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TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Sunday, January 4, 1942.
1/3/41

Press Service
No. 29-37

Secretary Morgenthau has placed at the disposal of Vice President Wallace, chairman of the Supply, Priorities and Allocation Board, an inventory of \$200,000,000 of materials for America's war effort, the cache of the Department's Foreign Funds Control.

The itemized inventory, which included all sorts of goods and merchandise, machinery and equipment, will make it possible for SPAB and other Government agencies to direct these materials, much of which is strategic, into the allied war effort.

At the same time the Secretary indicated that the inventory covered only a part of the strategic materials held for foreign account and buried in warehouses, sheds and factories throughout the country. The complete inventory, which will be furnished to Vice President Wallace in the next few days, probably will represent a much larger figure.

"Ferretting out stocks of strategic materials 'lost' in the United States is an effective way of adding immediately to the nation's stock piles during a period when our supply lines abroad are interrupted by war," the Secretary said. "This is but one of the many war time measures Foreign Funds Control in the Treasury has undertaken."

The Secretary explained that these vital materials uncovered by Foreign Funds Control were "lost" in the United States either through accident or design on the part of their foreign owners. In some cases the foreign owner could not communicate with the United States because of communication difficulties arising out of war conditions abroad. In other cases the owner was the victim of the Axis invasion and his whereabouts unknown. In still other instances the Axis powers through "dummies" actually had bought up the stocks for their own use before the war or had acquired them later for the express purpose of preventing their use in the Allied war machine. Regardless of the intent of the foreign owner, the result was the same--the supplies were not being used in our war effort.

Typical examples of items found in the list prepared by Foreign Funds Control and given to the Vice President included the following:

The following material and equipment was held in one warehouse in the port of New York for just one foreign owner whose identity was "unknown": 89 boxes of aluminum, 3092 pieces of aluminum, 396 crates of brass, 3 pieces of forgings, 117 tons of rough forgings, 169 tons of forgings, 49 crates of auto parts, 25 boxes of auto parts, 2 crates of tractor implements, 3 crates of pneumatic tools, 1 box of link belting, 14 packages of diesel equipment and 138 crates of machinery.

Tractors, tires, motor accessories and barley held for Greek accounts and valued at \$1,395,321, machines, aluminum and molybdenite held for Fiat, Italy's motor car and truck company, and valued at \$268,000; merchandise from an American automobile manufacturer consigned to Greece, \$157,775; tire fabric, \$67,213; materials for Hispano Suiza, an important engine manufacturer in Seine, France, \$475,984; steel for Holland, \$79,565; automobiles for Finnish account, \$35,114; steel valued at \$92,000 for French account; and leather valued at \$88,063 for French account.

Until Treasury reporting regulations under freezing control brought the information to light and an inventory of the reports was made, no comprehensive study of this picture was available. The supplies were scattered in a thousand places and under ten thousand different names. The warehouseman or other custodian of each parcel in many instances had forgotten that it was packed away in an inaccessible place. If he knew of its presence he either did not know that it was critically needed for national defense, or even if he did appreciate its value, he saw it only as an insignificant amount because he did not see the thousands of similar parcels held by others.

Today's disclosure, however, was compiled by Foreign Funds Control after examination of the TFR-300 census reports of foreign property. Those required to report on this form included every person in the United States holding foreign-owned property as well as agents in the United States of foreign nationals having any information regarding the holdings of their principals. This was the most comprehensive census of foreign-owned property this country had ever undertaken.

The reports brought the Division of Foreign Funds Control a complete census of every foreign account over \$1,000. The thoroughness of the census insures an adequate sweeping of every corner of the nation for large and small quantities of materials which might possibly benefit the nation's war effort.

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In June, 1941, when the United States froze all Axis assets in the United States and the Treasury required a census of all foreign-owned property, there was dismay in some circles because of the detailed information Foreign Funds Control was requiring, but this economic preparedness is now paying dividends, Treasury officials said. More than 500,000 reports already have been received and are being processed both day and night. Instead of waiting for another six months before being able to take stock of our foreign and enemy holdings, Foreign Funds Control already has complete information which it is using and also making available to other interested Government agencies.

Several months ago the Treasury performed this same task on a much smaller scale with respect to an earlier and less complete census on report Form TFR-100. Strategic materials valued at many millions of dollars were made available to the army, navy and defense industries following their location by the Foreign Funds Control. The success of this initial inventory prompted the obtaining of much more complete data in connection with the recent census on report Form TFR-300.

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READING COPY OF
THE SECRETARY'S RADIO ADDRESS

from his desk in the
Treasury on Sunday
Jan. 4, 1942, 7:15 pm

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 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 ran out for a time. We just couldn't print the bonds fast enough after Pearl Harbor. In Honolulu, while the smoke still darkened the sky, the citizens of Hawaii replied to the bombs by buying bonds ten times as fast as before.

As a result of that thrilling 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.

Print

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.

Four
This is a people's war. If it were a different kind of war, I should not be speaking to you, the people, in your homes tonight about the job ahead.

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 40,000,000 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.

(2/3)

Pause

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.

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.

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.

Pause

I am not suggesting 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.

Pause

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.

Pause

Let us, then, resolve to be worthy of 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."

-oOo-

RESTRICTED

G 2/2687-220; No. 590 M.I.D., N.D. 11:00 A.M., January 4, 1942

SITUATION REPORTI. Pacific Theater.

Philippines: Fighting has been resumed in the north. Corregidor and the area north of Manila were attacked yesterday by heavy bombers. Four of these were shot down and others were damaged. Hawaii: No further reports of enemy activity. Malaya: Pressure has increased in the Perak sector. At Kuantan the Japanese have made some progress and, according to the press, are in the outskirts of the town. Enemy air activity continues. New Britain (approximately 60 miles northwest of New Guinea): The press reports that Japanese planes twice raided the airfield at Rabaul on the northern tip of New Britain. China: The Chinese High Command announces that the Japanese have been repulsed in the Changsha area. West Coast: No further reports.

II. Eastern Theater.

The situation on the eastern front remains unchanged. Both sides report fighting at various points along the front. (A situation map will not be issued this date.)

III. Western Theater.

Air: British cities have been free from German attacks for the last five nights. The press reports the R.A.F. made heavy attacks upon docks at Brest for the second successive night.

IV. Middle Eastern Theater.

Ground: There has been little change in the Agadébia area since yesterday. Reconnaissance activity continues on both sides. British are beginning to put pressure on the Salur-halfaya area.

Air: Both R.A.F. and Axis air activity has been largely confined to supply routes of the opposing forces. According to the press, one German bomber was destroyed and another probably destroyed in four enemy air raids on Malta.

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RESTRICTED

January 5, 1942
9:30 a.m.

GROUP MEETING

Present: Mr. Graves
Mr. Kuhn
Mr. Puffington
Mr. Morris
Mr. Foley
Mr. Paul
Mr. Viner
Mr. Thompson
Mr. Sullivan
Mr. Bell
Mr. Haas
Mr. Gaston
Mr. Blough
Mrs. Klotz
Mr. White
Mr. Schwarz

MR. GASTON: Nothing this morning.

H.M.JR: Nothing?

Edward?

MR. FOLEY: If it is agreeable with you, we propose to issue a statement today saying that because of the fall of Manila, the freezing control now automatically extends to the Philippines. We will give general licenses to all the Filipinos in the United States, and also one to Sayre and to the Filipino Governor.

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MR. BELL: How about the National Bank?

MR. FOLEY: I don't think that this general license covers the National Bank.

(Mr. Kuhn entered the conference).

We have cleared it with the Bureau of Insular Affairs over in Interior and we have sent the papers over to the State Department.

H.M.JR: Do the usual clearance.

MR. FOLEY: Right.

And here is a memorandum to you saying that there is nothing incompatible about the duties.

H.M.JR: It is all right?

MR. FOLEY: It is O.K.

H.M.JR: Well, I am sorry.

MR. FOLEY: That is all right.

H.M.JR: Who wrote this for you?

MR. FOLEY: Cairns.

H.M.JR: It is all right.

MR. FOLEY: Yes. He was acting, and I don't think you called him.

MRS. KLOTZ: But you are not a private, you are a deputy. Does that make any difference?

H.M.JR: No. It is a question of my taking an oath of office as an air warden. He said Knollenberg couldn't be over in his shop, advising him, and be here too.

- 3 -

MR. FOLEY: The fire chief said, Mr. Secretary, that there are fifteen thousand in the District and if any rulings were issued that a Federal employee couldn't also be a warden, he just couldn't function.

MR. BELL: You are still working for the Government, aren't you?

MR. FOLEY: Yes. And there is no salary attached to the position of deputy air warden, and there is nothing incompatible with the duties. We went into the thing very carefully, and there is just no reason in the world why it can't be done, either on the basis that the air warden position is a Federal position or on the basis that it is a municipal position. It still is all right.

(Mr. Graves entered the conference).

H.M.JR: Now look at our friend Murray Hurlbut.

MR. FOLEY: That was entirely different, because there was a special statute there, Mr. Secretary, and that was under the State.

H.M.JR: You are satisfied?

MR. FOLEY: Oh, yes. I don't think there is any question about it.

H.M.JR: What was the thing that Knollenberg --

MR. FOLEY: I haven't any idea.

H.M.JR: Do you want to ask him?

MR. FOLEY: Yes, I will be glad to ask him.

H.M.JR: Ask Knollenberg why he had to resign from whatever he was doing for the Army.

MR. FOLEY: Sure.

- 4 -

H.M.JR: But you will stand on this and send me lollipops if I go to jail?

MR. FOLEY: Right. I don't think there is any question about it.

MRS. KLOTZ: Do you want to change that?

H.M.JR: No.

MRS. KLOTZ: I mean independent of that.

H.M.JR: I am assistant to the air warden.

MR. FOLEY: The fire chief said the reason that they asked that wardens and deputy wardens subscribe to the oath was because they wanted to have something in writing, because they didn't want a bunch of crooks with access to apartments and things like that. They wanted to have some evidences, some documentary evidences that they could go after them if they misused their offices.

H.M.JR: Well, Ed, I was worried because he said Knollenberg must have found something in the statute and then he knew about Murray Hurlbut.

MR. FOLEY: Well, the Murray Hurlbut situation I know about too, but that was entirely different because that was a special statute, and he was holding a job as President of the Common Council of New York, and he accepted that position one of the Park Commissions in New York, and a provision in the New York City charter made it impossible for a City employee to take another job.

H.M.JR: O.K. But you are --

MR. FOLEY: Well, yes, I am satisfied.

H.M.JR: I have got fifteen thousand partners, have

1?

- 5 -

MR. FOLEY: You have fifteen thousand partners.

H.M.JR: And they are all Civil Service but me?

MR. FOLEY: I don't know about that (laughter).

H.M.JR: Then I am safe. I will let the Civil Service boys take care of that.

MR. BELL: We will have to have a new jail.

H.M.JR: What else, Ed?

MR. FOLEY: Nothing else.

H.M.JR: Now, did Leo Crowley approve this order?

MR. FOLEY: Well, I can call him up. Sure, I will clear it with him.

H.M.JR: Well, would you do it with Dean?

MR. FOLEY: Yes, I will call Dean.

H.M.JR: I would do it just on the - not to give him any place to hang his hat.

MR. FOLEY: Sure. Well, I will clear it.

H.M.JR: Don't you think it is --

MR. FOLEY: Yes.

H.M.JR: You wouldn't have done it, though, would you? No.

MR. FOLEY: Probably not, but I will.

H.M.JR: Well, I wouldn't give him any possible excuse to go and see Teacher about it, see?

MR. FOLEY: Sure. I will call him up.

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H.M.JR: But let him come over here and read it. Are there a lot of documents and stuff?

MR. FOLEY: Sure. Well, I will call a meeting if you want me to.

H.M.JR: Sure. See if he is here, in Washington.

MR. FOLEY: O.K.

H.M.JR: Here you have got this thing - I would call a meeting. I would go through all the motions.

MR. FOLEY: All right.

MR. SULLIVAN: Disney is here at three o'clock to show you what he has.

H.M.JR: Can he do it in an hour?

MR. SULLIVAN: I should think so, although I don't know. And then he wanted to know if he could get some pictures of you and him in this story conference.

H.M.JR: Well, George is back again now from the wild and woolly West.

MR. SULLIVAN: He thinks it would be pretty good publicity.

H.M.JR: What do you think, George?

MR. BUFFINGTON: I think it would be fine to have your picture in some of this publicity.

H.M.JR: I can't see whether George looks all pepped up or tired from his ten days. I think a little publicity with me - just have a little underline, "This is not Mickey Mouse, this is the Secretary of the Treasury." (Laughter). So they don't get me mixed up.

MR. GASTON: I can think of worse characters you might associate with in that connection.

- 7 -

H.M.JR: I can, too. No, I think so.

MR. SULLIVAN: I think so, too.

MR. RUFFINGTON: He would like to use that in Life and several publications.

MR. SULLIVAN: Where do you want that, downstairs?

H.M.JR: Well, is it going to be pictures?

MR. SULLIVAN: No, sketches.

H.M.JR: I think that - you can't get in there on account of the soldiers. I think right in here.

What else?

MR. SULLIVAN: That is all, sir.

H.M.JR: Randolph?

MR. PAUL: We expect to see you a little later with detailed figures.

H.M.JR: Ten fifteen.

Ferdie?

MR. KUHN: I have nothing, except that the War Department is anxious to pull down the curtain now on all news of procurement of military - military procurement affairs, and the MacLeish Committee on War Information may try to extend that to cover all Procurement items over here, like the desks and things that you wanted to do publicly.

H.M.JR: Well, you can tell them with my compliments that they are nuts, see?

MR. KUHN: If they want to go in on the other field?

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H.V.JR: No, let me explain to you. The best publicity that came out last week was when Mr. Keller announced in Chicago - in Detroit that twenty-five thousand men, representing two million man-hours, were going to go back to work, see?

I didn't think it was my job to call up the War Department - that was about one-sixth or one-seventh of the order they placed - to do the same thing. Now, you talk about morale. There are two hundred fifty thousand men on the streets, and if they knew the amount of orders which - what is his name? - sent me, they placed about three hundred thousand or close to four hundred thousand trucks, of which seventy thousand were this. It is about what, about a fifth. There pretty near ought to be enough jobs for two hundred fifty thousand men. Now, you want to talk about morale to MacLeish, and as these orders are placed - did you see their publicity of Chrysler?

MR. KUHN: Yes.

H.M.JR: They are crazy if they don't say. They don't have to say what it is for, but they certainly should say that Chrysler, Ford, Diamond Truck, White Motors Truck, got so many orders, which means so many men go back to work, and so many man-hours. Now, they don't have to say whether it is a six-ton truck or - in one case I saw a sixty-ton truck which moves tractors, but it was so many units. They don't even have to say "units", but they put so many men back to work, so many man-hours, and it represented so many dollars.

MR. KUHN: Well, I am glad to hear it, because they are being extreme. They want to cut out the kind of thing the Wall Street Journal has.

MR. WHITE: Mr. Secretary, there is a grave danger in time of war that the desire on the part of the services and some others to avoid any criticism is so great that they set up a curtain of defense behind which all their

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errors and incompetency is hidden under the guise of military secrecy.

H.M.JR: Hear, hear.

MR. WHITE: And one of the strongest defenses, it seems to me, that democracy in a peoples' war has, is publicity and criticism.

H.M.JR: Hear, hear.

MR. WHITE: I hope you oppose it at every angle.

H.M.JR: Well, from both angles he is right. Incidentally, that technique you used of a special release for the newspapers worked beautifully.

MR. KUHN: I don't know if you saw the Baltimore Sun.

H.M.JR: I congratulate you. Ferdie said he would write out a new - normally you give a newspaper a radio release and they just don't write anything, so Ferdie said he was going to try something new, and write a newspaper release of my speech for the newspapers, which he did.

MR. KUHN: Well, some of them used that, and some used the copies.

MR. SCHWARZ: Some of them studied the text.

MR. KUHN: There is a front page story there.

H.M.JR: But I had never seen it before.

MR. FOLEY: We got a good coverage on that release that we put out on Saturday about the assets that were uncovered.

H.M.JR: Yes, I saw that.

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MR. FOLEY: The front page of the Trib was more than I expected.

H.M.JR: Well, I wrote you (Schwarz) a little note on that.

MR. SCHWARZ: I haven't received it.

H.M.JR: Well, it will come on. I complimented whoever did it, but then I wanted the history on it, because it used my name, and I never saw it.

MR. SCHWARZ: It came out of freezing funds, and we recast it a little bit.

MR. FOLEY: I didn't use your name in the release. It was just "Treasury officials" and so forth.

MR. SCHWARZ: No, the release had the Secretary's name in it.

H.M.JR: The surprise was, I was talking with Harry White about it Saturday and Harry said it had gone up to the Vice-President, that list, and that if we didn't hear from the Vice-President soon, we would do something about it, and we were talking how could we do it. Then the next thing I know, I said, "Should we do anything?" and he said, "No, it looks as though we are bringing pressure on the Vice-President." That was Saturday morning, wasn't it?

MR. WHITE: Yes.

H.M.JR: And the next thing I know is, I pick up the paper and there is a release on it. Did you know about it, Harry?

MR. WHITE: It may be that John mentioned it to me, not to inform me, but merely mentioned it, I am not sure, but in any case, it wouldn't be necessary for me to be informed.

H.M.JR: But you remember our conversation.

MR. WHITE: I remember the conversation definitely, and I spoke to John after the conversation and asked him to send you a copy of the correspondence and the list.

H.M.JR: Well, Harry and I were discussing how we could get it out, and we decided we wouldn't do anything, because he had sent it up to the Vice-President. He called up Milo Perkins and just reminded him, and the next thing, I pick it up and it is all in the paper. I think it is good.

MR. FOLEY: Well, I assumed the responsibility for it, Mr. Secretary.

H.M.JR: I think it was a little - I think it was a little more checking.

MR. FOLEY: Well, I think it was checked.

MR. WHITE: Well, there is no reason why I should have known about it.

H.M.JR: Well, let's put it this way. In the morning I discuss it, what can we do to get it off the Vice-President's desk, and Sunday morning I pick it up and I find it in the paper. Let's say I might have been told. I like it, but I might not have liked it, and the Vice-President might not have liked it. You can't argue on that basis.

MR. FOLEY: No (laughter). But it seemed to me to be all right, and I didn't bother you about it. It was on Saturday.

H.M.JR: Well, it just happened Harry and I were going over it Saturday morning. How far did I get?

MR. BUFFINGTON: I saw Mr. Vanderpool in Chicago. He is coming down on Thursday of this week. Could I see you a moment or two before that?

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H.M.JR: Before Thursday?

MR. BUFFINGTON: Yes.

H.M.JR: It is a little difficult, but maybe it can be arranged.

MR. BUFFINGTON: That is all I have.

H.M.JR: Roy?

MR. BLOUGH: Nothing this morning.

H.M.JR: I can't see what you are doing with your head. Roy?

MR. BLOUGH: I am shaking it sideways, and saying "Nothing". I am sorry.

H.M.JR: Shake it a little more strenuously, will you? (Laughter).

MRS. KLOTZ: It is Monday morning.

H.M.JR: Happy New Year, Jake.

MR. VINER: Same to you, thank you.

MR. MORRIS: Nothing.

H.M.JR: How about you, Jake?

MR. VINER: No.

H.M.JR: I would like you to be here at ten fifteen.

Dave?

MR. MORRIS: Nothing.

H.M.JR: This is addressed to Bell and Haas and Dave Morris. I don't know just - I know the responsibility

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is Bell's. We will start with him, on opening up new outlets, and Harold Graves, too, as to who can issue Defense Savings Bonds, see? Now, I mean --

MR. BELL: As agents?

H.M.JR: As agents.

MR. BELL: I wanted to talk to you about that.

H.M.JR: Well now, George, did you and I and Bell get our wires crossed or didn't we?

MR. HAAS: No, you are going to have a report coming every week, and the first one will be Tuesday.

H.M.JR: But Bell didn't know whether you were sending separate telegrams from him.

MR. HAAS: Yes, he called me, but that wasn't the case. That was using his man.

H.M.JR: All right. Well, I didn't know. It would have been my fault if you had. But two suggestions I have got. When will I get that report?

MR. HAAS: Tuesday.

H.M.JR: What about a department store that wants to be an issuing agent?

MR. BELL: Well, we haven't got any now, have we, Harold?

MR. GRAVES: Well, you have Macy's, I believe, which has some kind of a banking department which has qualified, as I understand, but in its capacity as a banker.

MR. BELL: We did have some booths down here, but they didn't do any business, and we stopped them all.

H.M.JR: I saw in the paper, I don't know what it is, that Ronwit Teller have a place at night where you can go and buy, and I gathered it was in the lobby, I thought outside. They sold --

MR. KUHN: It was only for stamps, Mr. Secretary.

H.M.JR: Well, they sold seventy-five thousand dollars. It couldn't be stamps. It must have been bonds. It said bonds.

MR. BELL: What organization was that?

H.M.JR: Bonwit Teller in New York. You are lucky if you don't know it.

MR. BELL: I don't know it.

H.M.JR: It is a ladies' dress shop.

MR. BELL: I wouldn't know that. (Laughter)

H.M.JR: Anyway, what I would like to do is, I would like, when those reports come in Tuesday, to see Bell and Graves and Haas and Dave Morris, and then my thought is, I would like to have someone in the Federal Reserve to be designated by the Board to work with us to stimulate this whole question of agents to handle it, see, Dan?

MR. BELL: Yes. Well, I would like to sort of combine this with Mr. Ruffington's work. It sort of fits together and let him give a little thought to it. I had a talk with Frank Walker, and he is perfectly willing to cooperate on your suggestion of putting booths in post offices and he suggests that we do it in five or six cities instead of doing it just in Washington, and he doesn't--

H.M.JR: Well, could we have a meeting on this at three tomorrow?

MR. BELL: Yes.

H.M.JR: Do you want somebody from the Fed to sit in?

MR. BELL: Not at this time.

H.M.JR: Well, I am going to put Bell - do you want to add Ruffington?

MR. BELL: I would like for George to kind of carry the ball on the thing because it is getting right big and the man that is carrying it for me is getting into other work.

H.M.JR: Well, could Bell and Graves and Haas and Buffington and Dave Morris meet at three tomorrow?

MR. BELL: With you?

H.M.JR: With me, and I will take the first report then.

MR. BELL: I assume it will be in by tomorrow morning, won't it, George?

MR. HAAS: That is the understanding when it was sent out.

H.M.JR: Well, Harold, I have got a suggestion for you. I don't know, for instance - I do know who the sales manager was for Chevrolet, and then he was made vice president in charge of all sales for General Motors. I don't know whether there is a man like that or the sales manager for Cadillac, but certainly these various sales managers of these various automobiles are high-powered fellows, and they have got nothing to sell. I mean, the one that was - the man who went from sales manager of Chevrolet to general sales manager for the entire General Motors was a unique fellow. I don't know whether - but there are these others. My thought was, we might get one of those fellows who have nothing to do to come down and help you, see, who are salesmen, who might work on the company angle of your payroll deduction plan, you see, Harold.

MR. GRAVES: Yes.

H.M.JR: I don't know whether you have as high powered a fellow as that to work on the companies, but they are sitting there with nothing to do and they are the sales geniuses of this country. Or the sales manager for one of these electric boxes. Anyone, whichever one, all you need is one of them, but they have got nothing to do, and especially the General Motors boys. They have all got these tremendous amount of stocks and they are all rich as the devil. I mean,

they have got the stock all tucked away for them in that trust so they can - and I was thinking of one of them that might be glad to come down and just concentrate on selling the companies on payroll deduction. For whatever it is worth, I give it to you.

Dave?

MR. MORRIS: No, sir, nothing.

H.M.JR: George?

MR. HAAS: You asked me sometime ago to figure on how much the mutual savings banks might have sold.

H.M.JR: Well, save that for our financing, will you?

MR. HAAS: All right.

Then, Mr. Secretary, do you want to continue those charts on Procurement that were made up?

H.M.JR: Yes, I do.

MR. HAAS: That is all.

H.M.JR: Harold?

MR. GRAVES: I have nothing.

H.M.JR: Harold, I haven't got anybody yet, so do you mind doing it, there was either three or four brand new automatic printing presses over at the Bureau of Engraving which lacked an electric motor.

MR. GRAVES: I have the reports on that.

H.M.JR: Have they got them?

MR. GRAVES: As I understand - they got the priorities, I know.

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H.M.JR: Have they got the motors?

MR. GRAVES: I am not sure.

H.M.JR: Ask them, will you? Tell them when they are set up, I want to come over and see them.

MR. GRAVES: You told me you wanted a report on that when the transaction was consummated.

H.M.JR: Give them a little notice about it. And Harold, you and Ferdie and Odegard think of the possibility of that thing that I said about impossible, having it printed as a slogan to stick in every one of your state offices, starting with New York.

MR. GRAVES: I don't think I know--

MR. KUHN: We at the Treasury have struck the word "impossible" from our dictionary

H.M.JR: And stick that up in the offices - the various state offices, you see, starting in New York.

MR. BELL: That applies to the nine billion too, doesn't it. (Laughter)

MR. PAUL: You had better reserve decision until ten-fifteen.

MR. VINER: That is the 1918 slogan, "It can't be done, but here it is."

H.M.JR: Well, I think mine is an improvement.

MR. BELL: I see Watson has come out this morning with a "we all."

MR. WHITE: I hope we don't get in the position like the girl who had forgotten how to say no. (Laughter)

H.M.JR: Chick?

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MR. SCHWARZ: Jacob Wilk who is the top executive of Warner Brothers Pictures called this morning. Over the weekend he had been taken through the Wright Engine Plant at Patterson, and he said this long line of engines in various stages of production impressed him tremendously, and he was sure that the picture industry could get a few more shots like that and make us a five minute short in a hurry on what our taxes pay for. He was very much steamed up. I will pass it on to George. And the news reel boys would like, if you would be interested later in the week, to make some excerpts from last night's talk. They couldn't make it--

H.M.JR: Later in the week?

MR. SCHWARZ: Yes. They couldn't make it for last night. They were doing other things, but two of them called this morning.

MR. GASTON: There is a Friday release, isn't there, one that closes Friday?

MR. SCHWARZ: One that closes Wednesday night and is out Friday.

H.M.JR: They want to make it for that?

MR. SCHWARZ: Yes.

H.M.JR: Well, personally, seeing these people read down like this in a news reel, I think they are terrible. If they would let me do what they do in the studios, get my voice - no, I have just got a new one. Do what they do in the studios, read the thing and then play it back to me and then I will talk it looking at them. Now, that is what they do in the studios.

MR. GASTON: Yes, score the voice on separately.

MR. SCHWARZ: They do that with singing in the studios.

H.M.JR: If they would do that, if they could play

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it back to me, then you look at them, but these pictures of looking down at the paper, I think they are terrible.

MR. SCHWARZ: I will check that with them.

MR. KUHN: How about having it on the wall in big print?

MR. SCHWARZ: It is difficult with more than a short paragraph.

H.M.JR: And I have got to go to New York Wednesday, and I can do it in a regular studio, you see.

MR. SCHWARZ: What time will you be there Wednesday.

H.M.JR: I hope - I think I have to be there all day. I will be with my parents. I have seen them in the studio. You know, they sing a song and then - and a man goes through the motions afterward, and you just talk it to your own voice and that - if they would do that for me, but these other things, I think they are terrible. I saw one of LaGuardia the other day doing it, and the whole audience tittered.

MR. SCHWARZ: The effect is not good.

H.M.JR: And if they had a studio I would go to the studio.

MR. SCHWARZ: They have recording studios in New York.

H.M.JR: Don't you think that is an idea?

MRS. KLOTZ: Yes.

MR. WHITE: How do they synchronize with the motions of your mouth?

H.M.JR: What you do, you read the thing this way, you see. Then they play it, you see, back, and you

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hear it, and as you hear it, you read it, and you just go through the thing, and you just - like that and like that. You copy your own voice, you see.

MR. BELL: All the movies are made that way.

MRS. KLOTZ: All movies, all singing and everything is done that way.

H.M.JR: And then you are looking right at the picture and you are not doing this all the time.

MR. SCHWARZ: I will check with them.

H.M.JR: I mean, I can't always go to the studios, but I will be in New York Wednesday, and I would be willing to do it.

MR. SCHWARZ: All right, fine.

H.M.JR: Don't you think that would be a good idea?

MR. KUHN: Yes, let's try it anyway and see how it works.

H.M.JR: I will sing it for them. (Laughter)

MR. SCHWARZ: It would be better. Did you see the Post editorial this morning on the OPM?

H.M.JR: Yes.

MR. SCHWARZ: I have some copies. I didn't put them in the regular batch because it would run too much. The other stories on last night's talk, I think you would like to see them.

H.M.JR: That was a very good editorial.

MR. SCHWARZ: That is all.

H.M.JR: Harry, I will give you this follow-up and

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you might consider that in connection with changing the size of the nickel.

MR. WHITE: We have done a lot of work on this.

H.M.JR: That is a suggestion to remove all silver legislation off the books, and they are going to take the nickel out of the dime and substitute silver - nickel out of the nickel.

MR. BELL: We have got a bill drafted that will permit you to sell silver. You remember you asked for it some time ago.

H.M.JR: I would go the whole way and remove the whole business.

MR. BELL: We will have to put some other alloy in besides silver for nickel if it gets too big.

MR. WHITE: Mr. Graves' Division has done a lot of work on that, and they have concluded that it is technically possible and the one thing that remains is the presentation of legislation. Who handles that, Mr. Secretary?

