muantan, our troops hold the River line immediately South and South West of the town.

Russia.

In the Kaluga sector, the Russian advance is continuing, and at least 16 German divisions have suffered serious losses.

(3) AIR OPERATIONS.Western Front.

1st and 1st/2nd. No operations by ourselves or the enemy worth reporting.

MEDITERRANEAN.Greece.

30/31st. 10 Wellingtons bombed Salamis. The submarine base and a munition factory were hit. Other Wellingtons bombed the Piraeus, starting a fire among oil cisterns and causing explosions at a chemical factory. A large fire was also started at Megara airplane base, and attacks were also made on two aerodromes in Crete. 2 Wellingtons dropped supplies for British troops still at liberty in Southern Greece.

Libya.

31st. Blenheims, escorted by fighters, bombed mechanical transport Southeast of Jedabya and some tanks and other mechanical transport North East of the town. Two tanks were hit and several vehicles probably damaged. Other Blenheims supporting our attack on Bardia scored many hits on gun emplacements, mechanical transport and buildings in this area.

Malta.

31st December/1st January and 1st. Bombs were dropped on the Island by a total of about 40 aircraft, but no damage has been reported.

FAR EAST.

Malaya.

30th. Two enemy aircraft bombed and machine gunned one of the Singapore aerodromes, rendering the runway temporarily unserviceable. Enemy attacks were also made on Kuala Lipis with damage to the railway, Jerantut, where damage was caused to civil property, and Betong where a train was hit. In the evening, raid was made on the Naval base at Singapore and anti-aircraft positions in South Johore.

30th/31st. Two Catalinas bombed Sungai Patani aerodrome with unobserved results.

4. INDO CHINA.

Japanese troops, strength not stated, and large numbers of horses and horse transport are reported to be moving from Saigon into Siam through Phnom Penh.

TREASURY DEPARTMENT

433

INTER OFFICE COMMUNICATION

DATE January 3, 1942

TO Secretary Morgenthau
FROM Mr. Ksarck
Subject: Summary of Military Reports

Libyan Campaign

The Axis is believed by the British to have the remnants of five Italian infantry divisions and one Italian and two German armored divisions in the Jedabya area, (on the Gulf of Sirte, 100 miles south of Benghazi). Around this area several strong points have been constructed. At the same time, a line of defended posts stretching 30 miles towards the south-east has been set up. (This force is all that is left of the original Axis strength in Cyrenaica. Evidently, none of it has escaped to Tripoli. The Axis strategy apparently is to hold this position until help arrives. If the British are able to move their air bases forward rapidly enough, very few of the Axis troops will be able to escape, should an attempt be made, since the only road to Tripoli will be under constant air attack.

(U.K. Operations Report, January 1, 1942)

Mediterranean

A British convoy escorted by cruisers and destroyers arrived at Alexandria from Malta on December 29. The force had been several times attacked by enemy aircraft en route. (That the British could continue to send convoys through the Mediterranean through the gauntlet of German and Italian air and submarine attacks, would never have been believed before the war.)

(U.K. Operations Report, December 31, 1941)

German Oil Situation

In their efforts to reduce the consumption of gasoline still further, the Germans are reported to be ordering large quantities of producer gas apparatus (producing gas from coal or wood) for use on mechanical transport on the Russian front. They have not delivered any oil under their agreement with Sweden since October. They also have intimated that they will not recommence deliveries in the near future.

(U.K. Operations Report, January 1, 1942)

RESTRICTED

G-2/2657-220; No. 589 K.I.D., S.D. 11:00 A.M., January 3, 1942

SITUATION REPORTI. Pacific Theater.

Philippines: Ground activity yesterday desultory. In five-hour air raid over Fort Mills, enemy sustained material losses from American anti-aircraft fire. Japanese air units active against our land forces. Hawaii: Negative reports. Malaya: Sharp fighting in both the Perak and Kuantan areas as Japanese pressure increases. Air attacks on Singapore continue, with little damage. Burma: No further reports have been received. British Borneo: Japanese air reconnaissance intensified. China: The Press reports severe fighting around Changsha, which apparently is still in Chinese hands. West Coast: No further reports of hostile activity.

II. Eastern Theater.

Ground: The situation on the eastern front remains unchanged. Russian pressure west of Moscow continues. The Russians claim the capture of Maloyaroslavets. (A situation map will not be issued this date).

Air: The Russian communique reports increasing aerial activity and states that the Russians destroyed 31 German planes on Wednesday and 28 on Thursday.

III. Western Theater.

Air: According to the Press, British planes last night attacked naval bases at Brest and St. Nazaire on the French coast and laid mines in enemy waters.

IV. Middle Eastern Theater.

Ground: Activity on the Agadabia sector has diminished. Apparently both forces are awaiting supplies and reinforcements. The British communique states that Imperial troops staged a successful assault on Bardia. Over 1000 British prisoners of war were liberated by the fall of the city.

Preliminary bombardment was by air, artillery, and naval units. South African troops supported by artillery and tanks then staged the successful assault.

Air: R.A.F. activity in the Agadabia sector and along the Tripolitanian coast continues with raids on harbors and bombing of motor transport. The R.A.F. made raids on Naples. No results have been reported.

RESTRICTED