H.M.JR: Ed.

MR. WHITE: The Legal Division will take care of getting the legislation?

H.M.JR: Foley.

MR. WHITE: They have got the legislation ready, and they will take care of it?

H.M.JR: No, it is his responsibility. With the exception of tax legislation, Foley handles all legislation for us. The tax legislation is handled by Mr. Sullivan of New Hampshire.

MR. WHITE: I think that that had better precede

any consideration of the over-all silver legislation, because the two are kind of incompatible.

H.M.JR: See Counselor Foley.

MR. WHITE: Right. Counselor Foley should have some papers ready for you to sign on the Russian arrangement this morning.

MR. FOLEY: I haven't got them with me.

H.M.JR: Are you sure they are ready?

MR. FOLEY: They are ready. They were ready Saturday afternoon.

MR. WHITE: The Ecuadorian Minister called up and submitted some more information, and I told him that it would take a couple of weeks to reexamine it, and he was satisfied. We will have a conference with him in a couple of weeks.

H.M.JR: Anything else?

MR. WHITE: They are asking for a loan.

H.M.JR: Are you flying to Brazil or the Argentine?

MR. WHITE: The meeting is in Brazil.

H.M.JR: I have got a suggestion for you.

MR. WHITE: The Petroleum Subcommittee - there has been a Petroleum Subcommittee of the Economic Defense which has been appointed. Numerous departments are represented. The Treasury is not among them, and Mr. Thornberg of the State Department - I thought you would be interested - is chairman. There is a - that ten-thirty meeting this morning that unless you disapprove, I would like to attend this morning.

H.M.JR: On that oil thing, as between Thornberg

and Milo Perkins and Harold Ickes, it is the battle of Washington. It is one of the bitterest battles which is going on, so take my advice and keep out of it. I mean, Ickes is taking the position he should be chairman, you see, of that, on external oil affairs.

MR. WHITE: Well, we are out of it.

H.M.JR: Well, stay out of it. (Laughter)

MR. WHITE: Yes. I had reference to another meeting.

H.M.JR: I know. But I am just saying stay out of that one.

MR. FOLEY: In both fights we are in Jerry Klutz's column in the Post.

H.M.JR: What is that?

MR. FOLEY: Our little one and Ickes' little one.

H.M.JR: Ours fades into insignificance. I wish you could have heard Ickes on the phone the other night. I say, "What is it Harold?"

"Well, all I want to say, everything is just the blankety, blankety, blankety, blankety."

And I said, "Who?"

"Everybody."

I said, "What do you mean?"

He said, "Well, I never saw the things - do you know that Jesse Jones is going to be Secretary of the Treasury tomorrow?"

I said, "Wonderful."

He said, "Well, he is going to be. He is everything

else, so why shouldn't he be that?" (Laughter)

So then he said, "The things are just blankety, blankety, blankety," and then I started to giggle. He said, "Well, I feel better now. That is all. Good night." (Laughter)

It is true.

MRS. KLOTZ: That is your story.

MR. BELL: It probably is true.

MR. GASTON: He is supposed to be Petroleum Coordinator, and they won't even tell him what licenses they issue for exports.

H.M.JR: You (White) can go to your ten-thirty meeting.

MR. WHITE: Thank you.

MRS. KLOTZ: Did you read this article in Reader's Digest, he is nobody's sweetheart?

H.M.JR: Who?

MRS. KLOTZ: Ickes. It is darling.

MR. BELL: Do you want to announce at your next conference about the refunding?

H.M.JR: Yes.

MR. BELL: Monday?

H.M.JR: Well, I think I will say that we will do it next week.

MR. BELL: That is all right. We will do it after the budget message.

H.M.JR: I will simply say, "We will do it next week."

Do you want me to go out on the end of the limb for Monday?

MR. BELL: Monday is about the latest we can do it. Tuesday is certainly the latest. I think next week is all right.

H.M.JR: I will tell them to begin working on it. I will put it this way. We will do it this week or next week. We are going to do it.

MR. BELL: I think it might help things if you said we are going to do it next week, because that will give the market the idea that you are going to let it settle down after the budget message. I think that is what they would like to have.

H.M.JR: Chick, have a list of what the things are.

MR. SCHWARZ: I will have them all set, a billion seventy-five million.

H.M.JR: All right, Dan?

MR. BELL: We are getting a lot of donations. People worked over the weekend and got out twenty-three hundred letters answering or acknowledging them.

H.M.JR: There is a story.

MR. BELL: Late Saturday, Marvin McIntyre called me and he said, "I have got a box of checks over here." He had seventy-thousand dollars from the Wright Aeronautical employees, and they had drawn a check to each employee, apparently for a day's work - we haven't got the correspondence yet. It will come over today. So late Saturday I got a box of seventy thousand checks, and they all have to be cleared.

H.M.JR: Who handles that?

MR. BELL: Bookkeeping and Warrants.

H.M.JR: Are they equipped?

MR. BELL: Yes. They have set up a special division to handle it, it got so big.

H.M.JR: Well, rush this legislation.

MR. FOLEY: Well, the legislation is ready this morning.

MR. BELL: We will have to do that right away.

MR. FOLEY: Mr. Secretary, I got a memorandum from Lovett setting forth the procedure for getting around the difficulty in the law at the present time which he has asked me to approve. The procedure is that they would accumulate the approximate cost of a given aircraft, whether it is a bomber or a pursuit ship or a fighter, and it would be deposited in the Treasury in the regular way and then in some part of the country when a bomber or a pursuit ship came off the line, they would designate that ship as the ship which was paid for from the donation, and they would put some kind of an inscription on the ship, employees of Douglas Aircraft or whatever it would be.

H.M.JR: Well, "The City of Seattle."

MR. FOLEY: "City of Seattle," "City of St. Louis," whatever it is and then they would have a little simple ceremony there at that time.

H.M.JR: Well, just you and Bell get together.

MR. BELL: We are together.

MR. FOLEY: The thing clears through Bartelt and Dan, and I understand that they have no objection to it, and they think it is - from a legal standpoint I think it is all right. We will go ahead and get the legislation anyway, but--

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MR. BELL: Then we won't have to go through all of that.

MR. FOLEY: In the meantime, I think we can tell them that this is all right if that is agreeable.

MR. BELL: It is all right with me.

H.M.JR: If it is all right with Bell, I have got to count on him, but I want the legislation.

Now, the President, for instance - get this - did it come over from Grace Tully?

MRS. KLOTZ: Mr. Bell asked about it Saturday.

H.M.JR: He wants to designate - well, one of the things he wants to do is, just to keep this in mind, is to designate the members of the Navy and their children who have infantile paralysis - a fund to be started for that, that they could go down to Warm Springs and get treatment, you see. Could you do it that way?

MR. BELL: This doesn't do that.

MR. FOLEY: No.

H.M.JR: Well, he wants to be able to accept checks or set up something so that he can say to the people, "Now, will you give money which will go to look after the infantile paralysis cases of the families of the people who are in the Navy, the children of officers and enlisted men," and he says a lot of them have it.

MR. FOLEY: You could do that on a private basis, couldn't you?

MR. BELL: Why the Navy?

H.M.JR: With Roosevelt? But I mean, that is what he wants to do.

MR. BELL: It seems to me you have got to go the whole way.

H.M.JR: Well, that is the case she gave me. Now, how would you handle that?

MR. BELL: That would require legislation, and we have no authority.

MR. FOLEY: By private subscription, it seems to me. The donations would be given to the trustees of the Warm Springs Foundation.

H.M.JR: It will go directly to them?

MR. FOLEY: Yes, because that is a private purpose rather than a public purpose.

H.M.JR: Well, you don't want to stimulate this money until we get the legislation, do you?

MR. BELL: Well, I question whether we want to stimulate it at all.

MR. GASTON: That is a question I was going to raise. There are many stories about - if you print any stories about these gifts, you are going to start general campaigns all over the country.

MR. FOLEY: You have to be kind of careful, Mr. Secretary, because the theater for fraud in connection with these campaigns is pretty large and an unscrupulous fellow can go out and say these donations are for such and such a purpose and the money will all be deposited in the Treasury of the United States and a ceremony will be held and so forth, and the first thing you know, somebody goes south with all the money or pockets a percentage of it.

MR. WHITE: I should think each one of those donations would be treated like the purchase of a baby bond and send them a bond or some sort of an autographed paper.

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MR. VINER: They get fifty thousand dollars worth of publicity for five thousand dollars worth of money.

MR. FOLEY: This legislation doesn't take care of that fraud situation. All it does is to get around the prohibition in the statute at the present time.

H.M.JR: Couldn't you write a fraud clause in?

MR. BELL: Well, you have got a fraud law in the books. You can always get them under that, getting money under false pretenses.

MR. VINER: Federal?

H.M.JR: Well, anyway, Bell and Foley are handling it together, the legislation; and you (Bell) are handling the White House checks?

MR. BELL: McIntyre calls me almost every day, and I sent a telegram to the ladies the other day.

H.M.JR: Norman?

MR. THOMPSON: Here is that statement for tomorrow. A couple of weeks ago the question was raised as to whether some Congressman might ask you about your views reserve requirements. I have here what you have said in the past.

H.M.JR: All right.

MR. THOMPSON: Mr. Ullmann's deferment has run out and a request has come in for an extension. He is Mr. White's man.

H.M.JR: Ullmann?

MR. THOMPSON: Mr. White feels very strongly that he wants to keep him.

H.M.JR: That is all right.

MR. WHITE: He is pretty old anyway.

H.M. JR: Those gentlemen who are going to see me on taxes - does that include you, Bell?

MR. BELL: Yes.

MR. PAUL: Dan had better be here.

H.M. JR: Give me until ten-twenty so I can catch my breath.

MR. PAUL: Right.

TREASURY DEPARTMENT

52

INTER-OFFICE COMMUNICATION

DATE JAN 5 1942

TO Secretary Morgenthau

FROM Mr. Foley

It is understood that you have accepted duties as an Air Warden in the District of Columbia and that you have taken an oath of office to qualify for that position. The oath of office is identical with the one which you took as Secretary of the Treasury, and which is required of all Federal officers by U.S.C. title 5, sec. 16. It is further understood that you hold the position of Air Warden under Commissioner Young of the District of Columbia, who is Coordinator for the District of Columbia and certain neighboring territory. The Coordinator was appointed by the Office of Civilian Defense.

It is not altogether clear whether the position of Air Warden is one under the United States or one under the District of Columbia. There is no salary or compensation attached to the position of Air Warden.

You have requested my opinion whether there is legal objection to your accepting the position of Air Warden while holding that of Secretary of the Treasury.

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It is my opinion that there is no legal objection to your holding both positions. Aside from Section 2 of the Act of July 31, 1894, 28 Stat. 205 (U.S.C. Supp. V, title 5, sec. 62), there is no statutory obstacle to a Federal officer holding two distinctive offices or employments, each with its own duties. (1925) 34 Op. Atty. Gen. 490, 492-493. The 1894 Act, while it prohibits dual office-holding where one of the offices carries compensation of \$2500 or more, is not applicable when there is no compensation attached to one of the two offices.

Accordingly, if the position of Air Warden is Federal, there is no legal objection to your accepting that position, since no salary or compensation is attached to it.

Under Executive Order No. 9 of January 17, 1873, the President prohibited any Federal civil officer in the Executive Branch from accepting or holding any office under any State, Territory, or municipal corporation. If the office of Air Warden is one under the District of Columbia, the question arises whether your holding that position falls within the prohibition of Executive Order No. 9..

- 3 -

It is submitted that it does not. The issuance of Executive Order No. 9 gave rise to numerous inquiries with respect to its application. On January 28, 1873, Secretary of State Fish, by direction of the President, issued an explanation with respect to the application of the Executive Order. It was stated that the Order did not prohibit Federal officers from holding positions on boards of education, school committees, public libraries, or eleemosynary institutions. It was stated that such latter service was of the kind which all good citizens may engage in without incompatibility with the Federal office-holding. In Secretary Fish's explanation, it was also stated that unpaid service in local or municipal fire departments was not prohibited by Executive Order No. 9. It is obvious that the duties of Air Warden, under the present circumstances, are such as to fall within the type of position which Executive Order No. 9 does not prohibit Federal officers from holding. See also Executive Order No. 8516, dated August 15, 1940, 5 Fed. Reg. 2881.

There is a common law rule that one who occupies an office and then accepts another incompatible with the

first, vacates the first office. Mechem, Public Offices and Officers (1890) sec. 420. Two offices are incompatible when the nature and duties of the offices are such as to render it improper from considerations of public policy for one person to retain both. It is manifest that there is no incompatibility between the office of Secretary of the Treasury and the position of Air Warden.

S. W. 76.

TREASURY DEPARTMENT

56

INTER OFFICE COMMUNICATION

DATE January 5, 1942.

TO Secretary Morgenthau
FROM Mr. Schwarz *es*

The attached story was submitted with Ed Foley's initials on the last page. This clearance has been required in line with your instructions that such stories be approved by at least one official authorized to serve as Acting Secretary. It was submitted to this office as having all necessary clearances. It was not, however, organized in the best possible shape to attract news attention and was recast here and approved in its final form by Foley's office.

AM

Secretary Morgenthau ^{has} ~~is~~ placed at the disposal of Vice President Wallace, chairman of the Supply, Priorities ^{and} Allocation Board, an inventory of \$200,000,000 of ~~materials~~ ^{materials} for America's war effort, the cache of the department's Foreign Funds Control.

The itemized inventory, which included all sorts of goods and merchandise, machinery and equipment, will make it possible for SPAB and other government agencies to direct these materials, much of which is strategic, into the allied war effort.

At the same time ~~the Secretary~~ ^{the Secretary} indicated that ~~the~~ ^{the} inventory covered only a part of the strategic materials held for foreign account and stored in warehouses, sheds and factories throughout the country. The complete inventory which will be furnished to Vice President Wallace in the next few days probably will represent a much larger figure.

"Ferretting out stocks of strategic materials 'lost' in the United States is an effective way of adding immediately to the nation's stock piles during a period when our supply lines abroad are interrupted by war," the Secretary said. "This is but one of the many war time measures Foreign Funds Control in the Treasury has undertaken."

None

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE

Press Service
No. 29-37

Secretary
Saturday, January 3, 1942

"Ferretting out stocks of strategic materials 'lost' in the United States is an effective way of immediately adding to the nation's stock piles during a period when our supply lines abroad are interrupted by war. This is but one of the many war time measures Foreign Funds Control in the Treasury has undertaken."

This was the statement of Secretary of the Treasury Morgenthau today when he disclosed that he has forwarded to Vice President Wallace, Chairman of SPAB, an inventory of \$200,000,000 worth of goods, merchandise, machinery and equipment being held in the United States for foreign account. This itemized inventory, which has been prepared by Foreign Funds Control, will make it possible for SPAB and other government agencies to direct these materials, much of which are strategic, into the allied war effort. At the same time the Secretary indicated that this inventory covered only a part of the strategic materials held for foreign account and buried in warehouses, sheds and factories throughout the country. The complete inventory which will be furnished to Vice President Wallace in the next few days probably will represent a much larger figure.

The Secretary explained that these vital materials uncovered by Foreign Funds Control were "lost" in the United States either through accident or design on the part of their foreign owners. In some cases the foreign owner could not communicate with the United States because of communication difficulties arising out of war conditions abroad. In other

cases the owner was the victim of the Axis invasion and his whereabouts unknown. In still other instances the Axis powers through "dummies" actually had bought up the stocks for their own use before the war or had acquired them later for the express purpose of preventing their use in the Allied war machine. Regardless of the intent of the foreign owner, the result was the same—the supplies were not being used in our war effort.

Typical examples of items found in the list prepared by Foreign Funds Control and given to the Vice President included the following:

The following material and equipment was held in one warehouse in the port of New York for just one foreign owner whose identity was "unknown": 89 boxes of aluminum, 3092 pieces of aluminum, 396 crates of brass, 3 pieces of forgings, 117 tons of rough forgings, 169 tons of forgings, 49 crates of auto parts, 25 boxes of auto parts, 2 crates of tractor implements, 3 crates of pneumatic tools, 1 box of link belting, 14 packages of diesel equipment, and 138 crates of machinery.

Tractors, tires, motor accessories and barley held for Greek accounts and valued at \$1,395,321; machines, aluminum and molybdenite held for Fiat, Italy's motor car and truck company, and valued at \$268,000; merchandise from an American automobile manufacturer consigned to Greece, \$157,775; tire fabric, \$67,213; materials for Hispano Suiza, an important engine manufacturer in Seine, France, \$475,984; steel for Holland, \$79,565; automobiles for Finnish account, \$35,114; steel valued at \$92,000 for French account; and leather valued at \$88,063 for French account.

Until Treasury reporting regulations under freezing control brought the information to light and an inventory of the reports was made, no comprehensive study of this picture was available. The supplies were scattered in a thousand places and under ten thousand different names. The warehousemen or other custodian of each parcel in many instances had forgotten that it was packed away in an inaccessible place. If he knew of its presence he either did not know that it was critically needed for

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national defense, or even if he did appreciate its value, he saw it only as an insignificant amount because he did not see the thousands of similar parcels held by others.

Today's disclosure, however, was compiled by Foreign Funds Control after examination of the TFR-300 census reports of foreign property. Those required to report on this form included every person in the United States holding foreign-owned property as well as agents in the United States of foreign nationals having any information regarding the holdings of their principals. This was the most comprehensive census of foreign-owned property this country had ever undertaken.

The reports brought the Division of Foreign Funds Control a complete census of every foreign account over \$1,000. The thoroughness of the census insures an adequate sweeping of every corner of the nation for large and small quantities of materials which might possibly benefit the nation's war effort.

In June, 1941, when the United States froze all Axis assets in the United States and the Treasury required a census of all foreign-owned property, there was dismay in some circles because of the detailed information Foreign Funds Control was requiring, but this economic preparedness is now paying dividends. ^{Treasury officials said} More than 500,000 reports already have been received and are being processed both day and night. Instead of waiting for another six months before being able to take stock of our foreign and enemy holdings, Foreign Funds Control already has complete information which it is using and also making available to other interested government agencies.

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Several months ago the Treasury performed this same task on a much smaller scale with respect to an earlier and less complete census on report Form TFR-100. Strategic materials valued at many millions of dollars were made available to the army, navy and defense industries following their location by the Foreign Funds Control. The success of this initial inventory prompted the obtaining of much more complete data in connection with the recent census on report Form TFR-300.

OK
Smith.

January 5, 1942
10:29 a.m.

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HWJr: Hall?

Alvin W.
Hall: Yes, Mr. Secretary.

HWJr: How are you?

H: Pretty good, thank you.

HWJr: Hall, how many pieces are you going to produce today, Monday, Tuesday, and Wednesday? What's your forecast?

H: We're delivering four hundred and forty-five thousand today.

HWJr: Yes.

H: And, of course, our following deliveries depend upon deliveries from I.B.M.

HWJr: What's the trouble there?

H: Well, they're working at top capacity at the I.B.M., and we're taking all they can give us.

HWJr: Well, what are you going to produce tomorrow?

H: Just a minute, please.

HWJr: Hello.

H: Mr. Secretary.

HWJr: Yes.

H: We forecast four hundred and seventy thousand, but we're not going to be able to do that because of lack of assemblies that didn't arrive from I.B.M.

HWJr: Damn.

H: We'll have to cut that down.

HWJr: Well, when are they going to be able to get their

- 2 -

production up?

H: The latter part of this week, they told us. The first information they gave us was the early part of this week; now they say the latter part of this week.

WJr: Now, I tell you what you do. Get over - prepare a telegram for me to sign to the president of International Business Machine.

H: All right.

WJr: And - hello.

H: Yes, sir.

WJr: I want to send it to - what is the name of the president?

H: Thomas J. Watkins.

WJr: All right. Prepare it and walk it over here, and I'll leave word - when you come in I'll look at it and we'll get it off, telling him what we need - telling the story of what we need and what's he going to do about it.

H: Yes, I'll try to bring something. They've been working their heads off trying to meet our demands, but.....

WJr: Not good enough. Not good enough. It's not good enough. I've got to - you tell me - you put down in your telegram what we can produce, and this is what we need.

H: Yes.

WJr: Now, I want an answer from him - but if I want an answer from him promptly, what can he do.

H: Yes. I'll get some.....

WJr: Make it a good, stiff telegram.

H: I certainly will.

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HMJr: Put down, "This is what we need for the next fifteen days," see?

H: Yes.

HMJr: What you can do.

H: Yes, sir.

HMJr: And this is what we want him to do. "Now, we expect you to meet this. Please answer my telegram."

H: Yes.

HMJr: Make it good, stiff, and snappy.

H: I'll do that, sir.

HMJr: And walk it over here. Now, don't be afraid. I'm going to sign it.

H: All right. I'll.....

HMJr: But I want to tell them this is what we've got to do, and he's got to meet that schedule.

H: Yes, sir.

HMJr: And I want to know why.

H: I'll get that right up to you.

HMJr: And when I said - just remember what I - I don't know whether you heard me last night.

H: I did. It was a very good talk.

HMJr: Well, then, we want to forget this word "impossible". Now, put down what we need, and say, "Mr. Watson, I'm expecting you to meet this schedule."

H: Yes, I'll.....

HMJr: "Now, please let me know that I can count on you."

H: I'll have it up there in the next hour or so, Mr. Secretary.

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HMJr: Walk it over yourself.
H: Yes, sir.
HMJr: I'll see you.
H: Okay. I'll be there.

January 5, 1942
10:30 a.m.

TAXES

Present: Mr. Knollenberg
Mr. Paul
Mr. Blough
Mr. Sullivan
Mr. Tarleau
Mr. Viner
Mr. Bell

H.M.JR: Well, where do we start?

MR. PAUL: Well, let me ask how much time we have now. I think there is one fundamental policy question we ought to discuss first.

H.M.JR: I don't know who E. P. Taylor is.

MR. PAUL: The first point is, the most immediate gun we are up against, is the budget message. John got a copy of that yesterday as it has been changed in its latest draft, and it mentions the figure nine billions additional taxes. Ever since we first heard that figure as we came from the White House the other day, we have been working on how you would get it, how you figured that out, and without going into those schedules for the moment, I think we ought to look at the broader question - it is the general feeling - I think we are quite unanimous about it, that that nine billion is a good deal of a strain even if the word "impossible" is excluded from the Treasury vocabulary. The first thing, therefore, is, at least pending going into a lot of details, we would like to show you where you have to go to get nine billion dollars, is whether we can't exclude that figure from the budget message.

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H.M.JR: I wouldn't raise a little finger on that.

MR. PAUL: Pardon?

H.M.JR: I wouldn't do a thing. With a fifty-five or fifty-nine billion dollar expenditure, I wouldn't argue with the Director of the Budget about that.

MR. SULLIVAN: Mr. Secretary, I talked to him last night, and he had been over there at five o'clock to see the President, and when I got through talking with Harold, he said there were just two things in this message that bothered him.

H.M.JR: Bothered who?

MR. SULLIVAN: Harold Smith. I said, "What are they?" He said, "Well, the door is left open for a general sales tax." That kind of took me off my feet, because he resisted our taking out the added value. I said, "What is the other thing?" He said, "Well, I am afraid this nine billion may be too much."

H.M.JR: Well, I can only - I don't want anybody - I don't want to do any work on the Director of the Budget.

Now, I told the President - I gave him my word. He asked me. I am not going to do anything about it. The President wants it, and if he wants it, it is up to us to go along. I can't see it anyway, why we shouldn't.

MR. PAUL: All right. We can go into that, and we want to show you where you are going anyway.

H.M.JR: That is all right, but I am not going to worry - it is a seven billion dollar figure because of the Social Security. Could I just say this to you. I have been thinking about this thing. This is the way I would like to suggest we approach this thing. The way I read the message - Bell and Sullivan were at my house, and I have read the message. It leaves it all

open to any form of taxes which you want to impose, the way it is written, doesn't it?

MR. PAUL: Well, with that added value paragraph taken out--

H.M.JR: It is out.

MR. PAUL: But of course it does mention that nine billion; and, if you feel that way, the next thing to do is to show you the various expédients for getting nine billion.

H.M.JR: Well, I would like to see them, but I would just like to tell you how - a suggestion how I would like to present it to the members of the committee during the next two weeks before we go up on the Hill.

MR. PAUL: Yes.

H.M.JR: Now, what I would like to do - let's just take corporations, for instance, you see. I mean, I don't want to see any figures for the moment, if you don't mind, and simply say, "Now, gentlemen, here are ways of getting in blocks of five hundred million dollars more money out of corporations. Now, if you follow the excess profits avenue or want to proceed on that way, you can get it by doing certain things - you can step it up in blocks of five. I use five hundred million. You may want to say two hundred fifty, but, for the moment, you can get five hundred million more, you can get a billion more, you can get a billion and a half; or, if you want to drop the whole excess profits and have a straight corporation tax and do it that way, here are ways of getting five hundred million more up to two or three billion dollars." Or any other suggestion of getting from five hundred to three billion dollars more or four billion or five billion more out of the corporations, you see.

Now, but in - I am using suggestions in steps of five hundred million. "Now we look at the individuals, gentlemen, and here are ways in the individual income

tax of getting stepping stones of five hundred million more. Now, you can take a piece of this, you can take a piece of this. If you want to use a sales tax, you can get so much out of sales tax, but here are the various plans. There are only so many ways to get it, and before we go up on the fifteenth, we would like to sit down with Mr. George and Mr. Doughton and Mr. Jere Cooper and Mr. Stam and see which of these are at all acceptable to you, and then when I go up on the Hill I would like to, for instance, show in the aggregate if - using the seven billion rather than nine, different methods which aggregate - would aggregate, let's say, fourteen billion dollars," so out of those various plans, that I don't just go up and say, "Here is a way to raise seven billion dollars," but "Here are a series of plans or combinations of plans which, if the Congressmen take, you can raise that seven billion dollars."

MR. PAUL: Then will you be taking a position in favor of any particular plan?

H.M.JR: No. On the loopholes, yes, but not - on the loopholes yes.

MR. PAUL: Loopholes and the inequities.

H.M.JR: Definitely, yes.

Now, I am just talking to you what I have been thinking about over the weekend, and I would like you fellows to come back and say, "Now wait a minute, this sounds good," or, "It doesn't sound good," or this modification, see.

MR. BELL: You mean that you wouldn't take a position in these conferences on any particular plan, but you would be prepared to take a position in the end, wouldn't you?

H.M.JR: No.

MR. BELL: After the conferences?

H.M.JR: No.

MR. SULLIVAN: I think you will have to when you go up there, Mr. Secretary.

MR. PAUL: At least to this extent. I think you should take a position against any sales taxes except those particular ones which we think will be all right.

H.M.JR: Well, Randolph, if you think at all we will have this thought, then you immediately sit down to work with this thing, which we promised Doughton we would do, and we might get a certain meeting of the minds.

MR. PAUL: I thoroughly agree with you on the advisability of consulting with them. I am only addressing my remarks to your final going up on the Hill afterward, after you have done that.

H.M.JR: Well, that is a lifetime from now. I mean, after you go all through these conferences, and I would like advice as to how I should do it. I want help, but as to the immediate procedure--

MR. VINER: You are not going to tell them that you are not going to have any preferences?

H.M.JR: Well, these fellows can see them. I won't see them.

MR. VINER: But the Treasury isn't going to tell them that we are just going to present estimates, that that is all the Treasury is going to do. You may finally want to do that, I think you won't, but even if you did, I wouldn't commit myself in advance.

H.M.JR: That is good advice, I agree with you, but as to a method of procedure.

MR. VINER: I would say the consultation side is fine if you want to see if you can't work out a plan with

them. But I think the Treasury will have to take a hand in choices.

H.M.JR: O.K., but I am simply saying to these gentlemen, "We have got to raise seven." I would have plans to show how to raise fourteen, and out of that thing will come the seven. As I understand it, we are talking about money which we are going to begin to raise on the fifteenth of March, 1943.

MR. SULLIVAN: At the annual rate of seven billion dollars.

H.M.JR: Beginning the fifteenth of March '43?

MR. SULLIVAN: Oh, no, sir. Beginning the effective date of the act. Your excesses will go into effect immediately.

MR. PAUL: And on the accrual basis, of course.

H.M.JR: But I meant for the corporations and individual.

MR. SULLIVAN: This might be a withholding tax as part of that, sir.

H.M.JR: Well, talking generally, if it is the way it is now, it won't hit - if we are talking about something, the corporations and individual, which will hit them, they will have to begin to pay out fifteen months from now.

MR. SULLIVAN: That is right.

MR. PAUL: I think that is particularly true except in so far as we want to withhold.

H.M.JR: Now, I have made my little - what do you think, Dan?

MR. BELL: I think that is a good procedure.

H.M.JR: Well, now, I have made my little speech, and I am prepared to listen, but I have been thinking about this thing, and I can't go to the President of the United States and say seven billion is too much. I just can't do it.

MR. SULLIVAN: Mr. Secretary, I can't agree with you on that. I think--

H.M.JR: Well, you weren't there when I agreed to it.

MR. SULLIVAN: No, I wasn't, but I think when you see these figures, if you are convinced that it is going to do more harm than good, and you will have a more effective armament program if you are only taking five and a half than you are with seven, then I think it is your duty to tell the President.

H.M.JR: Well, let's see if you fellows can sell me.

MR. PAUL: Maybe if you look at some of these measures you will--

H.M.JR: All right, go ahead.

MR. PAUL: The first sheet you have there is a summary of two plans. This is the one.

H.M.JR: Have you got something, Dan?

MR. BELL: Roy is going to give me one.

MR. PAUL: Now, that is just a mere summary of what is below and the reason there are two plans--

H.M.JR: Let me just see whether that other appointment is postponed yet.

MR. PAUL: The reason there are two plans here is because one of them has a greater amount of excise taxes

than the other, and the one that has the greater amount of excise taxes has less individual income taxes. Both plans are the same on the first item, three billion of additional corporate taxes. The next one you see in the first column speaks of three billion two. A substitution for that plan, plan two, has only two billion of individual taxes.

Now, that difference is made up down here in the excise tax field. With respect to those excise taxes, we have been in conference with OPA, and they have agreed, I think, with minor qualifications to the whole larger list so there isn't any conflict there, and substantially we can get about a billion six from additional excise taxes. We would think on the basis of this program that the individual load should therefore be the lower amount of two billion, assuming we have got to get this total figure. So that in essence we would be, I think, for plan two, of these two. You will notice--

H.M.JR: I only say one thing. I think as you go along you will have to have plan three, four, and five. It is that sort of thing. You will have to have them.

MR. PAUL: There are a number of variations within these amounts. We can do that, yes.

H.M.JR: I mean--

MR. PAUL: And there are various ways of getting the three billion.

H.M.JR: That is what I - under the corporate thing?

MR. PAUL: That is right. We have, for instance, under the corporate, we have four different ways of raising that three billion so we already have that.

H.M.JR: Well, I have been thinking along the same lines that you have, then.

MR. PAUL: And we have two or three ways of raising

the two billion.

H.M.JR: Right.

MR. PAUL: You will notice one thing, that the loopholes are a very high figure.

H.M.JR: Now, could I interrupt one thing, Roy? I asked for it, and I haven't got it, and I definitely want it. I want, when you come in on the corporate thing, a definite thing to show what my six percent plan would yield along side some of these things. I asked for it the night you were at the house.

MR. BLOUGH: That is right.

H.M.JR: That was four nights ago. I definitely want it.

MR. BLOUGH: I didn't realize you wanted it so soon. I can bring it to you today.

H.M.JR: Whenever they bring this - I want it definitely, where does the six percent plan fit in with these others. Work out my six percent plan, and how does it - if we put it into effect, how would it be along side some of these other plans that evidently you have got here now. But I definitely want it.

MR. BLOUGH: It is simply a matter of writing up the sheet, Mr. Secretary. The work is done. I will have it for you today.

H.M.JR: Well, have it written up promptly, will you, Roy? I have waited for it too long now.

MR. PAUL: There is one other thing I think we ought to call your attention to before we get into the specific figures and that is that these plans have a great factor of variability in that it is very difficult to get our premises. These estimates are based upon certain assumed corporate income, for instance,

- 10 -

three billion. If the corporate income is more than that, as a great many people think it will be, your three billion will become three and a half, four or substantially larger than this. I think we may say that the assumptions in these figures are fairly conservative there, the Treasury assumptions, and in this time of difficult predictions, they may be exceeded and probably the revenue won't be less than these amounts. In some ways, if you find that this program is pretty strenuous from the standpoint John mentioned of interfering with the war effort, then you may be striking harder than you need to strike to get this amount of revenue and that is one of the factors of difficulty here.

H.M.JR: Now, look, in the family here, let me be as frank with you as I hope you will always be with me, see. I am not going to, and I am going to ask none of you please, to go to the President of the United States or his Director of the Budget and try to get them to change that nine billion figure, because this gets down to a personal relationship between the President and me, and I don't want the President to have even an inkling that I have got cold feet about it.

Now, he never done this before. I am delighted he is going to do it. If your fears should materialize, and I am saying this in the room here, he will be the first one to say, "Go easy," and if he doesn't, the Congress, but I cannot ask his fiscal officer to show any weakness--

MR. PAUL: I would like you to understand that what we feel is not cold feet, or weakness. We are only approaching it from the standpoint of our interest in the productive effort.

H.M.JR: Well, O.K.

MR. PAUL: That is a real question.

H.M.JR: But I have yet in the two years that we

have been here - they have yet to show me a concrete case where the Army and Navy couldn't place a contract on account of the taxes although that has been thrown in our face again and again, but when it gets right down to it, when they want to place the contracts, they can place them, and where you people, I think, have a right to misfigure - maybe you are wrong - but I think the next three months the amount of business that is going to be placed is going to be simply stupendous.

MR. PAUL: I think these figures may be low on account of this terrific business.

H.M.JR: And - but I can't vis-a-vis the President, show any weakness on the seven billion dollars, and there is plenty of time for him and for Congress to weaken if necessary during the next three months while the bill is being heard. There will be plenty of people pleading, if that is true, but I can't do it. I just can't do it. You may be right. But I will say this--

MR. BELL: Isn't George?

H.M.JR: Excuse me, Dan. If at any time I am convinced that I am wrong, I will be willing to say so and change my position.

MR. SULLIVAN: We realize that. That is why we are talking with you, Mr. Secretary.

H.M.JR: But not between now and the time the budget message goes up, because nobody knows. I don't care, the smartest man in the world doesn't know.

MR. SULLIVAN: Granted.

MR. PAUL: Yes, that is right. I think we have never had such a time when we knew so little about what the income would be.

H.M.JR: But I am saying to you here before all of you that if at any time during the next three months you

can convince me I am wrong, I am willing to go to the President, if you have got your facts right. Now you are all guessing just the way I am.

MR. SULLIVAN: Well, we will still be guessing three months from now.

H.M.JR: But if you can convince me any time and Congress and so forth that they are wrong, I am willing to go across, but not when he is in this state of trying to work the whole country up to the thing, and I come and say, "Mr. President, the tax is too high."

MR. SULLIVAN: I think it is a matter of judgment, whether it is better to pare it down a billion or a billion and a half and get what you go after or not.

H.M.JR: If you don't mind, I have got to make that decision. I can't argue with you as to which of the corporation methods are the best. As to my relations with the President, I know.

MR. PAUL: Well, that is something for you to decide.

H.M.JR: Well, I am taking full responsibility on that, and I told that to Dan Saturday. I don't want any pressure on the President to ease up on the seven billion. Didn't I, Dan?

MR. BELL: That is right, yes.

MR. PAUL: Well, now, so that you can get a general idea--

MR. BELL: Before you go on, Randolph, did George in estimating these revenues take into consideration the great readjustment that is coming in industry?

MR. PAUL: Well, if you could have been in my room the other day you would have been amused as well as - there is a good deal of disagreement. In theory they have,

but I don't know, and I am not an economist. I don't know whether they have sufficiently allowed for inflation, such inflation as we are bound to have and for the great increase of bills.

Roy can answer that question.

MR. BELL: Some slight rise in price, but not too much, I take it.

MR. BLOUGH: I think they have done about as well as one can do at this particular stage of the game.

H.M.JR: Who is "they"?

MR. BLOUGH: Mr. O'Donnell, Mr. Leahy, and other members of that staff. Mr. Haas, of course, making the major decisions. They are somewhat lower in their estimates of what corporation income will likely be than Mr. Gilbert, for example, over at the OPA. It would take an extremely careful analysis to come to any conclusion as to which one is right. The problem, of course, is this, that the whole budget is based on certain assumptions. People who want a lot of revenue want it because they think the national income and all these other things will be higher than those assumptions. We could get that seven billion dollars on the basis of the higher assumptions a whole lot easier than on the basis of the lower assumptions, but we are forced to get it on the basis of the lower assumptions because those are going to be what it is.

MR. PAUL: This corporate rate tax, I would like to give you a general picture of the lines we are working on. In the corporate picture we have approached the job from this standpoint that the present excess profits tax should be cured, put in better shape, and to some extent increased. That is, for instance, by reducing the income credit from ninety-five to seventy-five percent, but generally beyond that we haven't tried to tamper too much with the excess profits tax for the reason that we don't think it can stand too much additional

load. We have therefore approached the problem from the standpoint of raising the corporate income tax--

MR. KNOLLENBERG: Would you explain why we think it can't stand too much?

MR. PAUL: Well, I did the other night. The disparity, for instance, between taxes in the steel industry are so great that it looks almost completely capricious. The tax is not completely experienced yet to get these terrific loads involved in the present rates which take two thirds or more of the corporate income. Here is the way our proposals shape up on a chart, for instance. Here is the present tax, corporate tax, income tax, and your various proposals, and you can see how the rates go up. They go up somewhat according to size. The bigger the corporation, with various - those are four proposals within number one. In other words, we really have so far six plans already.

H.M.JR: That is an intelligent way. They all seem to meet there.

MR. PAUL: Well, we get into a good many detail arguments on that.

H.M.JR: Well, that is good for me.

MR. PAUL: I am trying to give you a bird's-eye picture of it.

MR. VINER: I think it would be useful in one of these charts to put on the New York taxes too.

H.M.JR: Well, yes, we expect that.

MR. BELL: What is the index, Randolph? What is that, a rate on the end? The seventy, is that a rate?

MR. PAUL: That is a rate.

MR. BELL: A seventy percent rate.

MR. PAUL: One of the things we are troubled about in the corporate field is that on our marginal dollar we don't want to get to such a high rate that people are completely careless and spendthrift, reckless and so on, even though we put some pressures, prohibitions on deductions. We still don't want too much pressure on that.

Now, here is the individual picture. This is the present law and here are three proposals here, and just for your information, these dotted lines which have been filled in show the present law plus the New York State taxes, which is one of the highest of the state income taxes. It is interesting to note this yellow line, which is the British individual tax rate. So we are still - but we mustn't think that there is all that difference, because we have a great many more hidden taxes that are paid by these people than do the British. There you have - and we have thought of another scheme of combining these lines, taking the highest all through, so that will be a fourth one here.

H.M.JR: But I like that method of presentation.

MR. PAUL: Now, on the - for you to get the picture completely, I think you will be rather astonished at the figures on loopholes. Interest on state and local bonds, three hundred million.

MR. SULLIVAN: That includes the outstanding issues. I went on the basis of your statement the other day.

H.M.JR: What?

MR. PAUL: That you wanted to go the whole hog or nothing.

H.M.JR: I said, "If we want to go."

MR. PAUL: Well, we need the money. We have got to go.

H.M.JR: I didn't make a commitment.

MR. PAUL: No, I know you said if you did you would rather go the whole hog - I know you didn't commit yourself.

H.M.JR: How much did you say?

MR. PAUL: Three hundred million, mandatory joint returns, five hundred million. Still you may be low again.

MR. BELL: Boy that is a lot of money.

MR. PAUL: Eliminate the deduction on funded debt to a certain extent. Life insurance interest. I might say we had a conference on percentage depletion a couple of days ago with Mr. Davies and Mr. Howard Marshall, and they are troubled by the fact that the discoveries in the oil business haven't been so great in the last two or three years, but they are completely in favor, nevertheless, of some modification of the percentage depletion allowance. In fact, Marshall, who is a member of the firm representing the Standard Oil Company of California and from whom you would expect quite the opposite answer, approaches the problem very objectively, and he says, "I am not sure but what the discovery and exploration work would be promoted by an elimination of that allowance, because then the companies would have such an increased rate that they would go out and spend it and dig their wells on the Government." In addition they are sending for a man with whom we are going to try to work out a different provision only with respect to the new wells discovered and not with the total wells in production.

H.M.JR: I would like to throw out a suggestion. Don't anybody turn me down, but just give me a chance. On the loopholes, I would like to go on the air before I appear explaining this to the country on sort of a question and answer basis so I can get some background - backing from the country and say to the country, "I am not going to ask for additional revenue until I get

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these things cleared up. It isn't fair. You people have got to back me up."

MR. PAUL: We will back you up to the limit.

H.M.JR: I don't mean you, I mean the people of the country. Think about it, you see.

MR. PAUL: Well, it is a shocking thing.

H.M.JR: Think about it, my going out and explaining - last night we explained in very simple language, what is a payroll deduction plan. Anybody that heard me ought to be able to understand. There isn't one in ten thousand that understands all of this thing, but we went on with a question and answer program and did it in very simple language, and then had the thing printed and distributed and so forth. I don't say I have to do it before I appear on the Hill, but I think - say to the people, "Now look, people, we have got to ask you to do a lot of things. We, here in the Treasury, say it is only fair that these things be cleaned up before we ask anybody else to put another dollar in."

MR. PAUL: Or as we do, if not before.

H.M.JR: As we do.

MR. SULLIVAN: That is right.

H.M.JR: What do you think, Knollie?

MR. KNOLLENBERG: Good.

MR. PAUL: And mixed in with that I think you ought to show your desire to be fair by the elimination--

H.M.JR: That is right, but to go on the air, not talk about the new revenues, but just the things we want to clean up, the inequities and the loopholes and try to get some backing, and then distribute this through the country, the copy of this speech, and say,

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"Now, we can't do - we have been unable to do this thing before, and we can't do it without your help. You have got to become vocal. You, the people of the United States, have got to become vocal. There is a billion or a billion and a half dollars that we want first, and without your backing, I am telling you now, I can't get it." And I can't.

MR. BELL: Could the President do something in some fireside chat, make it strong on taxes?

H.M.JR: No, he wouldn't do it. He will say it in his budget message and that is the last he will say. He won't say it.

MR. BELL: I am not so sure. He can compare it with what the soldier gets.

H.M.JR: I don't think we should ask him. That is my problem.

MR. VINER: I think it would go over.

MR. PAUL: It would be swell.

MR. VINER: Has the cost of relieving the inequities been estimated at all?

MR. PAUL: We have decided in a rough way that the cost is very small, probably less than twenty-five or fifty million a year.

H.M.JR: But you have got to let somebody go on and explain this thing in simple language and then print it and get the thing distributed and get it in the hands of the people so they can read the thing.

MR. PAUL: I think that would be swell.

MR. SULLIVAN: Mr. Secretary, this morning, just before I came in, Mr. Doughton called and he thought it would be pretty nice if, before we went up formally we explained to the members of the Committee what was

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going to be in this bill so they would have an opportunity to study it, and he wanted me to see what you thought of that.

H.M.JR: That is all right.

MR. SULLIVAN: Well, of course that means that they break the news to the public, and, if the same thing happens as has always happened before when we have talked confidentially with them--

H.M.JR: I know. Well, we are going to have to start with Stam and then the leaks begin.

MR. SULLIVAN: Then what?

H.M.JR: As soon as we talk to Stam he will talk with Associated Press.

MR. SULLIVAN: Well, I think if I can tell him that you intend to talk with him and Mr. Cooper and Mr. Stam before going up--

H.M.JR: Yes.

MR. SULLIVAN: ... that will take care of it.

H.M.JR: Within the next couple of days. You will be ready, won't you?

MR. PAUL: Yes, we certainly are ready now for talking with them.

H.M.JR: Well, I would tell them we are ready now. I would say just as soon as we are ready - the minute the President's budget message is released. How is that? That gives you a little extra time.

MR. PAUL: We will be as ready at the end of the week, by Thursday or Friday, as we ever will be to talk with them on the preliminaries. We have got it all set up.

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H.M.JR: Tell them then if it is agreeable to Paul, that just as soon as the President's budget message is ready--

MR. PAUL: That is Thursday, isn't it?

MR. BELL: I think it is Wednesday.

H.M.JR: Then we are ready?

MR. BELL: That was the reason for our conference yesterday. They hoped to get it up Wednesday noon.

MR. PAUL: Why don't we make a date with them for Friday?

H.M.JR: Will you handle that?

MR. SULLIVAN: Yes, sir. I think we should. I don't mean for the whole meeting, but I think when George and Doughton come down you certainly should say hello.

H.M.JR: Why not let's go up there and then I don't have to go - the President is going up tomorrow.

MR. BELL: Then your hearing before the Appropriation Committee will be postponed until Wednesday, I take it?

H.M.JR: Will you take care of that?

MR. SULLIVAN: Then that means budget on Thursday.

MR. BELL: No, I don't think so.

MR. SULLIVAN: I thought you said when we came out the other day or Harold Smith said that there would probably be a day in between the two messages.

MR. BELL: There hasn't been.

H.M.JR: Do you want me to start this thing off with them in this room and tie me up for two or three hours on this damn thing?

MR. PAUL: I agree with John that at the first meeting at least you ought to start it out.

MR. BELL: I think that is right.

H.M.JR: All right. Friday morning, we will say, at nine-fifteen here.

MR. SULLIVAN: Just Democrats, or Republicans too?

H.M.JR: Oh, I would just as lief have some Republicans. Hell, it is going to get in the paper anyway.

MR. SULLIVAN: Doughton, Treadway, Cooper, George, Vandenberg? That is enough, I guess, to start, isn't it?

H.M.JR: I think it is plenty.

MR. PAUL: You don't want the next ranking man?

H.M.JR: Well, that is up to them.

MR. SULLIVAN: I didn't get your last remark.

MR. BELL: Leave it up to them.

H.M.JR: Oh, leave it up to them.

MR. SULLIVAN: All right, but keep it small.

H.M.JR: As possible.

MR. SULLIVAN: We will meet in the theater. (Facetiously)

H.M.JR: Yes.

MR. PAUL: Well, I don't know to what extent you want to go into the detail of this in addition.

MR. BELL: I don't see the Bell tax on that.

MR. SULLIVAN: The Bell tax is in.

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MR. BELL: Is it?

MR. SULLIVAN: Yes.

MR. BELL: Steep?

MR. SULLIVAN: Yes.

H.M.JR: Well, I would like to see my six percent tax thing before--

MR. BLOUGH: You can have that today, Mr. Secretary.

MR. PAUL: We can compare the yield of your six percent very easily with this - with the yield of these various proposals. I think these will be more severe, won't they?

MR. BLOUGH: Yes. The six percent tax will come under two billion.

H.M.JR: Well, let's have it so I have got an alibi.

MR. PAUL: You are going higher now.

H.M.JR: Do I understand that you have shifted a little bit? You first were talking that we might do away with the excess profits entirely.

MR. PAUL: No, that is still another matter.

H.M.JR: Well, I think--

MR. PAUL: I am inclined against dropping the excess profits tax completely.

H.M.JR: Well, Randolph, I can go to school when these fellows go to school. We will have time between now and then.

MR. PAUL: Bell, I take it that these conferences will be informal and we will discuss all these plans and put them before them, and we are as ready to do that as

we will ever be.

H.M.JR: You will read it all in Saturday's Wall Street Journal.

MR. SULLIVAN: I think the situation in the excess profits is that I think most of the group feel it is unfortunate that we have it, that if it were politically and emotionally possible to repeal it and substitute therefor a very high corporate rate so that you would have two hundred fifty thousand corporations paying a billion rather than thirteen thousand, it would be a better thing to do.

MR. PAUL: No, I don't quite agree with that. I think an excess profits tax is a good thing to have. I agree with you that we can't put any more on.

MR. SULLIVAN: I thought you agreed the other day that--

MR. PAUL: I thought we ought to look into that. I think we ought to look into it and present the other alternative.

H.M.JR: And will you keep in mind the speech, the questions and answers on the inequities and loopholes?

MR. PAUL: Yes. I would think that Mr. Surrey could work on that first.

MR. TARLEAU: If he could get Mr. Kuhn to - you see, the trouble with us is that we get too technical. If we can get somebody to edit the work, I think we might try it.

H.M.JR: Kuhn is the man.

Well, I think that is enough for today. I don't want to - I don't want to know too much.

MR. SULLIVAN: I thought so. (Laughter)

MR. BELL: Bad news.

H.M.JR: I want to keep my courage up.

MR. PAUL: You don't want to do what the Russians call "look on your inside pocket"?

H.M.JR: No, that is just what I don't want to do. Ignorance is bliss.

MR. PAUL: That is right.

H.M.JR: I don't want to know how it affects me. I know we have got to do the job and the less I know about it the better.

I take it that Gilbert would say that the program you have got here would raise the nine. You put it down to seven and a half.

MR. PAUL: That is without Social Security.

MR. BELL: Oh, I see.

MR. PAUL: This is the nine billion dollar program.

MR. KNOLLENBERG: He says it will raise more.

MR. BELL: Yes, I assume he did, because he said our 1943 estimates are too low by three billion. It ought to be nineteen.

MR. BLOUGH: Yes, about.

H.M.JR: Now, look, I have got to go up to New York Wednesday without fail. I have just got this appointment. I have got something - an emergency up there.

MR. PAUL: I would like to go to New York Thursday. I want to go into the insurance company situation.

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H.M.JR: Well, if I am going to testify, it will have to be Thursday.

MR. BELL: Oh!

H.M.JR: I can't--

MR. BELL: That is right, you are going to be away Wednesday.

H.M.JR: This is - something has come up in my family with my parents that I have got to go up.

MR. BELL: O.K. We can fix it.

H.M.JR: It is a critical matter that I have got to go up.

MR. BELL: We can fix it. I don't see why you couldn't do it tomorrow morning and then go over to the House--

H.M.JR: I could.

MR. BELL: You could?

H.M.JR: Sure.

MR. BELL: Because they ought to be through in an hour with you. You could go right to the House.

H.M.JR: I can. I am going up there at ten o'clock.

MR. BELL: You will be through in an hour.

H.M.JR: Yes.

MR. BELL: I think that is the thing to do and get it over with.

H.M.JR: Yes.

MR. BELL: All right. Otherwise it will be Thursday

or Friday.

H.M.JR: If I don't hear from you again, it is ten o'clock tomorrow morning.

MR. BELL: O.K.

MR. PAUL: I think, Mr. Secretary, one of the things you ought to have in mind for this Friday conference is that there is a certain amount of inclination which you will find in favor of sales taxation. Isn't that right, John?

MR. SULLIVAN: Oh, yes, very strongly.

MR. PAUL: You will be put up against the question, "Well, Mr. Secretary, how do you feel about the sales taxes? Isn't that the painless way?" I think you ought to come out very strongly against any sales taxes except these excises which we have - which raise a billion six.

MR. SULLIVAN: I think that is one phase of this program that you should be decided upon.

H.M.JR: On the excises?

MR. SULLIVAN: Before Friday morning, and I think it might be helpful if Roy would give you a memorandum on the general sales tax.

MR. PAUL: And apart from Roy's memo, I think you should--

H.M.JR: Well, better yet--

MR. PAUL: ... have in mind the basic thought that sales taxation makes price control exceedingly difficult if not impossible.

H.M.JR: Well, let Roy have it and we will have one of those private tutoring sessions, Roy, that you and I have had before.

MR. BLOUGH: All right.

H.M.JR: Roy is a very good private tutor.

MR. PAUL: He has had a lot of experience.

MR. KNOLLENBERG: So we have discovered.

H.M.JR: So if he has that--

MR. PAUL: How do you think we learned all we learned?

H.M.JR: If you want me to get some lessons in -
on that, Roy, you be ready and we will do it.

O.K., gentlemen.

Tentative Outline for Revenue Bill of 1942

	Approximate increase (In millions of dollars)	
	<u>Plan 1</u>	<u>Plan 2</u>
Corporate surtax at graduated rates, three alternative schedules attached	3,000	3,000
Individual income tax, lower exemptions to \$500, \$1,000 and \$300 and increase rates, schedules attached	3,200	
Individual income tax, raise rates, schedule attached		2,000
Estate and gift taxes, schedules attached	200	250
Loopholes	1,110	1,110
Excise taxes	<u>469</u>	<u>1,687</u>
Total	7,979	8,047
Less allowance for interlocking effects	<u>1,000</u>	<u>1,000</u>
Net revenue increase	6,979	7,047

Tentative Outline for Revenue Bill of 1942

Plan 1

	Approximate increase (in millions of dollars)
Corporate surtax at graduated rates, three alternative schedules attached	3,000
Individual income tax, lower exemptions to \$500, \$1,000 and \$300 and increase rates, schedules attached	3,200
Estate and gift taxes, schedules attached	200
Loopholes:	
Tax the interest on State and local bonds	300 ^{1/}
Mandatory joint returns	500
Capital gains and losses	50
Eliminate the deduction for interest on funded debt by including 1/5 of such interest in base the first year, 2/5 the next, etc., and disallow the deduction with respect to future bond issues	80
Life and other insurance companies	50
Percentage depletion	80
Reduce the allowance for the deduction of interest on non-business individual borrowing to a fixed amount of \$500	30
Eliminate the deduction of non-business bad debts except where such debts do not exceed \$1,000 in the case of each debtor	5
Provide that the basis for determining gain on the disposition by the beneficiary of assets transmitted at death shall be the adjusted cost basis in the hands of the decedent and that the basis for determining loss on the sale of such assets shall be the adjusted cost basis in the hands of the decedent or the fair market value at the time of death, whichever is lower	15
Total, loopholes	<u>1,110</u>
	7,510
Excise taxes:	
Autos and motorcycles, increase rates from 7 to 35%	30
Parts and accessories, increase rates from 5 to 10%	25
Trucks and buses, increase rates from 5 to 10%	15
	<u>70</u>

^{1/} Includes the effect of disallowing duplicate deduction in the life insurance tax base and also the effect of prorating bank expenses to taxable and tax-exempt income.

Tentative Outline for Revenue Bill of 1942

Plan 1 (continued)

	1 1	Approximate increase
	(In millions of dollars)	
Brought forward	70	7,510
Pipes and tubes, increase rates from 5¢ and 9¢ per lb. to 10¢ and 18¢ per lb.	12	
Refrigerators, etc., increase rates from 10 to 25%	10	
Radios, phonographs, records, and musical instruments, increase rate from 10 to 25%	12	
Electric, gas, and oil appliances, increase rate from 10 to 25% and expand base	10	
Photographic apparatus, increase rate from 10 to 25%	18	
Business and store machines, increase rate from 10 to 25% and broaden base	8	
Rubber articles, increase rate from 10 to 25% and change base	12	
Domestic laundry equipment, impose a 25% tax	12	
Domestic sewing machines, impose a 25% tax	4	
Telephone bill, increase rate from 6 to 15%	80	
Transportation of persons, increase rate from 5 to 10%	40	
Metal furniture, furnishings, equipment, etc., impose a 25% tax	40	
Firearms, cartridges, and shells, increase rate from 11 to 50%	5	
Floor coverings (except cotton) and oilcloth, impose a tax of 25%	45	
Lubricating oil, increase from 4½¢ to 10¢ per gal.	45	
Ornamental metal work and fixtures, including metal doors, windows, fences, etc., impose a 25% tax	25	
Metal toys and children's metal vehicles, impose a 25% tax	10	
Electric signs, metal signs and displays, increase rate from 10 to 25% and expand base	8	
Electric lighting fixtures (residential and commercial), impose a 10% tax	5	
Bicycles, impose a 10% tax	3	
China and porcelain ware (hotel china, whiteware, porcelain elec. sup. and other) impose a 10% tax	10	
Electrical energy, increase rate from 3-1/3 to 5%	<u>25</u>	
Total, excises		<u>469</u>
Grand total		7,979
Less allowance for interlocking effects		<u>1,000</u>
Net revenue increase		6,979

Tentative Outline for Revenue Bill of 1942

Plan 2

	:	Approximate increase
	:	(in millions of dollars)
Corporate surtax at graduated rates, three alternative schedules attached		3,000
Individual income tax, raise rates, schedule attached		2,000
Estate and gift taxes, schedules attached		250
Loopholes:		
Tax the interest on State and local bonds	300	1/
Mandatory joint returns	500	
Capital gains and losses	50	
Eliminate the deduction for interest on funded debt by including 1/5 of such interest in base the first year, 2/5 the next, etc., and disallow the deduction with respect to future bond issues	80	
Life and other insurance companies	50	
Percentage depletion	80	
Reduce the allowance for the deduction of interest on non-business individual borrowing to a fixed amount of \$500	30	
Eliminate the deduction of non-business bad debts except where such debts do not exceed \$1,000 in the case of each debtor	5	
Provide that the basis for determining gain on the disposition by the beneficiary of assets transmitted at death shall be the adjusted cost basis in the hands of the decedent and that the basis for determining loss on the sale of such assets shall be the adjusted cost basis in the hands of the decedent or the fair market value at the time of death, whichever is lower	15	
Total, loopholes		<u>1,110</u> 6,360
Excise taxes:		
Autos and motorcycles, increase rates from 7 to 35%	30	
Parts and accessories, increase rates from 5 to 10%	25	
Trucks and buses, increase rates from 5 to 10%	15	
Tires and tubes, increase rates from 5¢ and 9¢ per lb. to 10¢ and 18¢ per lb.	12	
	<u>82</u>	

1/ Includes the effect of disallowing duplicate deduction in the life insurance tax base and also the effect of prorating bank expenses to taxable and tax-exempt income.

Plan 2 (Continued)

	1	Approximate increase
	1	(In millions of dollars)
Brought forward	82	6,360
Refrigerators, etc., increase rates from 10 to 25%	10	
Radios, phonographs, records, and musical instruments, increase rate from 10 to 25%	12	
Electric, gas and oil appliances, increase rate from 10 to 25% and expand base	10	
Photographic apparatus, increase rate from 10 to 25%	18	
Business and store machines, increase rate from 10 to 25% and broaden base	8	
Rubber articles, increase rate from 10 to 25% and change base	12	
Domestic laundry equipment, impose a 25% tax	12	
Domestic sewing machines, impose a 25% tax	4	
Telephone bill, increase rate from 6 to 15%	80	
Transportation of persons, increase rate from 5 to 10%	40	
Metal furniture, furnishings, equipment, etc., impose a 25% tax	40	
Firearms, cartridges, and shells, increase rate from 11 to 50%	5	
Floor coverings (except cotton) and oilcloth, impose a tax of 25%	45	
Lubricating oil, increase from 4½¢ to 10¢ per gal.	45	
Ornamental metal work and fixtures, including metal doors, windows, fences, etc., impose a 25% tax	25	
Metal toys and children's metal vehicles, impose a 25% tax	10	
Electric signs, metal signs and displays, increase rate from 10 to 25% and expand base	6	
Electric lighting fixtures (residential and commercial), impose a 10% tax	5	
Bicycles, impose a 10% tax	3	
China and porcelain ware (hotel china, whiteware, porcelain elec. sup. and other) impose a 10% tax	10	
Electrical energy, increase rate from 3-1/3 to 5%	25	
Gasoline, increase rate from 1½¢ to 3¾¢ per gal.	360	
Distilled spirits, increase rate from \$4 to \$6 per gal.	300	
Wines, increase rates	20	
Cigarettes, increase rate from \$3.25 to \$4.75 per M	195	
Other tobacco products, increase rates	75	
Cigarette paper & tubes, increase rates and remove exemption	5	
Candy and chewing gum, impose a tax of 10%	40	
Soft drinks, impose a tax of 1¢ per bottle	133	
Advertising receipts, impose a tax of 15% on gross receipts	90	
Total, excises		1,687
Grand total		8,047
Less allowance for interlocking effects		1,000
Net revenue increase		7,047

Comparison of Effective Rates under present
and proposed corporation normal and surtax schedules

Net income ^{1/} (000's)	Effective rates			
	Present	Proposal		
	law	A	B	C
5	21.0%	21.0%	23.0%	23.0%
15	22.3	22.3	24.3	24.3
25	23.0	23.0	25.0	25.0
50	30.5	31.0	34.0	34.0
100	30.8	32.5	37.5	37.0
200	30.9	36.3	41.8	41.0
400	30.9	41.1	45.9	45.5
600	31.0	44.8	48.3	48.7
800	31.0	48.1	50.2	51.3
1,000	31.0	51.5	51.8	53.4
3,000	31.0	65.2	58.6	60.8
5,000	31.0	67.9	61.6	63.1
7,000	31.0	69.1	63.7	64.5
10,000	31.0	69.9	65.9	65.8

Treasury Department, Division of Tax Research January 2, 1942

^{1/} Normal tax net income and surtax net income assumed equal.

Corporation Surtax Scale

Proposal D

Net income <u>1/</u> (000's)	Proposed surtax rates	Total normal and surtax	
		Cumulative Amount	Effective rate (top of bracket)
\$ 0 - 5	15%	\$ 1,500	30.0
5 - 20	15	6,300	31.5
20 - 25	15	8,000	32.0
25 - 50	17	20,000	40.0
50 - 100	20	42,000	42.0
100 - 200	24	90,000	45.0
200 - 400	28	194,000	48.5
400 - 600	31	304,000	50.7
600 - 800	34	420,000	52.5
800 - 1,000	37	542,000	54.2
Over 1,000	39	---	---
5,000		3,062,000	61.2
10,000		6,212,000	62.1

Treasury Department, Division of Tax Research

January 2, 1942

1/ Normal tax net income and surtax net income assumed equal.

Tax on marginal dollar of corporate income
under various proposals

	Percent
Present law	72.4
1. Eliminate all excess profits taxes and impose flat rate to raise \$3 billion additional revenue over and above the yield from present income and excess profits taxes	60.2
2. Retain present excess profits tax and impose flat rate income tax to raise \$3 billion additional revenue	81.6
3. Retain present excess profits tax and adopt:	
Schedule A or B	88.8
Schedule C	88.0
Schedule D	85.20
Schedule E	84.0

Corporation income and surtax rates

Schedule E

Corporations with net income of less than \$100,000	:	Normal rate	:	Surtax rate	:	Combined normal and surtax
First \$5,000 net income	:	15	:	6	:	21
Next 15,000 " "	:	17	:	6	:	23
Next 5,000 " "	:	19	:	6	:	25
Next 75,000 " "	:	24	:	7	:	31
Corporations with net income of \$100,000 and over:	:	24	:	36	:	60

Comparison of individual surtax rate schedule under present law and three alternative schedules designed to raise approximately \$2 billion with present exemptions or \$3.2 billion with lowered exemptions

Surtax net income (\$000)	Bracket rate					Total surtax cumulative			
	Present law	Alternative schedules			Present law	Alternative schedules			
		A	B	C		A	B	C	
0 - 2	6%	14%	12%	11%	\$ 120	\$ 280	\$ 240	\$ 220	
2 - 4	9	17	15	16	300	620	540	540	
4 - 6	13	21	19	22	560	1,040	920	980	
6 - 8	17	25	23	28	900	1,540	1,380	1,540	
8 - 10	21	28	27	33	1,320	2,100	1,920	2,200	
10 - 12	25	31	31	37	1,820	2,720	2,540	2,940	
12 - 14	29	34	35	41	2,400	3,400	3,240	3,760	
14 - 16	32	37	38	44	3,040	4,140	4,000	4,640	
16 - 18	35	40	41	47	3,740	4,940	4,820	5,580	
18 - 20	38	43	44	50	4,500	5,800	5,700	6,580	
20 - 22	41	46	48	53	5,320	6,720	6,660	7,640	
22 - 26	44	49	52	56	7,080	8,680	8,740	9,880	
26 - 32	47	52	56	59	9,900	11,800	12,100	13,420	
32 - 38	50	55	62	62	12,900	15,100	15,820	17,140	
38 - 44	53	57	69	65	16,080	18,520	19,960	21,040	
44 - 50	55	59	77	67	19,380	22,060	24,580	25,060	
50 - 60	57	61	86	69	25,080	28,160	33,180	31,960	
60 - 70	59	63	86	71	30,980	34,460	41,780	39,060	
70 - 80	61	65	86	73	37,080	40,960	50,380	46,360	
80 - 90	63	66	86	75	43,380	47,560	58,980	53,860	
90 - 100	64	67	86	76	49,780	54,260	67,580	61,460	
100 - 150	65	68	86	77	82,280	88,260	110,580	99,960	
150 - 200	66	69	86	78	115,280	122,760	153,580	138,960	
200 - 250	67	70	86	79	148,780	157,760	196,580	178,460	
250 - 300	69	72	86	80	183,280	193,760	239,580	218,460	
300 - 400	71	73	86	81	254,280	266,760	325,580	299,460	
400 - 500	72	74	86	82	326,280	340,760	411,580	381,460	
500 - 750	73	75	86	83	508,780	528,260	626,580	588,960	
750 - 1,000	74	76	86	84	693,780	718,260	841,580	798,960	
1,000 - 2,000	75	77	86	85	1,443,780	1,488,260	1,701,580	1,648,960	
2,000 - 5,000	76	78	86	86	3,723,780	3,828,260	4,281,580	4,228,960	
Over 5,000	77	79	86	86	-	-	-	-	

Treasury Department, Division of Tax Research

January 1, 1942

Comparison of present and proposed individual income taxes on net incomes of selected sizes ^{1/},
 present exemptions
 Married person - no dependants

Net income : before personal exemption 2/:	Amount of tax				Effective rates				Increase in tax under proposals		
	Present law	Proposals			Present law	Proposals			A	B	C
		A	B	C		A	B	C			
\$ 2,000	\$ 42	\$ 82	\$ 72	\$ 67	2.1%	4.1%	3.6%	3.4%	\$ 40	\$ 30	\$ 25
2,500	90	170	150	140	3.6	6.8	6.0	5.6	80	60	50
3,000	138	258	228	213	4.6	8.6	7.6	7.1	120	90	75
4,000	249	449	399	384	6.2	11.2	10.0	9.6	200	150	135
5,000	375	655	585	580	7.5	13.1	11.7	11.6	280	210	205
6,000	521	881	791	806	8.7	14.7	13.2	13.4	360	270	285
8,000	873	1,393	1,263	1,348	10.9	17.4	15.8	16.9	520	390	475
10,000	1,305	1,980	1,815	2,005	13.1	19.8	18.2	20.1	675	510	700
15,000	2,739	3,714	3,549	4,039	18.3	24.8	23.7	26.9	975	810	1,300
25,000	6,864	8,339	8,324	9,364	27.5	33.4	33.3	37.5	1,475	1,460	2,500
50,000	20,439	23,059	25,309	25,939	40.9	46.1	50.6	51.9	2,620	4,870	5,500
75,000	35,999	39,619	47,674	44,499	48.0	52.8	63.6	59.3	3,620	11,675	8,500
100,000	52,704	57,139	70,174	64,204	52.7	57.1	70.2	64.2	4,435	17,470	11,500
500,000	345,084	359,534	430,174	400,114	69.0	71.9	86.0	80.0	14,450	85,090	55,030
1,000,000	732,554	757,004	880,174	837,584	73.3	75.7	88.0	83.8	24,450	147,620	105,030
5,000,000	3,992,524	4,026,974	4,480,174	4,427,554	78.5	80.5	89.6	88.6	34,450	487,650	435,030

Treasury Department, Division of Tax Research

January 1, 1942.

- 1/ Under proposals A, B and C, the attached surtax rate schedules are substituted for the present schedule.
- 2/ Maximum earned income assumed.

Comparison of present estate tax rate schedule, three alternative schedules (A, B and C) designed to raise approximately \$200 million, and two alternative schedules (D and E) designed to raise approximately \$250 million

Net estate after specific exemption ^{1/} (Thousands of \$)	Present Law	Alternative schedules (\$200 million)			Alternative schedules (\$250 million)	
		A	B	C	D	E
Under 5	3%	5%	3%	3%	6%	3%
5 - 10	7	10	7	7	11	7
10 - 15	11	12	11	11	15	11
15 - 20	11	15	15	15	18	15
20 - 30	14	20	20	20	22	20
30 - 40	18	22	25	25	26	25
40 - 50	22	24	25	25	28	25
50 - 60	25	26	30	30	30	30
60 - 70	28	28	30	30	32	30
70 - 100	28	30	34	34	34	35
100 - 150	30	32	37	37	36	40
150 - 200	30	34	37	37	40	40
200 - 300	30 - 32	36	40	40	42	45
300 - 400	32	38	43	43	44	50
400 - 500	32	40	43	43	46	50
500 - 600	35	42	46	46	48	55
600 - 700	35	44	46	46	50	55
700 - 800	35 - 37	45	46	46	52	55
800 - 900	37	46	48	50	54	60
900 - 1,000	37	48	48	50	56	60
1,000 - 1,250	39	50	50	55	58	65
1,250 - 1,500	42	52	52	55	60	65
1,500 - 2,000	45	54	54	55	62	65
2,000 - 2,500	49	56	56	60	64	70
2,500 - 3,000	53	58	58	60	66	70
3,000 - 3,500	56	60	60	65	67	75
3,500 - 4,000	59	64	64	65	68	75
4,000 - 4,500	63	66	66	65	69	75
4,500 - 5,000	63	70	70	65	70	75
5,000 - 6,000	67	72	72	70	73	80
6,000 - 7,000	70	74	74	70	75	80
7,000 - 8,000	73	76	76	75	77	80
8,000 - 9,000	76	77	77	75	77	80
9,000 - 10,000	76	77	77	75	77	80
Over 10,000	77	78	78	80	79	80

Treasury Department, Division of Tax Research

January 1, 1942

^{1/} A specific exemption of \$40,000 is allowed under present law. Under the alternative schedules the specific exemption allowed is \$25,000.

Comparison of estate tax under present law, under three alternative proposals (A, B and C) designed to raise approximately \$200 million, and under two alternative proposals (D and E) designed to raise approximately \$250 million

Net estate before : specific : exemption ^{1/} : (Thousands of \$) :	Cumulative tax on net estate before exemption					
	Present : law :	Alternative proposals : (\$200 million)			Alternative proposals : (\$250 million)	
		A :	B :	C :	D :	E :
\$ 30	-	\$ 250	\$ 150	\$ 150	\$ 300	\$ 150
35	-	1,000	650	650	1,150	650
40	-	2,350	1,700	1,700	2,750	1,700
45	\$ 150	4,450	3,500	3,500	5,250	3,500
50	650	7,550	6,300	6,300	8,850	6,300
60	2,250	12,750	11,350	11,350	14,850	11,350
80	7,050	22,750	21,650	21,650	26,450	21,650
100	16,550	38,350	38,150	38,150	44,450	38,200
200	55,250	85,950	90,900	90,900	98,950	93,500
400	156,150	206,550	225,150	225,150	238,450	241,300
600	322,850	408,150	447,650	447,650	470,950	492,850
800	559,750	698,000	762,150	762,150	804,450	854,400
1,000	870,650	1,081,100	1,172,150	1,175,650	1,246,950	1,334,700
2,000	1,605,850	1,987,700	2,105,650	2,137,900	2,292,950	2,463,750
4,000	3,420,450	4,081,800	4,226,650	4,347,650	4,662,450	5,040,300
6,000	6,531,850	7,573,900	7,745,650	7,906,150	8,455,700	9,165,600
10,000	12,589,650	14,104,750	14,303,400	14,413,400	15,307,950	16,490,900
20,000	26,347,050	28,435,350	28,660,900	28,919,400	30,059,700	31,816,200
40,000	55,504,450	58,365,950	58,618,400	59,425,400	60,611,450	63,141,500

Treasury Department, Division of Tax Research

January 1, 1942

^{1/} A specific exemption of \$40,000 is allowed under present law. Under the alternative schedules the specific exemption allowed is \$25,000.

A list of excise taxes suggesting possible increases

Article	Present tax	Proposed tax increase	Official estimate of effect of increase	Date of estimate	Unofficial estimate of effect of increase (In millions)	Revenue (In millions of dollars)		
						1940	1941	1942 estimated (Confidential)
1. Cigarettes, small " , long	\$3.25 per M 7.80 per M	1 1/2¢ per pack = 75¢ per M Proportionate 2 1/2¢ per pack = \$1.50 per M	(\$112.8 million fiscal 1942 levels \$195.1 million 1942 levels	5/17/41 10/20/41	(\$160.0 (	\$533.0	\$616.7	\$693.9
2. Snuff	18¢ per lb.	18¢ per lb.	(			6.8	6.9	7.3
3. Chewing and smoking	18¢ per lb.	18¢ per lb.	(\$ 62.8 million fiscal 1942 levels	3/26/41	Same	54.4	54.9	55.0
4. Cigars, small Not more than 5¢ 5.1¢ to 8¢ 8.1 to 15 15.1 to 20 20.1 and over	\$0.75 per M 2.00 " " 3.00 " " 5.00 " " 10.50 " " 13.50 " "	\$0.75 per M 2.00 " " 3.00 " " 5.00 " " 10.50 " " 13.50 " "	((\$ 12.8 million fiscal 1942 levels	3/26/41	Same	(12.9	13.4	14.1
5. Cigarette paper & tubes	1 1/2¢ per 50 papers or fraction, except books of 25 papers or less are exempt 1¢ per 50 tubes	1/4¢ per 50 papers, no exemption 1¢ per 50 tubes	( ( (	( ( (	5.0	1.3	1.4	1.7
6. Fermented malt liquors	\$6 per bbl.	\$2 per bbl.	\$109.1 million fiscal 1942 levels	3/26/41	120.0	264.6	316.7	353.1
7. Distilled spirits (domestic and imported)	\$4 per gal.	\$1 per gal. \$2 per gal	\$145.7 million fiscal 1943 levels	12/31/41	- 300.0	317.7	428.5	640.0
8. a. Still wines: Not more than 14% alcohol 14-21% alcohol More than 21% alcohol b. Sparkling wines c. Artificial carbonated wines d. Liqueurs, cordials, etc.	8¢ per gal. 30¢ " " 65¢ " " 7¢ per 1/2 pint 3 1/2¢ per 1/2 pint 3 1/2¢ per 1/2 pint	17¢ 20¢ 35¢ 8¢ 6 1/2¢ 6 1/2¢	( ( ( ( ( (	( ( ( ( ( (	20.0	8.1	11.4	27.4
9. a. Soft drinks	-	1¢ per bottle and equivalents	\$132.5 millions	4/24/41 Sullivan statement	-	-	-	-
b. Soft drinks	-	32¢ per gal. syrup 20¢ per lb. carbonic gas	(\$ 78.3 million 1942 levels	7/2/41				
10. Candy and chewing gum	-	10% of manufacturers' sale price	\$ 18.2 million at 5% 1942 levels	7/2/41	40.0			
11. Gasoline	1 1/2¢ per gal.	2 1/2¢ per gal. 1 1/2¢ per gal.	1¢ increase esti- mated at \$244 million increase; 2¢ increase estimated at \$510 million increase	7/2/41 4/11/41	\$400-\$625	226.2	343.0	372.5
					\$240-375			

A list of excise taxes suggesting possible increases.
(Continued)

Article	Present tax	Proposed tax increase	Official estimate of effect of increase	Date of estimate of increase	Revenue (in millions of dollars)			
					Official estimate of effect of increase (in millions)	1941	1942	1942 estimated (Confidential)
13. Autos and motorcycles	7% sales price	20%	\$407 million - 1942 prod. control	10/30/41	\$ 31	\$ 59.4	\$ 61.4	\$ 65.8
13. Parts and accessories	5% sales price	5%	\$31.5 million, 1942 levels	7/7/41	25	10.6	13.1	26.5
14. Trucks and buses	5% sales price	5%	\$47.5 million, 1942 levels	7/7/41	15	7.9	10.7	16.6
15. Tires	5¢ per lb. 2¢ per lb.	5¢ per lb. 7¢ per lb.			10-15	41.6	51.1	40.7
16. Refrigerators, etc.	10% sales price	15% sales price			7-10	10.0	13.3	14.0
17. Radios, gramophones, records and musical instruments	10% sales price	15% sales price			5-10	6.1	6.9	13.3
18. Electric, gas, and oil appliances	15% sales price	15% sales price, and equal base; shavers, etc.			10	-	-	0.5
19. Photographic apparatus	10% sales price	15% sales price (except - defense, scientific equipment)			15-20	-	-	6.1
20. Scales and other machines	10% sales price	15% sales price			5	-	-	5.3
a. Scales and balances	-	Broaden base			3	-	-	-
b. Measuring and dispensing pumps, gas, oil, grease hand-air pumps	-				4-5	-	-	-
21. Rubber articles	10% sales price	15% sales price and change base			10-15	-	-	0.1
22. Domestic laundry eqpt.	-	25% sales price			10-15	-	-	-
23. Domestic sewing machines	-	25% sales price			3-5	-	-	-
24. Telephone bill	6¢	9¢			75-85	-	-	36.2
25. Transport of persons	5%	5%			40	-	-	30.8
26. Metal furniture, ornamental equipments; metal beauty and barber shop equip- ment; metal beer dis- pensing equipment; metal soda fountain equipment; metal cosmetic blinks; metal bed springs and spring mattresses; metal beds and studio couches; fireplace furnishings; metal office supplies.	-	25% sales price (except hospital and laboratory equipment)			25-30	-	-	-
27. Firearms, cartridges, and shells	11% sales price	25% sales price			5-10	3.7	5.5	4.2
28. Floor coverings (except carpet and oilcloth)	-	25% sales price			30-40	-	-	-
29. Lubricating oil	1/2¢ per gal.	5/4¢ per gal.			65	31.2	31.2	44.0
30. Ornamental metal work and fixtures, including metal fairs, windows, lanes, etc.	-	25% sales price			25	-	-	-
31. Metal toys and children's metal vehicles	-	25% sales price			10	-	-	-
32. Electric signs	10%	25%			3	-	-	1.5
a. Metal signs and signposts	-	Equal base			5-7	-	-	-
33. Electric lighting fixtures (residential and commercial)	-	10%			5	-	-	-
34. Stencils	-	10% sales price			3-3	-	-	-
35. China and porcelain ware (metal china, whiteware, coralite etc. exp. 3 1/2¢)	-	10% sales price			1-10	-	-	-
36. Electrical energy	3-1/3¢	1-7/3¢			25-27	42.3	47.0	50.6

January 5, 1942

Mr. E. T. Taylor called on me this morning at the request of Lord Beaverbrook. He is the Chief Executive Officer of the British Supply Council in North America.

As he got up to leave, Taylor said he wanted to thank me for everything I had done. He said that at a dinner on Saturday evening, attended by about 20 Englishmen, Churchill went out of his way to stress what Henry Morgenthau, Jr., had done to get them guns after Dunkirk when they only had brooms and sticks to arm themselves with. I questioned him closely as to when Churchill had made this statement on what I had done, and Taylor said that he made it last Saturday night. I told him that the reason I questioned him was because I had seen Churchill about three times, and up to Saturday morning when I explained to him what I had done, he didn't seem to know and I couldn't understand it. So that explains why at the various times I have seen Churchill he has never said anything to me about what I had done to get all that materiel over to them, and I now feel much happier about it.

January 5, 1942
11:30 a.m.

Morris
Ernest:

Hello, Henry.

HWJr:

Hello, Morris.

E:

I didn't want to bother you on the phone.

HWJr:

Well, Morris, I'm so desperate for time. I don't know what it is that you wanted, but if you would tell me, I could tell you whether I can do it or somebody else.

E:

Well there are two things that at this time to be checked with the President on.

HWJr:

Yeah.

E:

One of them is the proposal with relation to taxes vis-a-vis the employers who hire people all year around.

HWJr:

Well, that question - you'd want to see Randolph Paul on that.

E:

I'll see Randolph about that.

HWJr:

Yes.

E:

Now, the next one is in regard to this old one of mine, for the filing of returns and information of non-profit-making organizations.

HWJr:

Well, I know about that; and that one would be - Sullivan has been handling it.

E:

I've seen Sullivan and Terleau and Surrey, but I just sent to the President some more material.....

HWJr:

Well.....

E:

.....about the great number of new organizations that are springing up.

HWJr:

Well, I'd like you - I went all through that myself.

- 2 -

E: He sent me - the President sent me your original report to him.

HMJr: Yes.

E: You see?

HMJr: Yes.

E: In regard to it. And then, of course, I spoke to Surrey and John Sullivan and the rest, and John seemed to think that something would come out.

HMJr: Well, I wish you'd see both Sullivan and Foley.

E: Yes.

HMJr: Because Foley has my angle on that.

E: Yes. Well, now Foley - as I take it, Ed Foley and Oscar Cox have always been for some such step.

HMJr: Foley has been.....

E: Sullivan and Surrey and the boys have been against it.

HMJr: That's why I'm asking you to see Foley, because Foley has my viewpoint.

E: All right. I'll see Ed Foley.

HMJr: Now, when you're in, I'd love to shake hands with you; but you'll get further than if you put it - and I will tell all three of those men that you're coming and I want them to see you.

E: All right. That's Sullivan, Surrey, and Foley.

HMJr: But Foley has my viewpoint, and I - without - I can't go - but take my word you'll get ahead faster by.....

E: All right. I'll see Ed Foley tomorrow.

HMJr: Do you understand?

E: I'll see him tomorrow, tell him.

HMJr: Okay.
E: All right.
HMJr: Thanks.

January 5, 1942
11:48 a.m.

WJr: Good morning. Grace, how was my suggestion received?

Grace
WJr: Well, he liked the idea very much, and I'm sure he's going to take it up with him. I haven't heard what - the President said he wasn't sure they had a declaration so that they did that, but he thought the idea was very good.

WJr: Oh, they - I'm quite sure they have such a... .

T: Then - well, if they do, then - he wasn't sure - but if they do, he was going to take it up with him.

WJr: Could you give it another little push?

T: Yeah, I could ask him if he's had an opportunity to do it. I typed it out, you see, and left it with him.

WJr: Oh.

T: And I think probably he's had it in front of him when the P.M. has been there and probably has spoken to him, but I haven't asked him what he said.

WJr: Well, at a good moment you give it a little push.

T: All right, fine. But he liked the idea. I said it was the kind of thing that you said he would like to do and you were sure Mr. Churchill would, too.

WJr: That's right. You're wonderful.

T: So he said, "Yes, yes. I think he would. Yes, that's a good idea." And so therefore, I'll now check and see what the P.M. thought of it and what his reaction was when he spoke to him about it.

WJr: Well, at a good moment you might.

T: I will, sir.

- 2 -

HMJr: It's close to my heart.
T: All right, sir; I'll do it.
HMJr: Thank you.
T: All right, Mr. Secretary. Good-bye.

January 5, 1948
2:25 p.m.

EMJr: That stuff under the protocol for the Russians.

Clifton
Wick: Yes, sir.

EMJr: I wish you'd give me a progress report on those difficult articles - the articles which are difficult to get - and what progress you make.

W: Very good. We're working on those right now.

EMJr: Well, keep me posted, will you?

W: I'll do that.

EMJr: And as you clean up the difficult ones, keep notifying me.

W: I'll do that, yes, sir.

EMJr: And I think that somebody should be notified - wasn't there some general or somebody wanted something?

W: Yes. Well, we've talked to Lend-Lease on it. We've talked to Lend-Lease. We've taken care of that.

EMJr: Well, as you clean up the difficult ones, as you transfer from one article to another, I'd like a regular progress report.

W: Yes, sir. We'll get that out.

EMJr: Tell me this, how'd you make out on the first lot of chairs? I mean desks.

W: Desks? Pretty good. We are just now making the contracts as today, and the business is pretty well split up.

EMJr: It is.

W: It's pretty well split up, and the prices are fair. Of course, we're bringing in a lot of people that haven't done this before, you know, and.....

- 2 -

QJr: Yeah. Well, I thought this was on the contract for '41.

A: It's on a contract - Well, of course, the last year's contract expired December 31.

QJr: Yeah. Well, wasn't the first twenty-odd thousand on that?

A: The first twenty-five thousand - the first twenty-odd thousand will be for the first contract this year, 1942.

QJr: Yeah.

A: So it looks pretty good, and we're getting some orders.....

QJr: Now, wait a minute, Mack. You told me you wanted to let that thing. If you let it right away, you had prices before '41 on which you could order.

A: Well, we have prices on '41 up through the end of the year.

QJr: Yeah, well now - and the first twenty thousand, I understood, came under the '41 contract.

A: Well, the first twenty thousand will be the new contract.

QJr: Now, wait a minute. When I wanted to make the talk and I asked you about postponing it, you said if you postponed it, you couldn't avail yourself of the 1941 prices. You had bids - the manufacturers had given you a price for '41, and you could pick up those prices.

A: Well, what we had was this. We had the invitations all ready to send out so as to make the new contract effective, and that was the point. We make the new contract effective January the first.

QJr: Now wait a minute. That isn't what you told me, Mack. Now, let me go through it once. How many were these desks?

A: Well, they.....

- 3 -

Q: How many - there were twenty-odd thousand, weren't there?

A: Just about twenty-odd thousand.

Q: And as I remember, the bids were - if my memory serves me right - were to have been in on the twenty-sixth of December.

A: That's right, yes. The twenty-sixth of December.

Q: I mean - because my memory is pretty good. And you had a 1941 price. Hello.

A: Well, we - it wouldn't be a 19 - you see, the other contract would expire.

Q: I know, but you were to let them on December twenty-sixth.

A: Yes.

Q: You were to pick them up on December twenty-sixth. But I said, if I talked you'd have to postpone it until after the first of the year, and you wouldn't be able to make yourself available of the '41 prices.

A: Well.....

Q: That was the argument you gave me.

A: Yeah. Well.....

Q: Well look, did you or didn't you let them on December twenty-sixth?

A: We got the bids in on the twenty-sixth.

Q: Yeah, what did you do?

A: Effective - to be effective January the first. And those are being let, yes, sir.

Q: At 1941 prices?

A: Well, some of them are at 1941 prices and some of these new Geplers are a little higher. That is,

- 4 -

some of the new fellows that we haven't done business with before.

WJr: Listen, Mack, I don't think - you don't know the story, do you? You don't know it, that's the trouble, isn't it?

Q: Well, I think.....

WJr: You haven't got the details.

W: Well, I haven't all the details, no, sir.

WJr: Well, then why didn't you tell me that? Look it up and write me a memo. Let me tell you what you told me.

W: Yes.

WJr: And never be afraid to say, "Mr. Morgenthau, I don't know just what happened."

W: Yes.

WJr: What you told me was, you had - as I understand it - prices that you could buy desks for 1941. That's correct, isn't it?

W: That's right, yes.

WJr: And it was twenty or twenty-three thousand, and the bids were to come in on the twenty-sixth and you were to let them at the '41 prices. Now, that's what you told me. Then you sold the balance of them - and the reason you were so anxious to do it on the twenty-sixth was to take advantage of the '41 prices.

Q: Yes.

WJr: Now look it up, because I know that's what you told me. Now I don't know what you did.

W: Yes. Well, I'll be glad to check that.

WJr: Check it up; and if you don't know the details with your big organization, I'll never be surprised. Simply say, "I haven't got the details."

- 5 -

Give me a chance."

P:

Yes.

SJR:

And then send it over.

S:

All right, fine. I'll check that.

SJR:

But listen, don't try to bluff me.

S:

Oh, I won't do that, of course.

SJR:

Because it doesn't work.

S:

Yes, I know that. And I'll get you the progress report on these difficult Russian purchases as they come through.

SJR:

That's right. Now find out what you did on the desks, and send me over a little memo.

P:

Very good.

SJR:

Okay.

S:

Good-bye.

January 5, 1942
2:46 p.m.

HMJr: Hello.

Operator: Mr. Straus.

HMJr: Hello.

Nathan Straus: Hello, Henry.

HMJr: Nathan.

S: Yes.

HMJr: I just got your message, and I never got one that I was more sorry to hear.

S: That's awfully good of you, Henry, that you feel that way.

HMJr: You've got the houses to show in the community what you've done, no matter what anybody says.

S: Yes, sir. I feel that, too.

HMJr: And I think the politics - it's just too damn bad.

S: I know. These things happen in life. I would have spoken to you about it, but it seemed very unfair to burden you with my troubles at this stage.

HMJr: Well.....

S: Awful nice of you to call up.

HMJr: Nathan, the houses are there as a monument to you, and you've got nothing to be ashamed of and a good deal of reason to be proud of them.

S: Yes. I feel very well satisfied that a big thing has been successfully launched, and I had a swell time doing it and that's that.

HMJr: Well, anyway, I know what you've done; and I'm

- 2 -

awfully sorry.

S: Henry, I want to have a chance to see you personally when you get a chance.

HMJr: Oh, sure.

S: And thanks ever so much for calling up.

HMJr: I want to see you, Nathan.

S: Fine. Good-bye, Henry. Thank you.

HMJr: Good-bye.

January 5, 1942
4:38 p.m.

HMJr: Hello.

Operator: Gerard Swope. Go ahead.

HMJr: Hello. Hello.

Operator: He was on there. Hello, Mr. Swope.

Gerard Swope: Hello.

HMJr: Hello. This is Henry Morgenthau, Jr.

S: This is Gerard Swope, Mr. Secretary.

HMJr: Good afternoon.

S: Hello.

HMJr: Hello.

S: I've just seen the mayor this afternoon.....

HMJr: Yes.

S:and everything's all right on that. I plan to come down tomorrow evening.....

HMJr: Yes.

S:and what time Wednesday morning could I see you? There are one or two little things that I want to discuss with you before I plunge into work.

HMJr: Well, now, here's a personal thing that's happened, Mr. Swope.

S: Yes.

HMJr: I have to go to New York. There's something that's come up that I can be helpful and nobody else can, in regard to my parents.

S: Oh, yes.

- 2 -

HMJr: And I'm going up there Wednesday.
S: Oh.
HMJr: I'll be in New York all day Wednesday.
S: Well, then, supposing I see you here.
HMJr: I could see you up there.
S: Well, fine.
HMJr: And I could save you the trouble.
S: Oh, boy. Well, now, what time and where?
HMJr: Well, that isn't so easy.
S: No. Well, will you let me know?
HMJr: Now, how and where do I get hold of you?
S: Well, you telephone me at Wickersham 213 - well, my name's in the book.
HMJr: It is.
S: In the directory.
HMJr: Yes.
S: Wickersham 21311.
HMJr: Two, one, three.....
S: One, one.
HMJr: One, one.
S: My secretary will find me any place.
HMJr: Well, as soon as I leave Washington - it all depending upon the weather, as I'll only go if I can fly.....
S: Yes.
HMJr: I'll phone you and make an appointment which is agreeable to both of us.

- 3 -

S: Fine.

HMJr: It would most likely be in the afternoon.

S: Wednesday afternoon.

HMJr: Yes.

S: Well, I'll be here right on the job, and I'll wait for you; and then we can talk about it and decide.

HMJr: Well, I'm - it sounds hopeful.

S: Hello.

HMJr: I say it sounds hopeful.

S: Oh, it's all right as far as I'm concerned, and the mayor. It's - there are only one or two little things that I want to talk with you about, and they're not difficult.

HMJr: Well, I need something to cheer me up.

S: Thank you. I hope it will.

HMJr: Thank you.

S: Good-night.

HMJr: Good-night.

January 5, 1942
4:41 p.m.

HMJr: Hello.

Oscar
Cox: Hello.

HMJr: Oscar, I couldn't talk to you before.

C: That's all right. Could I ask you two things?

HMJr: You can ask me three and a half.

C: Do you know a fellow named Hochschild who's with the American Metal?

HMJr: Very well.

C: Is he a good man?

HMJr: Tops.

C: Good.

HMJr: Don't come any better. Harold.

C: What's that?

HMJr: Harold Hochschild.

C: That's right.

HMJr: They don't come any better.

C: Good for you.

HMJr: No, he's tops.

C: That's good news.

HMJr: I know he's down here wanting to go with Lend-Lease.

C: Yeah.

HMJr: You couldn't get a better man.

C: Well, that's wonderful.

- 2 -

HMJr: Yeah.

C: Secondly, on the Supply thing, I gathered the word that they're backing and filling on the thing and don't want to do anything about it for the next six weeks or so.

HMJr: The next six weeks?

C: Yeah. I don't know why they picked that time, but the thing's just getting worse all the time.

HMJr: Who is "they"?

C: Well, Stettinius talked to Harry about it last - I guess it was Friday.

HMJr: Yeah.

C: And he said that they were just keeping it in tow for awhile.

HMJr: You mean the question of how to handle it?

C: Yeah. But I would suspect that that's a thing that isn't as firmly set as that.

HMJr: Pardon?

C: I don't think it's as firmly set as that.

HMJr: No.

C: So I'll keep after it. I'm going over and probably talk to Harry some time this week about it.

HMJr: Well, if they're going to wait six weeks, they can - they might as well wait six years.

C: Well, if they wait six weeks, they can charge you off another four hundred thousand lives.

HMJr: Yeah. Well, it's disheartening, but maybe the President will do something.

C: Oh, I hope so.

HMJr: All right, Oscar.

C: Thank you.

- 3 -

HMJr: Good-bye.
C: Good-bye.

January 6, 1942

Mr. Morgenthau called Jim Landis today and the following is their conversation.

HM Jr: This is Henry, Jr.

I just want to tell you, in order to keep my records straight, that Senator Barkley stopped me this morning when I was up on the Hill to hear the President deliver his Annual Message, and he said, "On Monday I asked the President about getting Landis confirmed for the Treasury, and the President said, 'Oh, forget about that because I am placing him somewhere else and I told Henry about it on Saturday.'" So I told Barkley that the President is pretty busy, and that he must have forgotten to tell me because he didn't, and that I heard it from the two Elinors. So Barkley said that in view of that he has stopped doing anything.

I just wanted to let you know so that you will know where our end rested because the President did not mention it to me at all at any time. He has never discussed it with me or I with him for about a month.

Landis: I am going to see the President in about an hour and I will find out what he wants.

HM Jr: After you have seen the President, would you let me know? As to getting you confirmed, the matter now has been blocked by the President. I just wanted to let you know.

Landis: That's very good of you and as soon as I know I will call you.

Landis told HM Jr that he asked the President which of the two jobs he wanted him to take, and the President said, "Oh, I want you to take OCD." So that then closes the issue.

January 5, 1942.

MEMORANDUM FOR THE SECRETARY'S FILES

Mr. White telephoned Secretary Morgenthau Monday evening about 11:30, saying that Mr. Pressman had just telephoned for Mr. Philip Murray to learn whether it would be possible for the Secretary to see Mr. Murray before 10 o'clock the next morning. Mr. Murray stated that the meeting between the CIO auto representatives and OPM that afternoon had not turned out very well and he wondered whether he could discuss the matter with Secretary Morgenthau and get his advice on what might be done. Secretary Morgenthau said he would not have any time the following morning but that if Mr. Murray and Mr. Pressman could come at 10 o'clock that evening he could see them.

Mr. Murray, Mr. Pressman and Mr. White were present at the conference in the Secretary's home at 10 o'clock that evening. Mr. Murray said he was very sorry to bother the Secretary, but that he had learned from Messrs. Thomas, Addis and Reuther what had happened at the afternoon subcommittee meeting and that they had all agreed that they had been "outsmarted". The Union group had acquiesced to an arrangement which, in effect, would not give them anything like what they felt was needed. The arrangement agreed upon that afternoon provided for a joint committee of automobile manufacturers and Union men who would, however, have only advisory functions. Mr. Murray said that they all felt that this group which would function in Detroit would be sterile of any results so far as increasing production, pooling equipment, etc. was concerned. Mr. Murray said that as a result of this outcome, all their work and hopes that they would achieve a full capacity production program were dashed. Mr. Murray wondered whether the Secretary thought it would be worthwhile if they could go to the President or whether the Secretary had some other suggestions.

Secretary Morgenthau said he didn't know much about Union relationships and practices, but he presumed that since the Union representatives had agreed to the arrangement that they couldn't very well back out. Mr. Murray agreed it would be difficult but, after all, the men felt they were "robbed" and there would be serious trouble later if something was not done to put plants to turning out war goods quickly. He said he would not be surprised if thousands of unemployed auto workers would not descend on Washington.

The Secretary said he did have two suggestions which might possibly be of some help though he wasn't at all sure. Firstly, he said that Judge Patterson, in ordering the truck contracts, had completely ignored the OPM. It might therefore be worthwhile for Mr. Murray to talk with Mr. Patterson, explaining the situation, and Mr. Patterson might be willing to use his influence on the auto manufacturers to assure Labor active participation in the planning for full utilization of the plants. Secretary Morgenthau said he thought Judge Patterson was sympathetic with the Reuther's plan and he knew that he was very eager to increase production.

- 2 -

Mr. Murray thought that was a good suggestion and he would adopt it.

Secondly, the Secretary said that Mr. Murray might also talk with Vice President Wallace who would understand the problem and might be of some help. Mr. Murray thanked the Secretary and apologized for taking his time on such matters.

The meeting adjourned at 10:30 p.m.

How

TREASURY DEPARTMENT
Office of the Secretary
Secret Service Division

131

MEMORANDUM

January 5, 1942

To: The Secretary of the Treasury
From: Chief, Secret Service

Attached is report relating to suggestions made by Fire Chief Deasy of New York City Fire Department and Office of Civilian Defense with reference to your home at Fishkill.





TREASURY DEPARTMENT
FIELD FORCE
UNITED STATES SECRET SERVICE

132

SECRET

January 3, 1942

New York District

Transmit to New York

Re: Air raid survey of the home of
Secretary Henry Morgenthau, Jr.
Fishkill, N. Y.

CONFIDENTIAL

Mr. Frank J. Wilson,
Chief, U. S. Secret Service,
Treasury Department,
Washington, D. C.

Sir:

Reference is made to teletype message of December 24, 1941, concerning the above subject. The undersigned Agent accompanied Battalion Fire Chief Daniel Deasy of the New York City Fire Department, New York, N. Y., to Fishkill, N. Y., where the Chief, who is now assigned to the Office of Civilian Defense, made a careful survey particularly in connection with the home of Secretary Henry Morgenthau, Jr., and reports as follows:

If only blackout protection is deemed necessary, then all glass in skylights, doors and windows in the exterior walls could be painted black, or the inside of such openings could be covered with heavy drapes to prevent the transmission of light.

The building, being of frame construction, could not withstand an incendiary or small H.K. attack. On receipt of an air raid warning, all persons should proceed to a shelter.

The shelter should not be more than a hundred yards from the house and preferably sub-surface with a gas and light lock at entrances and exits to prevent transmission of light and gas infiltration. When occupants leave, on receipt of an air warning, all lights should be turned off.

The keeping of chlorine in the basement should be discontinued. Such storage should be outside of the building, opposite to the prevailing winds, and at least 200 yards away. Chlorine should be stored in a metal cabinet or box with a quick-acting flooding device which will allow water to dilute the liquid and render the gas less harmful.

There should be installed a remote control switch on the first floor for the shutting down of the oil burners. A fire in the cellar

-2-

would prevent access to present controls. Sand should be placed in boxes on or near the roof to combat small incendiary bombs. Two (2) long, flat-nosed shovels should be kept near the sand.

Garden hose should be placed on different floors so water could be sprayed on a small incendiary bomb.

At least two (2) six-foot hooks and two axes should be kept on the premises in case of fire.

All occupants should have helmets (steel) and gas masks. Instructions should be given in the use and care of masks.

A sufficient number of hand flashlights should be kept on the premises for use in case of emergencies.

All occupants should be instructed in the method of applying water to the small incendiary bombs.

Never apply the contents of carbon-tetra-chloride (C.T.C.) extinguishers on thermite magnesium bombs as such an application will liberate phosgene gas with the resultant dangers.

Thought should be given to installing a siren so impending alarms could be transmitted quickly to tenants on the estate.

Very truly yours,

Approved:

F. W. Morris,
Agent.

James J. Maloney,
Supervising Agent.
JDM/20/Th

SECRET

Apr. 1-5/42.

IDENTIFICATION OF CHEMICAL AGENTS BY ODOR

1. SNIFF - DO NOT INHALE DEEPLY.
2. SNIFF ONLY ONCE - THEN THINK. THE MEMORY OF ODORS CAN BE TRAINED BY PRACTICE. EVERY PERCEPTION OF ODOR MUST BE NAMED. LEARN ODORS BY MEMORY OF THE AGENT SMELLED RATHER THAN BY THE NAME OF SOMETHING ELSE.
A THING IS ODORLESS ONLY WHEN NO PERCEPTION IS OBTAINED.
3. AFTER EACH TEST BREATHE OUT STRONGLY THROUGH THE NOSE SEVERAL TIMES. DO NOT SMELL A NEW SAMPLE UNTIL THE OLD PERCEPTION OF ODOR HAS VANISHED.
4. DO NOT SMOKE WHILE SMELLING. SMOKING DULLS THE SENSE OF SMELL.

FIRST AID TREATMENT OF CHEMICAL CASUALTIES

MUSTARD (HS) -- CASUALTY DEVELOPS IN FROM 4 TO 24 HOURS AFTER EXPOSURE. WASH WITH RUNNING WATER AND STRONG SOAP, THEN APPLY CARBON TETRACHLORIDE SATURATED WITH BLEACH SOLUTION; WASH EYES WITH BORIC ACID. TREATMENT MUST BE GIVEN WITHIN A FEW MINUTES TO BE EFFECTIVE.

LEWISITE (MI) -- CASUALTY DEVELOPS IN ONE HOUR. (1 1/2 HOUR IF BREATHED). WASH WITH RUNNING WATER, THEN WITH 5% AQUEOUS SOLUTION CAUSTIC SODA, FOLLOWED BY ALCOHOL, ACETONE OR CARBON TETRACHLORIDE. KEEP WARM AND QUIET. TREATMENT MUST BE GIVEN IMMEDIATELY. EVACUATE TO HOSPITAL.

ETHYLDICHLORARSINE (ED) -- CASUALTY DEVELOPS IN 30 MINUTES. WASH SKIN WITH SOAP AND WATER, THEN WITH 5% SOLUTION CAUSTIC SODA. GIVE AROMATIC SPIRITS OF AMMONIA AND EVACUATE TO HOSPITAL.

PHOSGENE (CG) -- CASUALTY MAY BE DELAYED. KEEP WARM AND QUIET. DO NOT PERMIT MOVEMENT OF ANY KIND. GIVE HEART STIMULANT. GIVE OXYGEN IN EXTREME CASES.

CHLORINE (Cl) -- CASUALTY DEVELOPS AT ONCE. KEEP QUIET AND WARM. TREAT FOR BRONCHIAL PNEUMONIA.

CHLORPICRIN (PS) -- CASUALTY DEVELOPS 1 TO 4 HOURS. REMOVE TO PURE AIR; KEEP QUIET AND WARM. GIVE LIGHT STIMULANTS, WIPE OFF SPLASHES OF LIQUID ON SKIN WITH ALCOHOLIC ALKALINE SOLUTION.

ADMISITE (DN) -- (DA) -- (CDA) -- CASUALTY DEVELOPS IN 5 TO 10 MINUTES. REMOVE TO PURE AIR AND GIVE LOW CONCENTRATIONS OF Cl FROM BLEACHING POWDER BOTTLE.

CHLORACETOPHENONE (CN) -- (CNS) -- (CA) -- CASUALTY DEVELOPS AT ONCE. REMOVE TO PURE AIR. FACE WIND. KEEP EYES OPEN. DO NOT RUB EYES. WASH SKIN WITH 10% SODIUM BICARBONATE IN ALCOHOL. WASH EYES WITH BORIC ACID.

WHITE PHOSPHORUS (WP) -- CASUALTY DEVELOPS AT ONCE. APPLY 2- 5% COPPER SULPHATE SOLUTION TO BURNING PARTICLES. IF COPPER SULPHATE SOLUTION IS NOT AVAILABLE, COVER PARTICLES WITH MOIST EARTH OR KEEP UNDER WATER UNTIL MEDICAL ATTENTION ARRIVES. PARTICLES EMBEDDED IN SKIN MAY BE REMOVED BY CONTINUED WASHING WITH HOT WATER.

DISTRIBUTED BY CAPTAIN M. R. ...
BRUN, DIRECTOR, ARLINGTON Co. SUMMARY OF CHEMICAL WARFARE AGENTS
FIRST AID DEFENSE WORK.

CHEMICAL AGENTS

AGENT	SYB	ODOR-COLOR	EFFECTS ON BODY
LUNG IRRITANTS			
CHLORINE	CL	GREENISH YELLOW GAS, DISAGREEABLE, PUNGENT ODOR.	CAUSES CHOKING AND COUGHING, SMARTING OF EYES, PAIN IN CHEST. 2 MINUTE EXPOSURE TO AVERAGE CONCENTRATION CAUSES A CASUALTY. EFFECTS BEGIN IMMEDIATELY.
PHOSGENE	CG	FIRST WHITE CHANGING COLORLESS GAS. ODOR LIKE NEW CUT HAY OR CUT GRASS. DISAGREEABLE, PUNGENT.	CHOKING, COUGHING, HURRIED BREATHING, CHEST PAIN. 9 TIMES MORE TOXIC THEN CHLORINE. A FEW BREATHS PRODUCE A CASUALTY. EFFECTS BEGIN IMMEDIATELY BUT PROGRESS SLOWLY.
CHLOROPICRIN	PS	SWEETISH, LIKE FLY PAPER. OILY LIQUID CHANGING TO COLORLESS GAS.	LACRIMATION, COUGHING, NAUSEA, VOMITING, LUNG IRRITATION; APPROXIMATELY ONE-HALF AS TOXIC AS PHOSGENE.
VESICANTS			
LEASITE	LI	LIKE GERANIUMS, THEN BITING. DARK BROWN LIQUID, CHANGING TO COLORLESS GAS, SLOWLY.	SKIN SHOWS SLIGHT IRRITATION IN 15 MINUTES FOLLOWED BY GRAYISH DISCOLORATION AND BLISTERS IN 30 MINUTES TO HOUR. SYSTEMIC POISONING; VOMITING. EFFECTS LUNGS WITHIN 2 HOUR. 6 TIMES TOXIC AS PHOSGENE.
LETCARD	HS	LIKE GARLIC OR HORSE-RADISH. DARK BROWN LIQUID, CHANGING TO COLORLESS GAS SLOWLY.	SYMPTOMS DELAYED 2 TO 4 HOURS IF EXPOSED EYES BURN AND INFLAME. SKIN DISCOLORS FOLLOWED BY BLISTERS AND SORE SEVERE PAIN IN LUNGS, HOARSE COUGH. 4 TIMES AS TOXIC AS PHOSGENE.
LACRIMATORS			
CHLORACETOPHENONE	CN	LIKE APPLE BLOSSOMS. BLuish GRAY SMOKE FROM BURNING TYPE IRRITATION. COLORLESS FROM SHELL.	PIERCING IRRITATION OF EYES CAUSING PROFUSE TEARS. EFFECTIVE IN EXTREMELY LOW CONCENTRATIONS.
TEAR GAS BENZOIN	CNS	LIKE FLY PAPER. A COLORLESS LIQUID, CHANGING TO COLORLESS GAS.	PIERCING IRRITATION OF EYES CAUSING PROFUSE TEARS, FOLLOWED BY NAUSEA AND VOMITING. LIQUID IN CONTACT WILL CAUSE SLIGHT BURN.
STERMUTATORS			
ADAMSITE	DM	YELLOW SMOKE. SMELLS LIKE COAL SMOKE, NON-PERSISTENT	CAUSES SNEEZING, HEADACHES AND VOMITING; VOMITING USUALLY 5 OR 10 MINUTES AFTER THE SMOKE

JAN 5 1942

Dear Mr. President:

A short time ago you asked me if foreign property in this country was registered in dummy names and, specifically, what we knew about the ownership of the Westchester Apartments.

I am attaching a memorandum discussing both these matters which I think you will find interesting.

Sincerely,

(Signed) H. Worgenthau, Jr.

The President

The White House.

EHF:mp 1/3/42

By Secret Service + oo
N.M.C.
cc - Mr. Foley

MEMORANDUM FOR THE PRESIDENT

Some days ago you asked me what the Foreign Funds Control is doing to uncover foreign owned funds which are cloaked in names other than those of their true owners. As a specific instance you cited the case of the Westchester Apartments which is reputed to be owned by Queen Wilhelmina.

The devices used to conceal the beneficial owners of funds and other properties in the United States have been carefully analyzed by the Foreign Funds Control. The principal devices may be summarized as follows:

(1) The trust device -- this technique consists of placing stock ownership in the hands of American citizens, with the beneficial interest in the hands of citizens of blocked countries.

(2) The holding company device -- shares of stock representing ownership and control of American corporations have been transferred to holding companies incorporated in foreign countries, particularly Switzerland and Panama. The stock of these holding companies consists of either bearer shares or shares registered in "dummy" names, and thus do not provide any clue to the true ownership. Approximately one-half of some 350 Axis firms in the United States exhibit this ownership pattern.

(3) Second generation device -- Japanese aliens have for some time been registering the ownership of property in the names of their children or other relatives who are American citizens.

(4) Control by personal fealty and relationship -- this device is especially common in the chemical industry. Younger sons of families prominent in the German chemical industry came to the United States during the inter-war period, became citizens, and were placed in high positions with such firms as General Aniline & Film Corporation and General Dyestuffs Corporation. These individuals then elected each other to important directorial and managerial positions, and

STRICTLY CONFIDENTIAL

- 2 -

conducted "wash" sales of stock among themselves at prices far below book value. A study of the personal histories and relationships of such individuals has enabled the Foreign Funds Control to bring under the freezing order many corporations with no apparent Axis ownership.

(5) Option device -- particularly in the chemical industry shares of new American corporations have been optioned to a foreign corporation, which would in turn transfer the option to other corporations within the integrated group, as for example, I. G. Farben.

As a first step in ferreting out the large amount of foreign owned properties held in the United States, the Treasury Department months ago required detailed reports to be filed with respect to all such properties. Now these reports are being used as illustrated by the case to which you referred, that of the Westchester Apartments.

From the property census report filed by the Westchester Apartments, Inc. and from supplementary reports of Treasury investigators, we have been able to construct the following picture:

During 1938 and 1939 a Netherlands bank, the Nederlandische Standart Bank, transferred over \$5,000,000 to the United States. This Netherlands bank was formed primarily to handle the investments of a family named Wienheim. The four known members of this family are said to reside in various parts of the British Empire. The funds of other persons in the Netherlands were, however, accepted for investment by the Nederlandische Standart Bank. The funds transferred to the United States were placed unconditionally under the control of Hans Christian Sonne, an American of Danish extraction who has a substantial interest in two New York corporations, Amsinck, Sonne & Company, and Amsinck Sonne Corporation. Sonne formed the Neal Bancroft Corporation, a management corporation to handle the funds thus entrusted to him. This name has no significance but was compounded by selecting two names at random from the New York telephone Directory. The assets of this corporation consist of various properties purchased with the \$5,000,000. Sonne has stated

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- 2 -

conducted "wash" sales of stock among themselves at prices far below book value. A study of the personal histories and relationships of such individuals has enabled the Foreign Funds Control to bring under the freezing order many corporations with no apparent Axis ownership.

(5) Option device -- particularly in the chemical industry shares of new American corporations have been optioned to a foreign corporation, which would in turn transfer the option to other corporations within the integrated group, as for example, I. G. Farben.

As a first step in ferreting out the large amount of foreign owned properties held in the United States, the Treasury Department months ago required detailed reports to be filed with respect to all such properties. Now these reports are being used as illustrated by the case to which you referred, that of the Westchester Apartments.

From the property census report filed by the Westchester Apartments, Inc. and from supplementary reports of Treasury investigators, we have been able to construct the following picture:

During 1938 and 1939 a Netherlands bank, the Nederlandische Standart Bank, transferred over \$5,000,000 to the United States. This Netherlands bank was formed primarily to handle the investments of a family named Offenheim. The four known members of this family are said to reside in various parts of the British Empire. The funds of other persons in the Netherlands were, however, accepted for investment by the Nederlandische Standart Bank. The funds transferred to the United States were placed unconditionally under the control of Hans Christian Sonne, an American of Danish extraction who has a substantial interest in two New York corporations, Amsinck, Sonne & Company, and Amsinck Sonne Corporation. Sonne formed the Neal Bancroft Corporation, a management corporation to handle the funds thus entrusted to him. This name has no significance but was compounded by selecting two names at random from the New York telephone Directory. The assets of this corporation consist of various properties purchased with the \$5,000,000. Sonne has stated

STRICTLY CONFIDENTIAL

- 3 -

that a complete list of the owners of the funds transferred by the Nederlandse Standard Bank was never revealed to him or any one else in the United States. One of the investments of the Neal Bancroft Corporation consists of a substantial portion of the outstanding stock of the Westchester Apartments, Inc. Most of these shares are held by Amsinck, Sonne & Company for Neal Bancroft Corporation. Hans Christian Sonne filed a TFR-300 report setting forth that he held the majority interest in the Westchester Apartments, Inc. as nominee for interests "believed to be British". However, from our investigation it is clear that both the Neal Bancroft Corporation and Westchester Apartments, Inc. are nationals of a blocked country, the Netherlands. Mr. Paul F. Myers, attorney for the Westchester Apartments, Inc. has stated to a Treasury representative that he is completely convinced that Queen Wilhemina has no interest in the apartments. While this matter is still under investigation it is now established that Netherlands funds were being concealed by the "trust device" and the "holding company device".

The total number of property reports filed is over 750,000, covering eleven billion dollars in foreign owned property, including over seven billion dollars in blocked property. These reports show the holdings as of two dates, June 1, 1940 and June 14, 1941. Those reports which show a significant increase or decrease between the two reporting dates are being segregated and special investigations are being made of such cases to trace the sources of increases or the dispositions made of unusual decreases. Thus, we are able to locate blocked funds which have gone under cover. Prompt and appropriate action will be taken in such cases.

STRICTLY CONFIDENTIAL

H.Timmons:cwh 1-2-42

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Tuesday, January 5, 1942

Press Service
No. 29-41

In view of the situation created by the temporary enemy occupation of important parts of the Philippine Islands, the Treasury Department today issued Public Circular No. 11 calling attention to the fact that Philippine assets have been automatically frozen under the December 26, 1941 amendment to the freezing orders.

The new public circular prescribed that for the purposes of the freezing orders the Philippine Islands should be regarded as if they were a separate blocked country and that January 1, 1942 would be regarded as the effective date of the freezing regulations as applied to the Philippines. This was done to facilitate the administration of freezing control over Philippine assets and also to provide the public with specific standards to guide their compliance with the freezing regulations relating to the Philippines. For all practical purposes this had the same effect as though freezing control had been specifically extended to the Philippine Islands on January 1, 1942.

The public circular also announced that census reports on Form TFR-300 were required to be filed with respect to Philippine assets. Details regarding this requirement will be announced later. Certain general licenses relating to the Philippine Islands were revoked and others were amended. New general licenses were issued dealing with problems arising out of freezing Philippine assets. These general licenses followed the general pattern of documents issued in the past in connection with extending freezing control to a new country.

In view of General License No. 30 issued today the freezing restrictions will not affect Philippine citizens within the United States or within the generally licensed trade area.

TREASURY DEPARTMENT
Office of the Secretary
January 5, 1942

PUBLIC CIRCULAR NO. 11
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

(1) Attention is directed to the fact that pursuant to Executive Order No. 8998, the provisions of Executive Order No. 8389, as amended, have been automatically extended to the Philippine Islands to the same extent as the provisions of the Order apply to any other blocked country.

(2) For the purpose of administering the Order and complying with the provisions thereof, the Philippine Islands shall be deemed to be a foreign country separately designated in the Order and specifically named in Section 3 thereof. The effective date of the Order as applied to the Philippine Islands shall be deemed to be January 1, 1942. The definition of the term "national" as applied to the Philippine Islands shall be that specified in paragraph E of Section 5 of the Order.

(3) Reports on Form TFR-300 shall be filed with respect to all property subject to the jurisdiction of the United States in which the Philippine Islands or any national thereof has any interest.

* This public circular affects Parts 130 and 131 and will be included in appendices to those parts. Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Public No. 354, 77th Congress; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, Ex. Order 8932, July 26, 1941, Ex. Order 8963, December 9, 1941, and Ex. Order 8998, December 26, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

Details concerning this requirement and information regarding the dates as of which reports are to be filed will be the subject of a future Public Circular.

(4) General License No. 13 is hereby amended by the deletion of the word "Manila" from subdivision (a) of paragraph (1) thereof.

(5) General Licenses Nos. 63 and 68 are hereby revoked.

(6) Subdivision (b) of paragraph (6) of General License No. 75 is hereby amended to read as follows:

"(b) the term 'designated agent of the Central Bank of China' shall mean the Bank of China."

(7) Attention is directed to the fact that as used in the Order, and Regulations, licenses and other documents issued thereunder, the term "United States" does not include the Philippine Islands and does not include any other territory controlled or occupied by the military, naval, or police forces or other authority of any blocked country.

(8) All general licenses, specific licenses, and authorizations of whatsoever character issued pursuant to the Order on or before January 1, 1942 by the United States High Commissioner to the Philippine Islands are hereby revoked.

E. H. FOLEY, JR.
Acting Secretary of the Treasury.

TREASURY DEPARTMENT
Office of the Secretary
January 5, 1942

GENERAL LICENSE NO. 79
UNDER EXECUTIVE ORDER NO. 9303, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

A general license is hereby granted authorizing banking institutions within the United States to make payments from blocked accounts of the Philippine Islands, or any national thereof, of checks and drafts drawn or issued prior to January 1, 1942 and to accept and pay and debit to such accounts drafts drawn prior to January 1, 1942, under letters of credit; provided, that each banking institution making any payment or debit authorized by this general license shall file promptly with the appropriate Federal Reserve Bank weekly reports showing the details of such transactions. This license shall expire at the close of business on February 1, 1942.

E. H. FOLEY, JR.
Acting Secretary of the Treasury.

* Part 121; - Sec. 5(b), 40 Stat. 411 and 466; Sec. 2, 40 Stat. 1; 54 Stat. 173; Public No. 851, 77th Congress; Ex. Order 9303, April 10, 1940, as amended by Ex. Order 3735, June 14, 1941, Ex. Order 8882, July 26, 1941, Ex. Order 9063, December 3, 1941, and Ex. Order 9390, December 23, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

TREASURY DEPARTMENT
Office of the Secretary
January 5, 1942

GENERAL LICENSE NO. 80
UNDER EXECUTIVE ORDER NO. 9889, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

(1) A general license is hereby granted licensing as a generally licensed national any individual who is a citizen of the Commonwealth of the Philippine Islands and residing only in the United States or in the generally licensed trade area, as defined in General License No. 55.

(2) Reports on Form TFR-200 are not required to be filed with respect to the property interests of any individuals licensed herein as generally licensed nationals.

J. M. Foley, Jr.

Acting Secretary of the Treasury.

* Part 151; - Sec. 4(c), 40 Stat. 410 and 506; Sec. 2, 40 Stat. 1; 54 Stat. 179; Public No. 354, 77th Congress; Ex. Order 9809, April 10, 1940, as amended by Ex. Order 9785, June 14, 1941, Ex. Order 9882, July 23, 1941, Ex. Order 9905, December 9, 1941, and Ex. Order 9930, December 28, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

TREASURY DEPARTMENT
Office of the Secretary
January 5, 1942

GENERAL LICENSE NO. 81
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

A general license is hereby granted licensing as generally licensed nationals:

- (a) the New York office of the Philippine National Bank; and
- (b) the offices within the United States and the generally licensed trade area, as defined in General License No. 53, of the Hong Kong and Shanghai Banking Corporation.

E. H. Foley, Jr.

Acting Secretary of the Treasury.

* Part 131; Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Public No. 354, 77th Congress; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, Ex. Order 8832, July 26, 1941, Ex. Order 8963, December 9, 1941, and Ex. Order 8998, December 26, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

TREASURY DEPARTMENT
Office of the Secretary
January 5, 1942

GENERAL LICENSE NO. 82
UNDER EXECUTIVE ORDER NO. 8389, APRIL
10, 1940, AS AMENDED, AND REGULATIONS
ISSUED PURSUANT THERETO, RELATING TO
TRANSACTIONS IN FOREIGN EXCHANGE, ETC.*

The Government of the Commonwealth of the Philippine Islands, the United States High Commissioner to the Philippine Islands, and all officers of the United States Government within the Philippine Islands, are hereby licensed as generally licensed nationals; and all persons to the extent that they are acting for and on behalf of the foregoing are hereby licensed as generally licensed nationals. The term "generally licensed national" as applied to the Government of the Commonwealth of the Philippine Islands shall mean that such government may be regarded as though the Philippine Islands were not a blocked country.

E. H. Foley, Jr.

Acting Secretary of the Treasury.

* Part 131; - Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Public No. 364, 77th Congress; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, Ex. Order 8832, July 26, 1941, Ex. Order 8963, December 9, 1941, and Ex. Order 8998, December 26, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE

January 5, 1942

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

For your information -

The Metropolitan Opera Company in New York is putting on a benefit performance for the Red Cross. Their Legal Adviser, Mr. E. J. Hughes, has asked me whether or not it would be possible to make the admission proceeds exempt from taxation.

Attached is a letter which I have sent to Mr. Hughes today telling him that the Secretary of the Treasury has no power to make the proceeds exempt from admission taxes.

I am bringing this to your attention as you may hear more about it.

S. H. F. L.

Attachment

January 5, 1942.

H. J. Hughes, Esq.
Legal Adviser
American Red Cross
Washington, D. C.

Dear Mr. Hughes:

I have your letter of January 2, 1942, in which you request that the Treasury Department amend existing regulations to exempt purchasers of tickets for admission to a benefit performance by the Metropolitan Opera Association from the Federal admissions tax. In your letter you state that the artists, musicians and other participants in the benefit will contribute their services, the Association will furnish the building and pay all expenses, and the gross proceeds from the admissions will be made available to the Red Cross for relief purposes.

I am sorry that it is not legally possible for the Treasury Department to comply with your request.

Prior to October 1, 1941, the Internal Revenue Code provided that no admissions tax should be levied in respect of "any admissions all the proceeds of which inure (1) exclusively to the benefit of * * * charitable institutions, societies, or organizations * * *." I.R.C. sec. 1701 This exemption, among others, was terminated by the Revenue Act of 1941. Pub. L. 250, 77th Cong., 1st sess., sec. 541(b)

You suggest that a regulation exempting the Red Cross would nevertheless be justifiable on the theory that it would be effective only for the duration of the war as to a quasi-governmental agency primarily maintained to furnish war relief. Obviously, however, the existence of the war does not supply the Secretary of the Treasury with power to exempt admissions, even where such

- 2 -

admissions are exclusively for the benefit of such an organization, when Congress has unequivocally expressed its intention that all admissions, regardless of the character of the organization to be benefited, shall be subject to taxation. Moreover, even if the Red Cross were entirely a governmental agency, admissions for its benefit would not be exempt. The admissions tax is on the person paying for admission and the fact that the agency receiving the proceeds is the Federal Government itself, or an agency of the Federal Government, does not make such admissions exempt.

In short, the essence of your request is that the Treasury forgive the payment of a tax by persons participating in the worthy war drive of the Red Cross. To do this would be to vary the plain words and clear intent of the statute imposing the tax. The Secretary of the Treasury has no power to do this.

Sincerely yours,

(Signed) E. H. Foley, Jr.

General Counsel.

CLK:t
1-3-42
Copied:ml - 1-5-42

AMERICAN RED CROSS
National Headquarters
Washington, D. C.

January 2nd, 1942

Mr. S. H. Foley, General Counsel,
U. S. Treasury Department,
Treasury Building,
Washington, D.C.

Dear Mr. Foley:

In connection with the current \$50,000,000.00 Red Cross War Drive the Red Cross has been offered by the Metropolitan Opera Association of New York a benefit. It is proposed that all of the artists, musicians and others who participate in the benefit will contribute their services and that the Metropolitan Opera Association will furnish the building and will pay all other expenses, so that 100% of the gross proceeds will be available to the Red Cross for relief purposes.

It would be very helpful to the Red Cross if a ruling could be obtained from the Treasury Department amending existing regulations so that the purchasers of the tickets will not in addition be required to pay the tax under the existing regulations.

It is believed that amendment of this regulation would be justified upon the following grounds:

1. The Red Cross is a quasi-governmental agency and by its charter is required to have upon its Board representatives of six departments, and the President of the United States is also President of the Red Cross.
2. The amendatory regulation could be effective only for the duration of the war.
3. It would be limited only to those benefits where 100% of the gross proceeds is received by the Red Cross, and finally
4. It would be limited to the Red Cross itself as being the one agency primarily maintained to furnish relief in time of war.

For your sympathetic consideration to this suggestion we will be grateful.

A copy of this letter is being sent to Mr. Bell,
The Treasurer of the Red Cross.

Very truly yours,
/s/ H. J. Hughes

H. J. Hughes
Legal Adviser

HJH/ew

Copied;ml 1/5/42

January 5, 1943

Dear Archie:

It is my understanding that the Committee on War Information agreed on December 29 that there was need of coordination in the Government's use of war posters, and that the Committee voted to recommend to the various departments and agencies represented on it that the Office of Facts and Figures undertake this function.

I am in accord with the reasoning of the Committee that coordination will make the war poster program more effective from the standpoint both of the Government and of the average citizen. Government posters offer a valuable means of informing the public on the war effort, and it is essential that their content and distribution be used to obtain maximum results. To this end, the Treasury Department will cooperate in carrying out the recommendations of the Committee on War Information.

I have designated Ferdinand Kuhn, Jr., to serve as liaison between the Treasury Department and the Office of Facts and Figures on posters, and have directed that posters proposed by the Department be cleared with the Office of Facts and Figures for (a) subject matter, (b) design, (c) distribution. Suggestions made by the Office of Facts and Figures regarding posters will be given every consideration.

This authorization is designed to make effective the plan for coordination of war posters, as submitted by T.F.F. in a memorandum to the Committee on War Information on December 29. The procedure is to become effective at your convenience.

In connection with coordination of government posters, I think it might be desirable for the Office of Facts and Figures to investigate the problem of government advertising,

with a view to possible coordination. As a future matter, too, the Office of Facts and Figures might wish to study the so-called "patriotic" advertisements which are now being published by private companies, with the purpose of giving direction to these advertisements, particularly on their theme.

Sincerely,

(Signed) Henry

Mr. Archibald MacLeish,
Librarian of Congress,
Washington, D. C.

EX:egk

By Messenger *Maize* 10.10

Photo file n.m.c
Signal file to Stamps

OFFICE OF FACTS AND FIGURES

WASHINGTON

January 2, 1942

102 DIRECTOR

Dear Ferdy:

You will remember that at the December 29th meeting of the Committee on War Information there was agreement on the need for coordination of the government's use of war posters, and the members of the Committee voted to ask their departments and agencies to designate the Office of Facts and Figures as the coordinator.

We left it that the various Committee members would contact their superiors to obtain a letter of authorization for OFF.

If coordination of war posters is to be effective, it is necessary that OFF obtain a uniform authorization from each department and agency. Therefore, in accordance with a suggestion made at the meeting, I am enclosing a form letter which I believe translates the consensus of the meeting into definite powers for OFF.

The reference in this form letter to the "memorandum on the coordination of war posters" is a reference to the memorandum which I distributed to each member of C.W.I. last week.

We are hopeful of beginning operation in the poster field as quickly as possible, so that if the reply of your department can be speeded, we shall be appreciative.

Faithfully yours,

Am
Archibald MacLeish

Director, Office of Facts and Figures

Mr. Ferdinand Kuhn
Assistant to the Secretary
Treasury Department
Washington, D.C.

"It is my understanding that the Committee on War Information on December 29 that there was need of coordination in the Department's use of war posters, and that the committee voted to refer to the various departments and agencies represented on it the Office of Facts and Figures undertake this function.

"I am in accord with the reasoning of the Committee that coordination will make the war-poster program more effective from the standpoint both of the government and of the average citizen. Government posters offer a valuable means of informing the public of the war effort, and it is essential that their content and distribution be used to obtain maximum results. To this end, the Department will cooperate in carrying out the recommendations of the Committee on War Information.

"I have designated _____ to serve as liaison between the _____ department and the Office of Facts and Figures on posters, and have directed that posters proposed by the Department be cleared with the Office of Facts and Figures for (a) subject matter, (b) design, (c) distribution. Suggestions made by the Office of Facts and Figures regarding posters will be given every consideration.

"This authorization is designed to make effective the plan for coordination of war posters, as submitted by O.F.F. in a memorandum to the Committee on War Information on December 29. The procedure is to become effective at your convenience.

"In connection with coordination of government posters, I think it might be desirable for the Office of Facts and Figures to investigate the problem of government advertising, with a view to possible coordination. As a future matter, too, the Office of Facts and Figures might wish to study the so-called "patriotic" advertisements which are now being published by private companies, with the purpose of giving direction to these advertisements, particularly on _____ them."

HENRY L. SYMINGTON
SECRETARY OF WAR

FRANK KNOX
SECRETARY OF THE NAVY

WILLIAM S. KNUDSEN
DIRECTOR GENERAL

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SIDNEY HILLMAN
ASSOCIATE DIRECTOR GENERAL

OFFICE OF PRODUCTION MANAGEMENT
OFFICE OF THE DIRECTOR GENERAL
WASHINGTON, D. C.

January 5, 1941

Mrs. Henrietta S. Klotz
Assistant to the Secretary
Treasury Department
Washington, D. C.

Dear Mrs. Klotz:

A week or so ago when Mr. Scheffer called Secretary Morgenthau, I had occasion to talk with the Secretary after his conversation. The Secretary requested that I advise him of any action taken.

The attached is self-explanatory and Mr. Scheffer will evidently go to any means he pleases regardless of procedure.

Yours very truly,

W. M. Collins

W. M. Collins
Secretary to W. S. Knudsen

~~Mr. Klotz: what is the
and a card on Mr. Scheffer?~~

→

Wm

TREASURY DEPARTMENT

Washington

Office of the Administrative
Assistant to the Secretary

January 6, 1942.

To Heads of Bureaus, Offices and Divisions,
and Chiefs of Divisions, Secretary's Office,
Treasury Department.

Subject: Women to be recruited for
specialized and technical
positions.

In the forthcoming months there will undoubtedly be a heavy withdrawal of men for the performance of military duty and the more arduous work connected with the National Defense program. In anticipation of this, Secretary Morgenthau has directed that the policy be followed whereby women with specialized and technical training be recruited for more important positions in the Department.

The policy will apply, where women can satisfactorily perform the duties, to the recruitment of personnel for filling all grades of positions. It will apply to the filling of professional, administrative, and subprofessional positions, as well as those of a clerical, custodial, or clerical-mechanical nature. In other words, women should be recruited for legal, accounting and other positions requiring special training, as well as for clerical positions.

In this connection, I should like to have you advise me of the types of positions in your organization for which women will be recruited, including those formerly filled solely by men and those filled partly by men, for which more women will be recruited. Please let me have this information not later than February 1, 1942.

W. N. THOMPSON
Administrative Assistant
to the Secretary.



OFFICE OF THE DIRECTOR

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TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

January 5, 1942

MEMORANDUM TO THE SECRETARY:

During the calendar year 1941 there was a term contract for wood desks and there was but one supplier for the popular style, 60 x 34 quartered oak, desk for all Government agencies throughout the United States.

In order to extend the sources of supply, seven zones of delivery were established and quotations requested for 25,250 desks in four types to establish new contracts effective January 1, 1942 supplementing the 1941 contract expiring December 31, 1941.

Twenty-nine bids were received and awards have been made to eighteen firms at various prices according to the type of desk and zone of delivery. Prices are materially lower than the prices quoted desk distributors by the manufacturers.

We are maintaining a record of purchases against the new contract as a guide to the making of supplemental contracts and this procedure will be continued so that there will be a contract always in existence to take care of desk requirements.

All furniture purchases are being channelized through the Procurement Division and specifications are now being prepared for a simplified table-desk for use in temporary buildings.

As a result of the new desk contracts we now have sixteen suppliers for the popular type 60 x 34 desk as compared to a single source of supply during 1941.

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

FOR DEFENSE



January 5, 1942

The following received copies of the paper "Our America".
Sent by messenger at 3:35 p.m.

Hon. Harry Hopkins	Hon. Stephen Early
Hon. Lauchlin Currie	Miss Grace Tully
Mrs. Franklin D. Roosevelt	

The following received a copy of the paper "Our America", plus a letter explaining that it is proposed to be published in six issues at intervals of about six weeks each, and it is intended to be distributed to at least 20 million homes through cooperation of the Post Office Department. The letters were signed by the Secretary, and delivered by messenger at 3:35 p.m. Copies were sent to Mr. Thompson.

The President,
Honorable Francis Biddle,
Honorable Henry A. Wallace,
Honorable Francis Perkins,
Honorable Jesse H. Jones,
Honorable Claude R. Wickard,
Honorable Frank Knox,
Honorable Harold L. Ickes,
Honorable Frank C. Walker
Honorable Cordell Hull,
Honorable Henry L. Stimson,

Our America



THAT THESE MAY FACE A FUTURE UNAFRAID™



"Ahead There Lies Sacrifice For All Of Us"

"On the road ahead there lies hard work—grueling work—day and night, every hour and every minute... ahead there lies sacrifice for all of us.

"But it is not correct to use that word. The United States does not consider it a sacrifice to do all one can, to give one's best to our nation, when the nation is fighting for its existence and its future life.

"It is not a sacrifice for any man, old or young, to be in the Army or the Navy of the United States. Rather it is a privilege.

"It is not a sacrifice for the industrialist or the wage

earner, the farmer or the shopkeeper, the trainman or the doctor to pay more taxes, to buy more bonds, to forego extra profits, to work longer or harder at the task for which he is best fitted—rather is it a privilege.

"It is not a sacrifice to do without many things to which we are accustomed if the national defense calls for doing without it."

Franklin D. Roosevelt

This Is a War of Production

A Picture of how America Is Meeting The Challenge of the War, By a Famous Newspaper Writer Whose Column Is Followed by Millions

By **FRANK CLAPPER**



No nation ever has consumed so much of its own resources as we are. Not even Germany has ever had such a high percentage of her own resources devoted to the making of planes and tanks and guns and ships. We are not even now and a half every building in this country that would be destroyed in France in the course of 1918. America will need only half the time that Italy will need to do it. Every factory in America is a factory for the war. We have more steel mills than we have ever had before. We have more industrial capacity than we have ever had in the history of Europe.

Now that we are not only the world's largest producer of war material, but also the world's largest producer of civilian goods, we are in a position to supply the world with everything it needs. With our abundant supply of raw materials, our vast reserves of power, and our abundant supply of labor, we are in a position to produce more than we have ever produced before. We are in a position to make more than we have ever made before. We are in a position to do more than we have ever done before. We are in a position to do more than we have ever done before.

Each of these huge battles requires 20,000 pounds of aluminum, as much as it takes for 100,000 aluminum cooking pans. The world's greatest "bring gas home," they are a vital part of America's plan to produce for 1,000 miles of shipping, for coastal cities and for strategic inland bases. Before the end of '42, America will be producing them at the rate of hundreds every month. They cost \$250,000 each, or \$10.75 Defense Bond for every one, seven and three-fourths a box of 15,000.



To make one of them 200 tons of steel, 200 tons of iron, 200 tons of copper, 200 tons of nickel, 200 tons of molybdenum, 200 tons of manganese, 200 tons of phosphorus, 200 tons of sulfur, 200 tons of silicon, 200 tons of vanadium, 200 tons of chromium, 200 tons of cobalt, 200 tons of niobium, 200 tons of tantalum, 200 tons of tin, 200 tons of lead, 200 tons of zinc, 200 tons of cadmium, 200 tons of mercury, 200 tons of bismuth, 200 tons of antimony, 200 tons of arsenic, 200 tons of selenium, 200 tons of tellurium, 200 tons of iodine, 200 tons of bromine, 200 tons of fluorine, 200 tons of chlorine, 200 tons of oxygen, 200 tons of nitrogen, 200 tons of carbon, 200 tons of hydrogen, 200 tons of helium, 200 tons of neon, 200 tons of argon, 200 tons of krypton, 200 tons of xenon, 200 tons of radon, 200 tons of uranium, 200 tons of thorium, 200 tons of protactinium, 200 tons of actinium, 200 tons of francium, 200 tons of radium, 200 tons of polonium, 200 tons of astatine, 200 tons of tennessine, 200 tons of copernicium, 200 tons of nihonium, 200 tons of flerovium, 200 tons of moscovium, 200 tons of livermorium, 200 tons of tennessine, 200 tons of oganesson.

Your dime and quarter and dollar will help win the war of production. Let Defense Bonds and Stamps today.

ARMY BATTLES More than 200 battles planes are being produced each day.

TANKS Eight and a half ton tanks are rolling off the assembly line. 500 tanks are being produced every month.

TRUCKS More than 100,000 trucks are being produced every month. More than 200,000 trucks are being produced every month.

NAVY SHIPS 700,000 tons of steel are being produced every month. 100,000 tons of steel are being produced every month. 100,000 tons of steel are being produced every month.

DEFENSE BOND STRENGTH

Battleships	10
Destroyers	10
Submarines	10
Total	10

SUBMARINE SHIPS 100,000 tons of steel are being produced every month. 100,000 tons of steel are being produced every month. 100,000 tons of steel are being produced every month.



GOVERNMENT... BY THE PEOPLE SHALL NOT PERISH FROM THE EARTH!



SENSE BONDS AND STAMPS HOW!



THESE... SHALL BE THE PEOPLE WHO SHALL NOT PERISH FROM THE EARTH! The bond and stamp drive which brought Uncle Sam's 8 Division with it...

These Are Heroes, Too—The "Soldiers in Overalls"

Every Man and Every Woman in the Factories in the Mines and on the Farms Has a Vital Part in Winning The War

By PETER FREEMAN
Author of "Cotton"

...and the industrial workers. It is larger in number of men in the army—larger than the police. The full-time army is over 1,000,000. There are over 1,000,000 men in the Navy, over 1,000,000 in the Coast Guard, and 1,000,000 in the Marine Corps.

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"SOLDIERS IN OVERALLS" This illustration is a picture of the men who are the "soldiers in overalls" who are the backbone of the war effort...

Let's keep American Bonds and Savings Bonds and keep them buying United States Defense Bonds and Savings Bonds.



I GUESS I'M TOO OLD TO ENLIST—
BUT BY GEORGE, I CAN HELP UNCLE SAM
BY BUYING THOSE DEFENSE SAVINGS BONDS

THE TIMID SOLD

By H.T. WEBSTER



AND UNITED STATES DEFENSE SAVINGS BONDS ARE THE QUICKEST WAY YOU CAN BOTH SERVE YOUR COUNTRY AND CONSERVE YOUR EARNINGS

NEARLY UNCLE SAM LETS SEE THE 1875 BOND—I'M GOING TO BUY A BOND



THERE YOU ARE MR. MILQUETOAST \$18.75 IS CORRECT

THANK YOU



I FEEL PRETTY PROUD OF THIS BOND—I'M LOANING UNCLE SAM \$18.75 FOR DEFENSE

WHY DON'T THEY MAKE MORE \$18.75 BONDS



LET ME TRY TO BUY THIS IS UNCLE SAM'S MONEY TO GOVERNMENT OFFICE



I WONDER IF THE SECRET SERVICE WILL THINK I WAS TRYING TO CHEAT THE GOVERNMENT



WHY MR. MILQUETOAST THAT DEFENSE BOND YOU BOUGHT IS A \$25.00 BOND—MATURES IN TEN YEARS—COSTS ONLY \$18.75 YOU MAKE 33% PER CENT ON EVERY DOLLAR INVESTED

GRACIOUS THANKS I'LL BUY SOME MORE



USE THIS ORDER BLANK

If you would like to buy United States Defense Savings Bonds direct from the Treasury Department in Washington, D.C., you can use this ORDER BLANK. Enclose check, draft or money order for the correct amount shown below.

ORDER—Defense Savings Bonds, Series E

How many bonds	Face Value	Price Paid	Amount
_____	\$25.00	\$18.75	\$ _____
_____	\$50.00	\$37.50	\$ _____
_____	\$100.00	\$75.00	\$ _____
_____	\$500.00	\$375.00	\$ _____
_____	\$1,000.00	\$750.00	\$ _____
Total Amounts Enclosed \$ _____			\$ _____

Remember and order form must be sent you for your convenience, with no obligation.

Mail this order with remittance to the Treasurer of the United States, Washington, D.C.

THE TREASURER OF THE UNITED STATES, Washington, D.C.
Each bond has a back, date, or money order for bonds ordered above. (Remittance should be drawn on Treasurer of the United States, and not made payable by endorsement.)

Register bonds in the name of and mail to—(Print all names)

Name: Mr. Mrs. Miss Ms. Child Other _____
Address: _____
City: _____ State: _____
Zip: _____

NAME: _____
ADDRESS: _____
CITY: _____ STATE: _____

Signature of Purchaser: _____
Date: _____

MAIL TO: _____
CITY: _____ STATE: _____

CHECK WHICH— Cash Money Order Check Draft

Every American Should Know the Answers to These Questions

- Q. What are Defense Savings Bonds?**
A. These Bonds are direct obligations of the United States Government. The full faith and credit of the United States Government is pledged for payment of both principal and interest on these bonds.
- Q. How much has the Government set out to raise by Defense Savings Bonds?**
A. There is no fixed amount, no quota. The Government is giving the American people an opportunity to buy bonds to whatever extent their ability, their patriotism, and their judgment direct, subject only to certain limitations on the amount a single owner may hold of bonds originally issued in his name in any 1 year.
- Q. Where can I buy a Series E bond?**
A. At United States post offices of the first, second and third classes, and at selected post offices of the fourth class, and generally at classified stations and branches, and at Federal Reserve Banks, at most commercial banks, savings banks, credit unions, and other financial institutions, also through local applications at many retail stores, and mail-order companies. You may also buy them by ordering from the Federal Reserve Bank in your city or the Treasurer of the United States, Washington, D.C.
- Q. Do I save an interest on my bonds directly?**
A. No, you do not. The interest is paid to you when you cash the bonds without any service charge or commission being taken.
- In Appreciation**...
ment...
pages of the...
others who...
of "Our American...
Reynolds...
Berlin...
Webster

Defense Savings Bonds and Stamps are all of us...
in helping the defense of our country—An American...
needed for national defense.
The United States is today, as it has always been...
the world. This is an opportunity for each of us to...
HENRY MORSENTON

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

162

DATE
January 5, 1942

TO Secretary Morgenthau
FROM Ferdinand Kuhn, Jr.

Harold Graves and I agree that it would be an excellent idea to tell your press conference today about the sales of Defense Savings Stamps in December, and also about the pledge of Dubinsky's union to buy 25 million dollars worth of Bonds in the next six months.

Notes on each of these subjects are attached.

F.K.

Attachments.

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM Treasury Department

163

BUREAU Defense Savings Staff

CHG. APPROPRIATION Expenses of Loans

U. S. GOVERNMENT PRINTING OFFICE 10-1723

Thomas J. Watson
President, International Business
Machines Corporation,
Sudbrett, N. Y. 590 Madison Ave.
N.Y.C.

January 5, 1942.

The Treasury Department at the moment is embarrassed by the fact that it is unable to meet the demands for defense bonds. Stop. The output of the Bureau of Engraving and Printing is restricted owing to the limited quantities of punch cards received from your company. Stop. In order that an adequate supply of bonds may be in the hands of issuing agencies it is essential that your company produce and deliver daily 270,000 twenty-five dollar cards, 115,000 fifty dollar cards and 115,000 one hundred dollar cards. Stop. It is imperative that the cards be delivered in numerical sequence. Stop. The present deliveries in broken sequences ^{are} slowing down production and adding unnecessary costs. Stop. I am asking that you give this matter your immediate personal attention and wire me what we may expect.

HENRY MORGENTHAU, JR.,
Secretary of the Treasury.

1-5-42

✓
164

Mr. Watson said you may expect the cards and you will get them. May not be able to make good on it today, but he will go to work right away. His people worked Christmas Day and the thing came on them so suddenly, but whatever is necessary will be done and you will get the cards.

He thanked you for telegraphing him and repeated he will go to work immediately.

n.m.c.

Hall

UNITED STATES SAVINGS BONDS

Comparative Statement of Sales During
 First Three Business Days of January 1942 and December and November 1941
 (November 1-4, December 1-3, January 1-3)
 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	\$ 13,242	\$ 5,715	\$ 5,456	\$ 7,527	\$ 259	131.7%	4.7%
Series E - Banks	30,522	9,230	7,989	21,292	1,241	230.7	15.5
Series E - Total	43,764	14,945	13,445	28,819	1,500	192.8	11.2
Series F - Banks	5,299	2,826	2,747	2,473	79	87.5	2.9
Series G - Banks	20,837	18,259	20,497	2,578	- 2,238	14.1	- 10.9
Total	\$ 69,900	\$ 36,030	\$ 36,689	\$ 33,870	-\$ 659	94.0%	- 1.8%

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

January 5, 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 E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	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
3	4,457	9,557	1,278	5,453	16,289	14,015	1,278	5,453	20,747
Total	\$ 13,242	\$ 30,522	\$ 5,299	\$ 20,837	\$ 56,658	\$ 43,764	\$ 5,299	\$ 20,837	\$ 69,900

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

January 5, 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

167

INTER OFFICE COMMUNICATION

DATE January 5, 1942

TO Secretary Morgenthau

FROM Mr. Hays

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; (2) a table summarizing telegrams received Saturday showing by denomination the number of bonds requisitioned by sales agents that the Federal Reserve Banks and the Post Office Department's central office were unable to fill Friday night; (3) a table comparing unfilled requests for savings bonds daily since December 29, and (4) a table showing daily deliveries of savings bonds by the Bureau of Engraving and Printing.

2. At the close on Friday, there were more unfilled agents requests for savings bonds than on either of the three previous business days. This is accounted for, partly, by the fact that a great many bonds in transit will not be reflected in the figures until the report that reaches you tomorrow afternoon. It is also accounted for, partly, by the attempt of the Post Office Department's central office to stock up its newly established district offices with a sufficient inventory.

3. Production of savings bonds at the Bureau of Engraving and Printing reached 420,000 pieces on Saturday. Production tomorrow is expected to rise to 475,000 pieces. This compares with 130,000 pieces produced on December 1.

Table 1

168

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	33.5	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	25.6	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	30.6	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
2	40.3	45.4	28.5	93.6	100.3

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

TABLE 2
Agents' requests for savings bonds unfilled at the close
of business, January 2, 1942

(In thousands)

	Denomination					Total
	\$25	\$50	\$100	\$500	\$1,000	
Federal Reserve Banks						
Boston	22	9	24	2	-	57
New York	-	23	34	3	-	60
Philadelphia	20	-	16	2	-	38
Cleveland	-	4	4	-	-	8
Richmond	-	9	11	4	-	24
Atlanta	7	5	7	1	-	20
Chicago	117	55	66	12	-	250
St. Louis	-	2	5	-	-	7
Minneapolis	7	8	1	-	-	16
Kansas City	38	25	21	5	-	89
Dallas	11	-	-	-	-	11
San Francisco	10	9	7	-	-	26
Post offices	<u>95</u>	<u>155</u>	<u>135</u>	<u>-</u>	<u>-</u>	<u>385</u>
Total	<u><u>327</u></u>	<u><u>304</u></u>	<u><u>331</u></u>	<u><u>29</u></u>	<u><u>-</u></u>	<u><u>991</u></u>

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

Table 3

170

Agents' requests for savings bonds unfilled at
the close of business, December 29, 1941
to date

(In thousands)

	December 29	December 30	December 31	January 2
Federal Reserve Banks				
Boston	89	93	103	57
New York	75	93	94	60
Philadelphia	2	4	4	38
Cleveland	22	16	16	8
Richmond	25	24	24	24
Atlanta	-	6	6	20
Chicago	199	232	268	250
St. Louis	18	17	17	7
Minneapolis	2	5	5	16
Kansas City	64	76	68	89
Dallas	12	17	3	11
San Francisco	19	34	34	26
Post Offices	<u>400</u>	<u>302</u>	<u>187</u>	<u>385</u>
Total	927	919	829	<u>991</u>

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
2	240	20	60	25	25	370
3	330	-	40	25	25	420

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 5, 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; (2) a table summarizing telegrams received this morning showing by denomination the number of bonds requisitioned by sales agents that the Federal Reserve Banks and the Post Office Department's central office were unable to fill Saturday night; (3) a table comparing unfilled requests for savings bonds daily since December 29, and (4) a table showing daily deliveries of savings bonds by the Bureau of Engraving and Printing.

2. At the close on Saturday, there were more unfilled agents' requests for savings bonds than on either of the four previous business days. This is accounted for, partly, by the fact that a great many bonds in transit will not be reflected in the figures until the report that reaches you tomorrow afternoon. It is also accounted for, partly, by the attempt of the Post Office Department's central office to stock up its newly established district offices with a sufficient inventory.

3. The Bureau of Engraving and Printing was closed yesterday (Sunday). Production today is expected to rise to 445,000 pieces. This compares with 130,000 pieces produced on December 1.

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	29.6	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	75.3	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	33.5	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	25.6	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	30.6	43.1	29.8	89.8	97.0
26	29.4	41.3	27.4	86.4	93.5
27	31.0	40.4	27.8	87.4	94.5
28	34.1	43.0	29.3	89.4	96.4
29	33.6	43.2	27.8	88.4	95.4
30	35.3	45.6	28.3	89.4	95.3
31	36.5	45.7	27.9	89.5	96.3
1942					
Jan. 1	38.7	46.1	28.2	90.1	97.0
2	40.3	45.4	28.5	93.6	100.3
3	43.2	44.2	28.3	97.1	103.7

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

Agents' requests for savings bonds unfilled at
the close of business, December 29, 1941
to date

(In thousands)

	December 29	December 30	December 31	January 2	January 3
Federal Reserve Banks					
Boston	89	93	103	57	100
New York	75	93	94	60	70
Philadelphia	2	4	4	38	39
Cleveland	22	16	16	8	16
Richmond	25	24	24	24	29
Atlanta	-	6	6	20	29
Chicago	199	232	268	250	228
St. Louis	18	17	17	7	13
Minneapolis	2	5	5	16	22
Kansas City	64	76	68	89	70
Dallas	12	17	3	11	15
San Francisco	19	34	34	26	13
Post Offices	<u>400</u>	<u>302</u>	<u>187</u>	<u>385</u>	<u>527</u>
Total	927	919	829	991	1,171

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

Agents' requests for savings bonds unfilled at
the close of business, January 3, 1942

(In thousands)

	Denomination					Total
	\$25	\$50	\$100	\$500	\$1,000	
Federal Reserve Banks						
Boston	55	19	24	2	-	100
New York	-	37	33	-	-	70
Philadelphia	12	6	19	2	-	39
Cleveland	-	8	8	-	-	16
Richmond	-	12	13	4	-	29
Atlanta	9	8	9	2	1	29
Chicago	92	60	66	10	-	228
St. Louis	-	4	9	-	-	13
Minneapolis	11	6	4	1	-	22
Kansas City	33	16	18	3	-	70
Dallas	14	-	-	-	1	15
San Francisco	-	4	9	-	-	13
Post Offices	<u>200</u>	<u>171</u>	<u>156</u>	<u>-</u>	<u>-</u>	<u>527</u>
Total	<u>426</u>	<u>351</u>	<u>368</u>	<u>24</u>	<u>2</u>	<u>1,171</u>

Agents' requests for savings bonds unfilled at
the close of business, January 3, 1942

(In thousands)

	Denomination					Total
	\$25	\$50	\$100	\$500	\$1,000	
Federal Reserve Banks						
Boston	55	19	24	2	-	100
New York	-	37	33	-	-	70
Philadelphia	12	6	19	2	-	39
Cleveland	-	8	8	-	-	16
Richmond	-	12	13	4	-	29
Atlanta	9	8	9	2	1	29
Chicago	92	60	66	10	-	228
St. Louis	-	4	9	-	-	13
Minneapolis	11	6	4	1	-	22
Kansas City	33	16	18	3	-	70
Dallas	14	-	-	-	1	15
San Francisco	-	4	9	-	-	13
Post Offices	<u>200</u>	<u>171</u>	<u>156</u>	<u>-</u>	<u>-</u>	<u>527</u>
Total	<u>426</u>	<u>351</u>	<u>368</u>	<u>24</u>	<u>2</u>	<u>1,171</u>

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
2	240	20	60	25	25	370
3	330	-	40	25	25	420
4	-	-	-	-	-	-

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

TREASURY DEPARTMENT

177 ✓

INTER OFFICE COMMUNICATION

DATE Jan. 5, 1941

TO Secretary Morgenthau
FROM Mr. Haas
Subject: Absorption of Government Securities by Mutual Savings Banks

1. It is extremely unlikely that mutual savings banks will absorb on net balance any considerable proportion of the increase in the public debt that will arise in connection with the financing of the war. Deposits of these institutions have shown little change in recent years and no increase is likely to occur in the near future. It would follow, therefore, that any net acquisition of Government securities by mutual savings banks would have to be financed primarily by a reduction in cash holdings or the liquidation of a portion of the corporate and municipal obligations now owned. This latter procedure has been followed fairly consistently during the past few years but a continuation of this liquidation at the past rate would permit mutuals to acquire only \$800 millions of Government securities net during the calendar years 1942 and 1943 combined.

2. Mutual savings banks are, however, in a position to acquire a much larger volume of new long-term taxable issues of Government securities by swapping out of a portion of the tax-exempt Governments now in their portfolios. Such a shift has been in process on a large scale since December 31, 1940, and for all mutual savings banks together has amounted to about \$950 millions or 30 percent of the aggregate tax-exempt portfolios on that date. If, in each of the next two calendar years, these institutions should continue to swap tax-exempt for taxable Government securities in approximately the same volume as during the calendar year 1941, practically their entire portfolio of tax-exempt Governments (\$2.2 billions) will have been liquidated by the end of 1943.

3. It seems entirely possible that swapping operations will occur in the foregoing magnitude during the

Secretary Morgenthau - 2

next two years. The Federal Government is likely to issue a large volume of long-term taxable securities during this period and these issues are likely to be relatively more attractive than the tax-exempt obligations now outstanding to mutual savings banks, assuming no change in the present tax-exempt status of these institutions.

4. An estimate of the long-term taxable Government securities likely to be purchased by mutual savings banks during the calendar years 1942 and 1943, classified (1) by sources of funds, and (2) by the effect on the total amount of Government securities owned, are shown in the table that follows.

Secretary Morgenthau - 3

Estimated purchases of long-term taxable Governments
by mutual savings banks during the calendar years
1942 and 1943, classified (1) by sources of funds
and (2) by the effect on the total amount of
Government securities owned

(In millions of dollars)

Source of funds	Purchases		Total
	that will increase of the portfolios	that will not increase of the portfolios	
A. Liquidation of Governments			
1. Maturities of tax-exempt Governments now held.....	294		294
2. Sales in the market of tax-exempt Government securities now held.....	1,606		1,606
B. Other Sources of Funds			
1. Decrease in cash balance on hand December 1941.....	200		200
2. Sales in the market and maturities of corporate and municipal securities now held.....	400		400
3. Liquidation of other assets.....	200		200
Total purchases.....	<u>800</u>	<u>1,900</u>	<u>2,700</u>

	<u>Series</u>	<u>Callable</u>	<u>Maturity</u>	<u>Date of Issue</u>	<u>Amount Outstanding</u>
7/8% RFC Notes	R		1-15-42	2-15-39	\$ 310,090,000.00
3% FFMC Bonds		1-15-42	1-15-47	1-15-35	236,476,200.00
2 3/4% FFMC Bonds		3-1-42	3-1-47	3-1-35	103,147,500.00
1 3/4% Treasury Notes	A		3-15-42	6-15-37	426,349,500.00
					<u>\$1,076,063,200.00</u>

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE January 5, 1942

TO Secretary Morgenthau

FROM Mr. Haas

Subject: The Business Situation,
Week ending January 3, 1942.Summary

(1) Basic commodity prices were again moving substantially higher at the end of last week, due largely to upward revisions of price ceilings and to legislative developments. The BLS index of basic commodity prices reached a new high for the entire war period, while the Dow-Jones index of commodity futures advanced to the highest point since compilation of the index was begun in October 1933.

(2) Average prices received by farmers as of December 15 rose 5.9 percent above the previous month, and reached the highest levels since January 1930. As a result of this further gain, prices received were nearly 42 percent above December 1940. Prices paid by farmers as of December 15 were 16 percent above December 1940 and 1.4 percent above the previous month.

(3) Stock prices strengthened considerably last week, after declining on increased volume throughout most of the period subsequent to the Japanese attack on Pearl Harbor. Stock prices in London also improved. The volume of trading on the New York Stock Exchange last month was almost double that of December 1940, apparently due in part to unusually heavy tax selling.

(4) Factory employment decreased slightly from mid-October to mid-November, but the decline was less than seasonal. Factory payrolls during the same period showed the first decline since last January, but stood 42 percent above year-earlier levels.

(5) Among other actions recently taken to conserve supplies of strategic materials, the OPM last week prohibited the use of tin after March 31 in 29 specified items, and limited its use currently.

Price advance accelerated

Despite efforts of the OPA to prevent price advances, several developments during the past week have contributed further stimulus toward higher prices. Chief of these was the anticipation of certain provisions of the emergency price control bill, which are expected to lift prices of some agricultural products higher than prevailing levels. Provisions of the bill made known by the Senate Banking and Currency Committee on Friday were interpreted bullishly in commodity markets. The BLS index of basic commodity prices rose to a new high for the entire war period and the Dow-Jones futures index reached a new high since the index was first compiled in October 1933.

The BLS all-commodity index in the previous week (ended December 27) receded slightly to 93.8 percent, a decline of 0.2 percent from the 12-year high of a week earlier.

Basic commodity prices higher

Prices of basic commodities last week reached sharply higher levels. (See Chart 1.) The abrupt rise at the end of the week was due to the release by the Senate Banking and Currency Committee of the provisions agreed upon for the price control act. Among the 12 foodstuffs, advances occurred in lard, corn, barley, butter, wheat and coffee, and tallow rose to a new high since the war began. The rise among industrial commodities was led by cotton, which reached a new high level for the war period. Under the operation of the flexible ceiling plan, print cloth prices were marked up twice during the week, again demonstrating the futility of the flexible ceiling device as a restraint on prices. Flaxseed and wool prices also rose, and rosin prices resumed their broad advance.

Effectiveness of revised price bill questionable

Provisions added to the price control bill in the full committee, as revealed by the Senate Banking and Currency Committee on Friday, raise doubts whether the bill will provide effective control over inflation. The revised bill provides that ceilings shall not be applied to prices of agricultural products until they have reached the higher of two levels: 110 percent of "parity", or the market level of October 1. This would permit substantially increased prices for various farm products, and would permit those prices based on "parity" to rise as rapidly as the increase in costs of goods bought by farmers.

The Secretary of Agriculture would apparently be given a stronger voice in the determination of farm price ceilings by a new provision authorizing the President to transfer to any other Government agency powers conferred on the OPA. This represents a jurisdictional compromise between the OPA and the Department of Agriculture over the authority for fixing farm price ceilings.

Other ceilings raised and new ceilings imposed

Price ceilings recently announced on a long list of fats and oils will be raised by a minimum of 11 percent through OPA revisions of the previous ceilings. These revisions are made to bring the schedule into line with the expressed policy of Congressional committees to permit no agricultural commodity ceiling below market prices on October 1. The emergency schedule for green coffee prices has also been replaced by a ceiling to conform to October 1 market prices.

New ceilings were also imposed on several other groups of commodities. In connection with an amendment to the ceiling on cotton yarns, press reports indicate that this ceiling has been made ineffective by exemptions on goods for military purposes, which make up a large part of the business in cotton yarns.

Farm prices up sharply; "parity" prices higher

Average prices received by farmers as of December 15 advanced to the highest levels since January 1930. The weighted average price index of the Department of Agriculture rose 5.9 percent from that of a month earlier, and was nearly 42 percent above that of December 1940.

The price movements for all farm products and for individual farm commodities in 1941, as compared with the two preceding years, are shown in Chart 2. It will be noted that a sharp rise for most farm products in December more than off-set the decline in the two preceding months. Among important individual commodities (lower section of the chart), unusually strong price rises were shown by rice and apples. While rice prices on December 15 were 123 percent of parity, apple prices were only 79 percent of parity.

The index of prices paid by farmers on December 15 was 1.4 percent higher than in November, and 16 percent above that of December 1940. The net result was an increase in parity prices of 4 percent, bringing average farm prices to 100 percent of parity, which was last reached as of October 15. Average prices were above parity only in September.

Sugar ceiling to be raised

Trading in sugar futures was suspended by the New York Coffee and Sugar Exchange last week, pending an upward revision of the price ceiling on sugar. The revision in the price ceiling (from 3.50 cents a pound to 3.74 cents) was necessitated by the price agreed upon by the United States and Cuban governments for purchase of most of the Cuban sugar crop.

The Sugar Act recently signed by the President (amending and extending the Sugar Act of 1937) contains provisions which will increase by about \$10,000,000 the benefit payments to domestic sugar growers.

Farm income seasonally lower; rural retail sales at new high

Cash farm income in November (before the recent upturn in farm prices) declined seasonally from the high October peak. The total of \$1,313,000,000 (including Government payments of \$68,000,000) represented a decline of 11.6 percent from the October figure. The high level of farm income this year in comparison with the three previous years is shown in Chart 3, upper section.

The increased purchasing power of farmers this year is strongly reflected in rural retail sales. The Department of Commerce index of rural sales of general merchandise (lower section of Chart 3) in November rose to the highest level for that month since 1928 or earlier.

Stock prices improve

After declining to new lows for the year shortly before Christmas, stock prices at New York during the past week showed noticeable improvement despite the unencouraging news from the Far East. A sharp rally on Tuesday failed to carry through, but renewed strength again developed on Friday with railroad shares especially strong. As a result the Dow-Jones industrial stock average showed the first weekly gain since the Japanese attack on Pearl Harbor. (See Chart 4.) A somewhat similar pattern has been traced by industrial stock prices in London during recent weeks, although the decline and subsequent recovery has been of more moderate proportions. (Refer to Chart 4.)

Weakness in stocks last month was accompanied by a considerable increase in trading activity. Only 2 full market sessions ran under a million shares, and the total for the

month was nearly double that of December 1940. Brokers repeatedly asserted that the decline in stock prices was due in considerable part to tax selling. In this connection it is interesting to note that the first market session of the new year showed a substantial drop in trading activity and a noticeable strengthening of prices. Should this trend continue, considerable weight will be lent to the view that tax selling was an outstanding factor in the stock market decline of recent weeks.

Factory employment decline less than seasonal

Although total factory employment in November decreased slightly, the decline was less than seasonal and was attributed largely to a dropping off in employment at sawmills, women's clothing factories and canning and preserving plants. In addition, a moderate decline occurred in automobile employment, but despite the curtailment program, the mid-November employment index for the industry was only 2.2 percent below year-earlier levels. In contrast to the declines above mentioned, employment at shipbuilding and aircraft plants continued to advance sharply.

The slight seasonal downturn in factory employment in November was accompanied by the first decline in factory payrolls since last January. (See Chart 5, upper section). The decline, however, was less than 1 percent, and the BLS index of factory payrolls in November still stood 42 percent above year-earlier levels, as contrasted with a gain of 17 percent in the index of factory employment. The sharper advance in the payrolls index, of course, reflects the increased working hours, wage rates, and overtime payments that have occurred in the past year. This in turn has substantially raised the average weekly earnings of factory workers during the same period, although the estimated figure for November shows a slight decline from the peak reached in the previous month. (Refer to Chart 5, lower section.)

Raw material problems of the steel industry

Steel operations last week rose to 96.1 percent of capacity from 93.4 percent in the Christmas holiday week. It was reported that a higher rebound from the moderate holiday drop in operations would have occurred if it had not been for the tight supply situation in steel scrap. Operations during the current week are scheduled at 96.4 percent of capacity.

After previously taking full control over tin supplies, the OPM during the past week issued a conservation order prohibiting the use of tin in 29 specified items after March 31, 1942.

and limiting consumption in the meantime to one-half of that consumed in the corresponding period of 1940. A further conservation order is expected to be issued soon limiting the use of tin in cans and containers. Areas recently occupied by the Japanese included the important tin mining center of Ipoh and the tin smelting center of Penang.

In contrast with the tight supply situations prevailing in steel scrap and tin, the OPM anticipates no shortage of iron ore. As a result of the record movement of ore down the Great Lakes during the past shipping season, stocks on hand at furnaces and lower lake docks on May 1, 1942 are expected to be about 15 percent above year-earlier levels, despite the prospective heavy drain on stocks during the winter months.

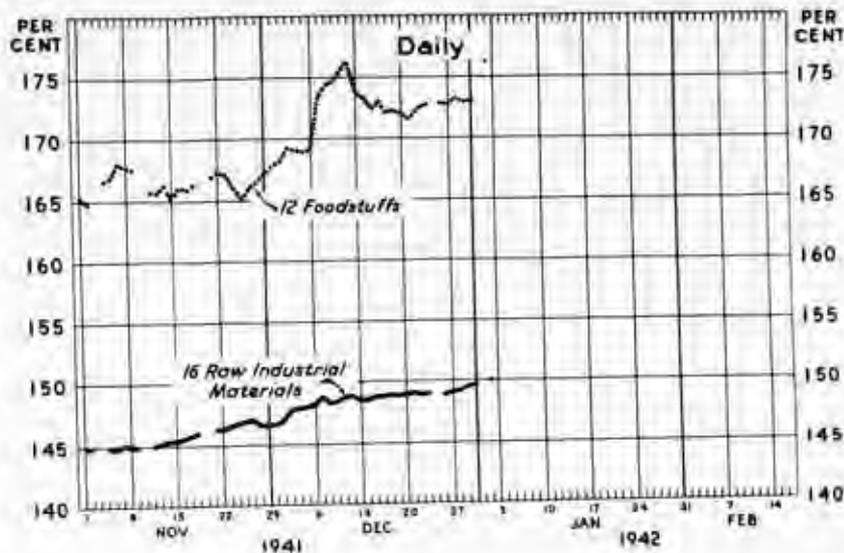
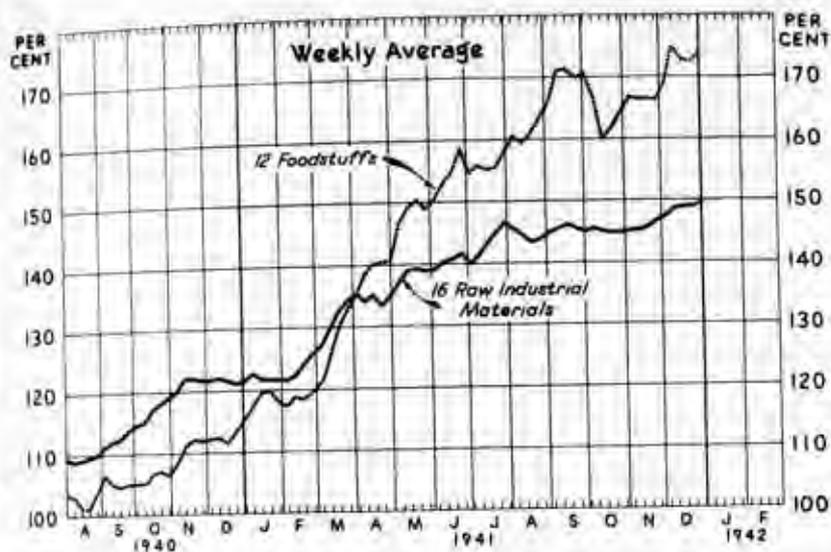
Recently steel industry officials have requested that the Soo Locks connecting Lake Superior with the lower lakes be given anti-aircraft protection in addition to measures which have already been taken to guard against sabotage. Attention was drawn last October to this vital link in the flow of supplies to the steel industry when a bridge collapse at the locks partially tied up ore traffic for a time.

MOVEMENT OF BASIC COMMODITY PRICES

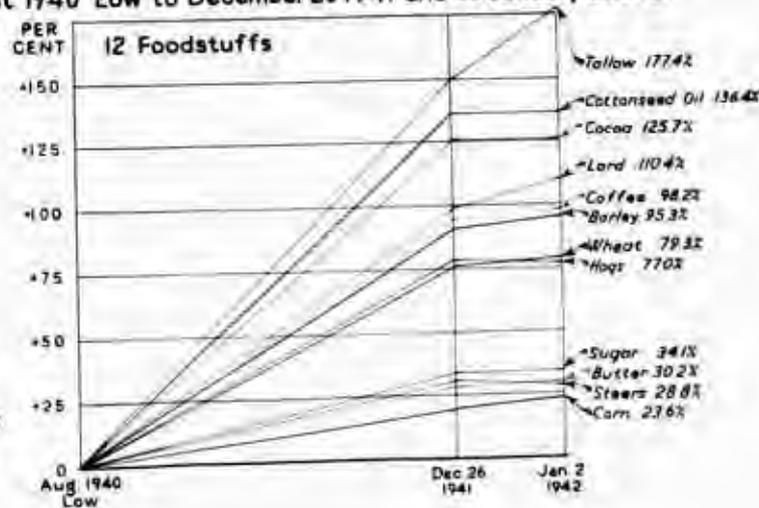
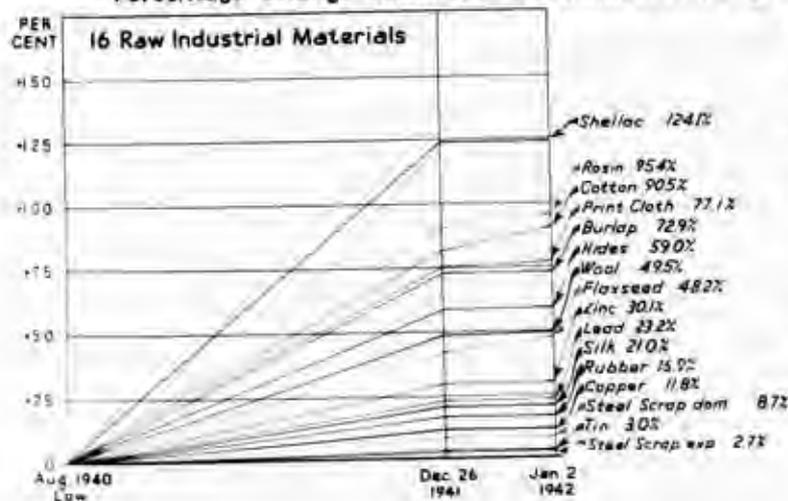
AUGUST 1939 = 100

187

Chart 1

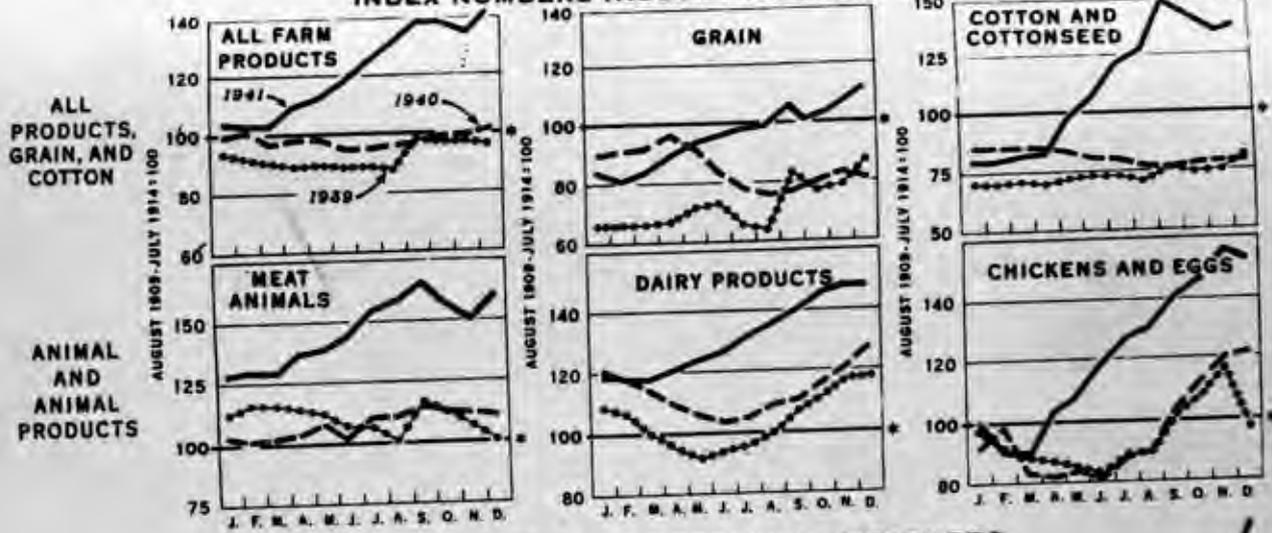


Percentage Change for Individual Commodities, August 1940 Low to December 26 1941 and to January 2, 1942

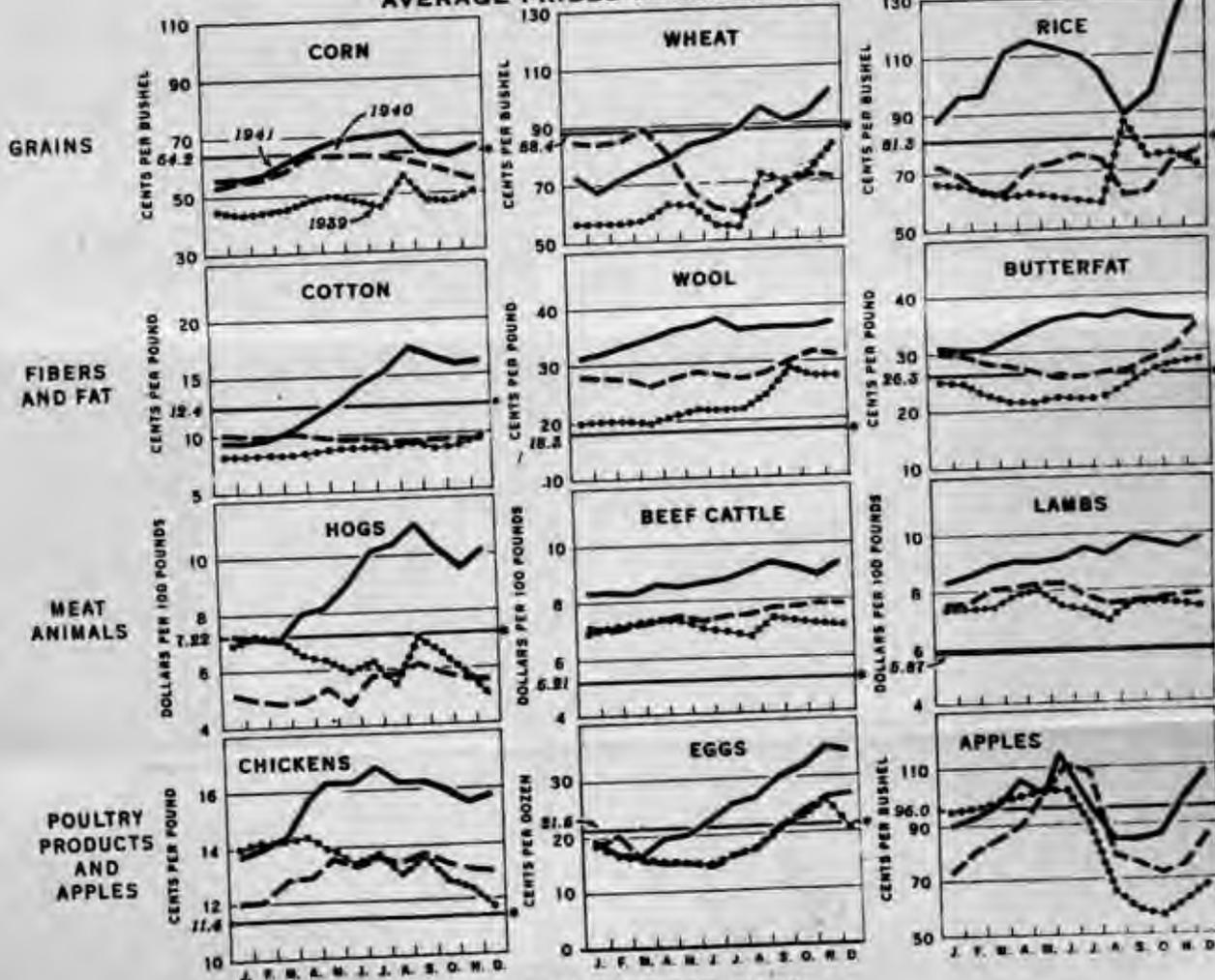


PRICES RECEIVED BY FARMERS: GRAPHIC SUMMARY FOR THE UNITED STATES

INDEX NUMBERS (AUGUST 1909-JULY 1914=100)

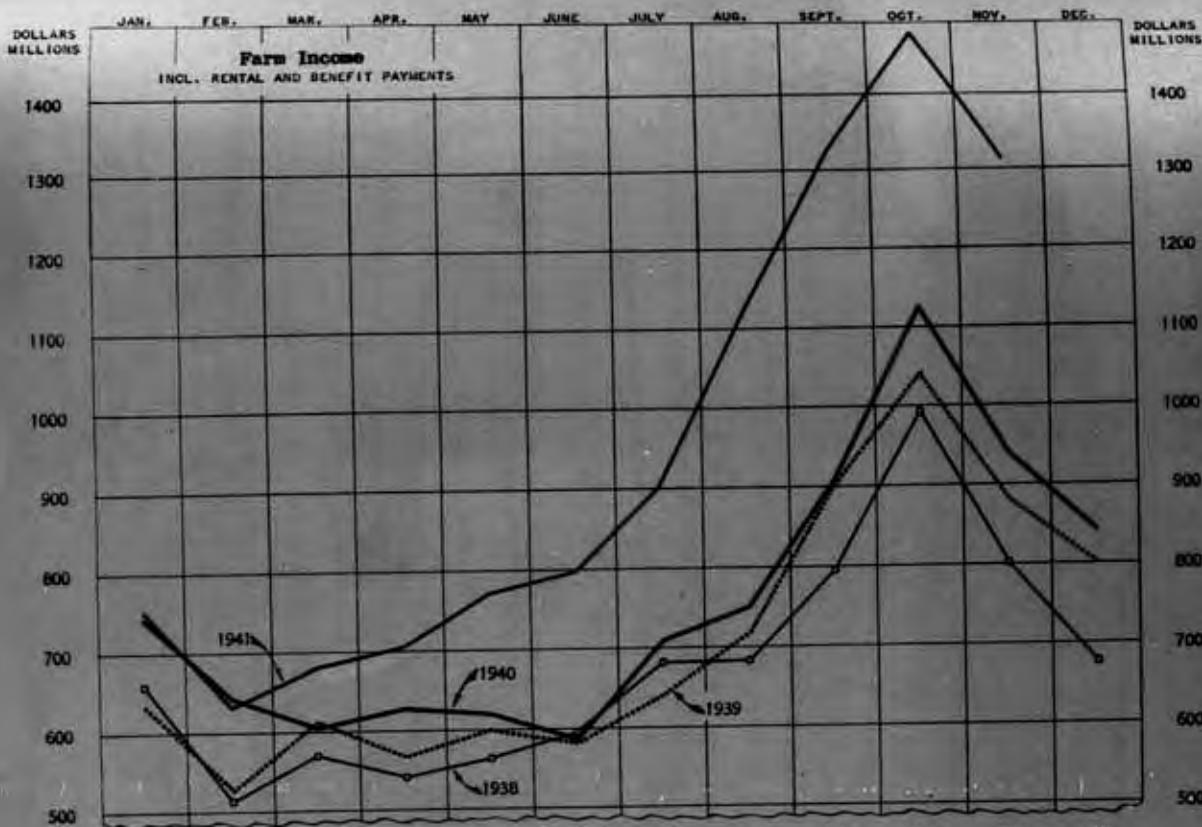


AVERAGE PRICES RECEIVED BY FARMERS



* 3-YEAR AVERAGE, AUGUST 1909-JULY 1914

FARM INCOME AND RURAL SALES OF GENERAL MERCHANDISE

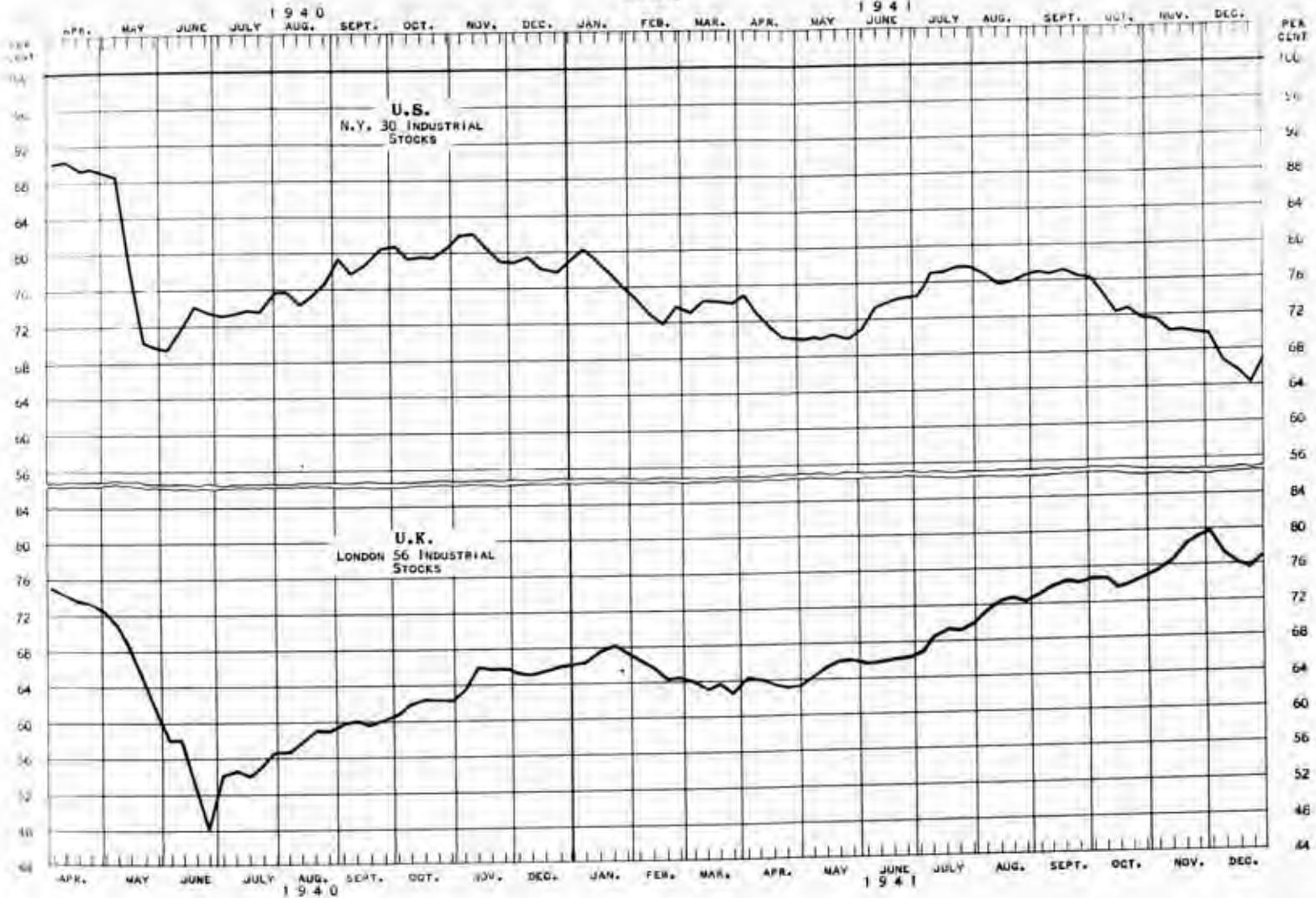


* DEPT. OF COMMERCE INDEX OF DOLLAR SALES OF GENERAL MERCHANDISE IN SMALL TOWNS AND RURAL AREAS

INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

AUGUST 1936 = 100

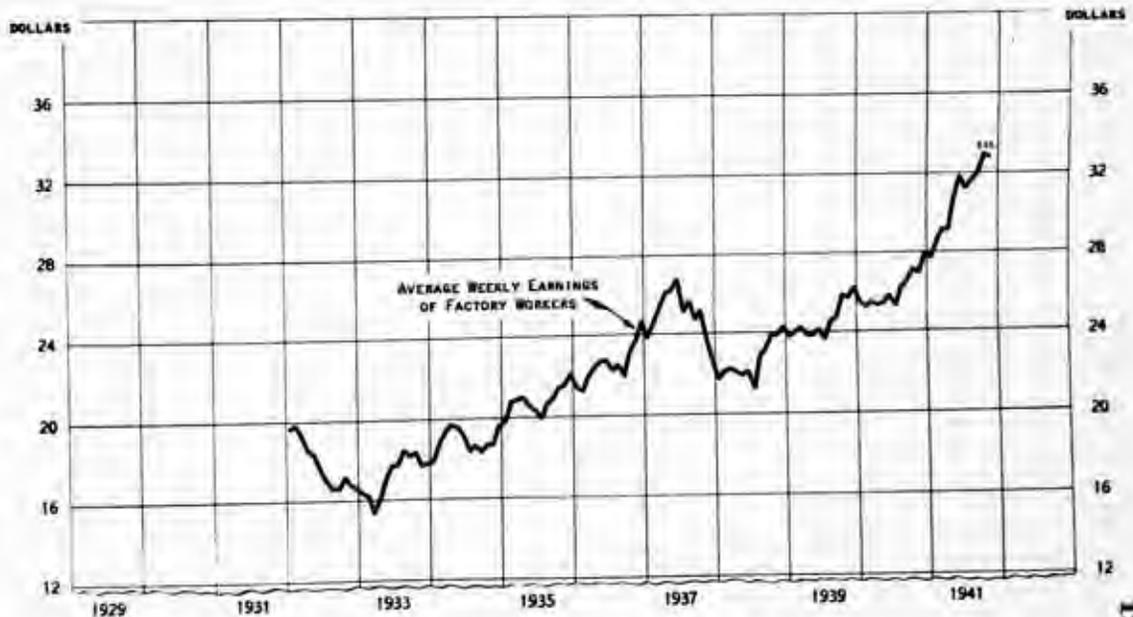
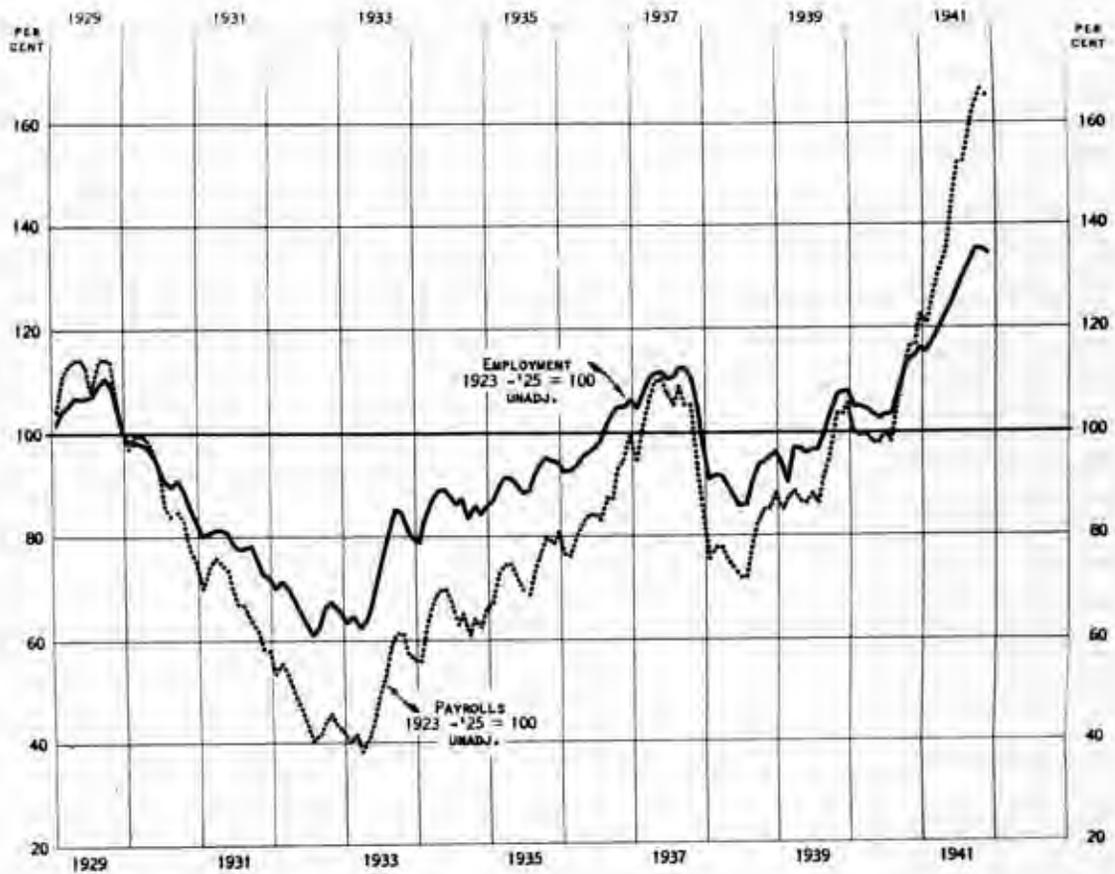
Weekly



FD-95-41

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

FACTORY EMPLOYMENT, PAYROLLS AND WAGES



SOURCE: B.L.S.

TREASURY DEPARTMENT

192

INTER OFFICE COMMUNICATION

DATE January 5, 1942

TO Secretary Morgenthau

FROM Mr. Haas

Employment under the Work Projects Administration dropped from 1,055,000 to 1,046,000 persons during the week ended December 23, 1941.

Attachments

WORK PROJECTS ADMINISTRATION
 Number of Workers Employed - Monthly
 United States

	Number of Workers (In thousands)
1939	
July	2,200
August	1,842
September	1,790
October	1,902
November	2,024
December	2,152
1940	
January	2,266
February	2,324
March	2,288
April	2,092
May	1,926
June	1,665
July	1,701
August	1,691
September	1,704
October	1,779
November	1,821
December	1,878
1941	
January	1,895
February	1,867
March	1,708
April	1,560
May	1,464
June	1,368
July	1,036
August	1,045
September	1,033
October	1,047
November	1,060

Source: Work Projects Administration

Monthly figures are weekly figures for the latest week of the month.

They include certified and noncertified workers.

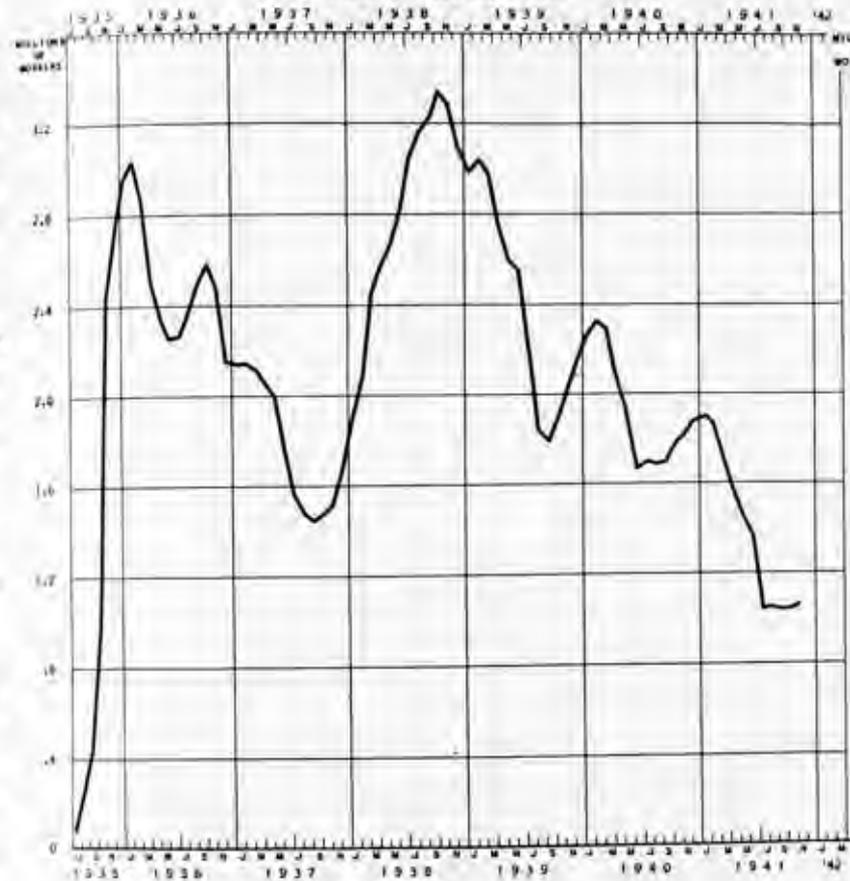
WORK PROJECTS ADMINISTRATION
Number of Workers Employed - Weekly
United States

Week ending	Number of Workers (In thousands)
1941	
May 7	1,519
May 14	1,497
May 21	1,474
May 28	1,464
June 4	1,442
June 11	1,423
June 18	1,410
June 25	1,368
July 2	1,172
July 9	1,030
July 16	1,016
July 23	1,025
July 30	1,036
August 6	1,041
August 13	1,042
August 20	1,043
August 27	1,045
September 3	1,043
September 10	1,037
September 17	1,035
September 24	1,033
October 1	1,032
October 8	1,037
October 15	1,040
October 22	1,044
October 29	1,047
November 5	1,050
November 12	1,056
November 18	1,058
November 25	1,060
December 2	1,063
December 9	1,060
December 16	1,055
December 23	1,046

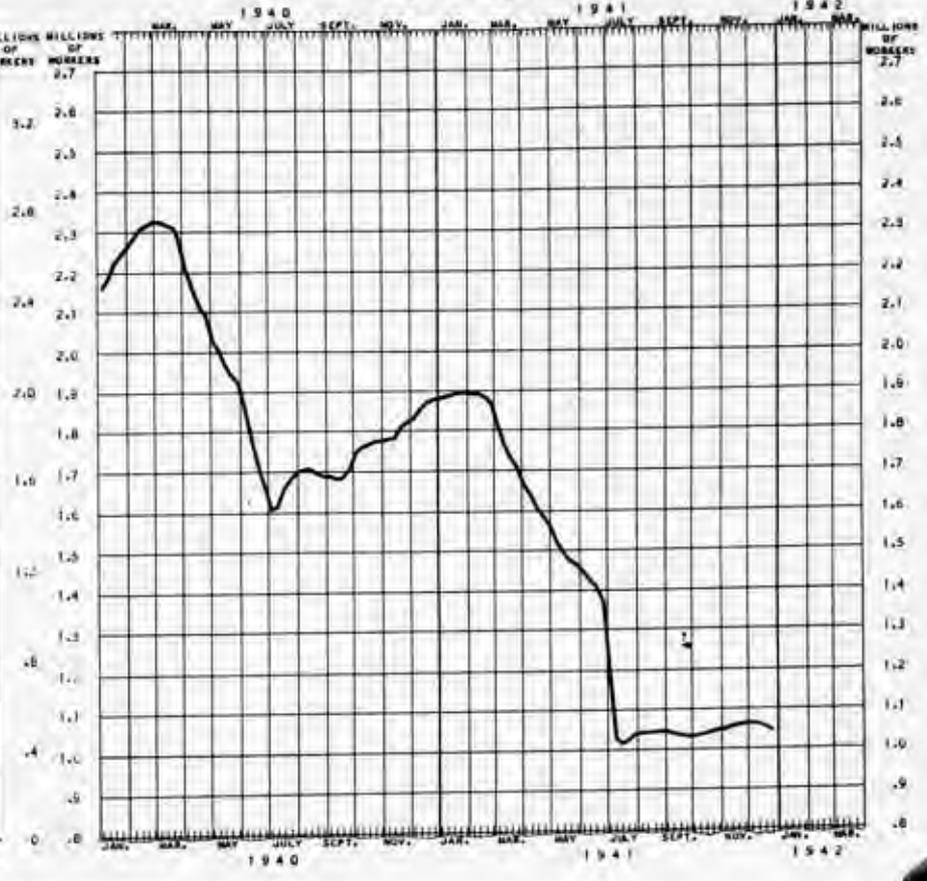
Source: Work Projects Administration

WORK PROJECTS ADMINISTRATION
Number of Workers Employed
United States

Monthly W.P.A. Employment



Weekly W.P.A. Employment



SOURCE: WORK PROJECTS ADMINISTRATION

JAN 5 1942

My dear Mr. Secretary:

With reference to your letter of December 21st, stating that you would like to continue to receive the weekly reports on United States exports to some selected countries, I am enclosing reports for the weeks ending December 13th and 20th.

I am glad to know that the information is of use to your Department, and copies of the report will be sent to you regularly.

Sincerely yours,

(Signed) E. S. Clegg, Jr.

Secretary of the Treasury

The Honorable,

The Secretary of State,
Washington, D. C.

Enclosures.

By Messenger *Manuel & Co*
N.A.C.
cc - W. H. Clegg

EDW:asm

1/1/42



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
SA/E 811.80 (D) Regulations/5548

December 31, 1941

My dear Mr. Secretary:

This will acknowledge, with many thanks, your letter of December 16, 1941, enclosing a copy of a report on United States exports to some selected countries during the week ending December 6, 1941. In answer to the post-script in your letter, I should appreciate it if you could continue to send these reports. They contain information which is very useful to this Department in the regular prosecution of its work.

Sincerely yours,

6
W. E. Shue

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

*To answer p. 198
please conversation
with Mr. Rockefeller
1-12-42
4:01 pm*

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE FOR EMERGENCY MANAGEMENT
COORDINATOR OF INTER-AMERICAN AFFAIRS

COMMERCE DEPARTMENT BUILDING
WASHINGTON, D. C.

January 5, 1942

Dear Mr. Secretary:

Since our entrance into war it has become increasingly imperative that we have at all times a complete over-all picture and understanding of the activities of all United States Governmental agencies affecting the economic welfare of the other American republics.

In this connection we need more information concerning the Treasury's stabilization agreements with these republics, that is, we should know the exact details of the Stabilization Fund standing agreement, involving the purchase of Brazilian dollars for dollars whenever Brazil faces a temporary shortage of dollar exchange. Knowledge of the exact details of this and similar agreements, including the extent of purchases already made, the repayment record, etc., is urgently needed for the Rio Conference.

A request for this and similar information was presented to officials of Mr. White's division. However, we were advised that, because of the confidential nature of the material requested, your personal approval should first be obtained.

As you no doubt know, nearly all of our work is strictly of a confidential nature, and we therefore have a real appreciation of the importance of its careful handling.

Please accept my personal assurances that any information or material of the nature requested will be treated with the strictest confidence.

Sincerely,

Nelson A. Rockefeller
Coordinator

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

FOR THE PRESS

IMMEDIATE RELEASE

JANUARY 5, 1942

The President today addressed to Honorable E. R. Stettinius, Jr., Administrator, Office of the Lend-Lease Administration, a letter, the text of which follows:

For purposes of implementing the authority conferred upon you as Lend-Lease Administrator by Executive Order No. 8926, dated October 28, 1941, and in order to enable you to arrange for Lend-Lease aid to the Provisional Government of Czechoslovakia, I hereby find that the defense of the Provisional Government of Czechoslovakia is vital to the defense of the United States.

TREASURY DEPARTMENT

200

INTER OFFICE COMMUNICATION

DATE January 5, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Shipment of Planes to British Forces

In the week ended December 30, a total of only 15 planes (13 combat planes) were shipped to British forces. Seven were North American Mustang fighters sent to England; six Consolidated Catalina patrol bombers went to Canada, and the remaining two were trainers, also shipped to Canada.

Table A - Shipments by Area
(From February 1, 1941)

	<u>Week ending December 30, 1941</u>	<u>Total Reported to Date</u>	
<u>To the United Kingdom</u>			
Light and medium bombers	0	1,026	
Heavy bombers	0	98	
Naval patrol bombers	0	82	
Pursuit	7	275	
Army Cooperation	<u>0</u>	<u>21</u>	
Total to the United Kingdom	7		1,502
<u>To the Middle East</u>			
Light and medium bombers	0	299	
Heavy bombers	0	5	
Pursuit	0	748	
Trainers	<u>0</u>	<u>142</u>	
Total to the Middle East	0		1,194
<u>To the British Pacific Forces</u>			
Light and medium bombers	0	57	
Naval patrol bombers	0	12	
Pursuit	0	119	
Trainers	<u>0</u>	<u>93</u>	
Total to Pacific Forces	0		281
<u>To the Forces in Russia</u>			
Light and medium bombers	<u>0</u>	<u>44</u>	
Total to Russian Forces	0		44
<u>To the Canadian Forces</u>			
Light and medium bombers	0	48	
Naval patrol bombers	6	19	
Pursuit	0	42	
Trainers	<u>2</u>	<u>1,124</u>	
Total to Canadian Forces	8		1,233
<u>Totals</u>			
Light and medium bombers	0	1,474	
Heavy bombers	0	103	
Naval patrol bombers	6	113	
Pursuit	7	1,184	
Army Cooperation	0	21	
Trainers	<u>2</u>	<u>1,359</u>	
Total	15		4,254

Table B - Shipments by Types
(From February 1, 1941)

	<u>Week ending December 30</u>	<u>Total Reported to Date</u>
Bell Airacobra	0	154
Boeing B-17	0	21
Boston III	0	39
Brewster Buffalo	0	119
Cessna T-50	2	554
Consolidated Catalina	6	113
Liberator I	0	22
Liberator II	0	60
Curtiss Kittyhawk	0	382
Tomahawk	0	416
Douglas Boston II	0	29
Boston III	0	449
Fairchild-24	0	12
Glenn Martin Baltimore	0	68
Maryland I	0	114
Maryland II	0	1
Grumman Martlet II	0	41
Lockheed Hudson II	0	1
Hudson III	0	319
Hudson IV	0	22
Hudson V	0	380
North American Harvard II	0	805
Mustang	7	72
Pitcairn Autogiro	0	5
United Chesapeake	0	52
Vultee Stinson-049	0	4
Grand Total - All Types	<u>15</u>	<u>4,254</u>

Table C - Plane Shipments to the British by Weeks

<u>Week Ended</u>	<u>Light and medium bombers</u>	<u>Heavy Bombers</u>	<u>Naval patrol bombers</u>	<u>Pursuit</u>	<u>Army Cooperation</u>	<u>Trainers</u>	<u>Total</u>
35 Weeks (February 1-October 7) TOTAL	1,241	47	95	741	6	916	3,046
35 Weeks (February 1-October 7)							
WEEKLY AVERAGE	35	1	3	21	0.2	26	87
October 14, 1941	45	9	1	68	0	44	167
October 21, 1941	21	9	1	50	0	57	138
October 28, 1941	10	12	3	38	4	19	86
November 4, 1941	19	2	3	45	0	31	100
November 11, 1941	13	1	2	34	2	42	94
November 18, 1941	5	7	1	67	0	38	118
November 25, 1941	6	5	0	23	3	28	65
December 2, 1941	19	6	1	47	0	64	137
December 9, 1941	34	5	0	14	6	20	79
December 16, 1941	26	0	0	17	0	19	62
December 23, 1941	35	0	0	33	0	25	93
December 30, 1941	0	0	6	7	0	2	15
February 1-December 30, 1941 - TOTAL	1,474	103	113	1,184	21	1,359	4,254

203-A



BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 8000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of Sir Henry Self,
who encloses weekly Statement No. 33,
covering aircraft flight delivery
as at January 5, 1942.

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

January 6, 1942.

CONFIDENTIAL REPORT
REF. NO. D-55

JANUARY 5, 1942

U. S. SECRET - BRITISH MOST SECRET

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 33

LOCATION	L/L				CATAL.	TOTAL
	LIB.II	HUD.V	HUD.III	HUD.III		
AT DESTINATION	59	211	208	11	115	604
Gander	1		4			5
Montreal	4	1	3	3		11
Montreal en route Debert		1				1
Dartmouth			1		9	10
Diverted to U. S. Navy				20	6	26
Taken over by U.S.A.A.C.	75					75
USAAC Familiarization Program			19			19
Sacramento				7		7
Muroc, Cal.				29		29
Tampa				7		7
Bangor, Me.				16		16
New Orleans				6		6
Scott Field, Ill.				1		1
Ogden, Utah				14		14
LaGuardia Field			1			1
En route Bolling Field				1		1
Elizabeth City, N. C.					23	23
Patterson Field				1		1
Rochester				1		1
Syracuse				1		1
Dallas				3		3
Birmingham				1		1
Atlanta				1		1
Macon, Ga.				2		2
Jackson, Miss.				1		1
Phoenix, Ariz.				107		107
Yuma, Ariz.				4		4
Las Vegas, Nev.				1		1
San Diego			1			1
Under Repair		6				6
TOTAL	139	219	237	238	153	986

U. S. SECRET - BRITISH MOST SECRET

LOCATIONS OF OCEANIC FLIGHT DELIVERY AIRCRAFT -- WEEKLY REPORT NO. 33

1. LIBERATOR II off Contract F-677

59 AT DESTINATION

(54 to U.K.

5 to M.E. - including one which crashed
in Africa, Nov. 25)

1 at Gander

4 at Montreal

*75 taken over by U.S.A.A.C. (including one which
crashed near Tucson, Ariz., Dec. 23., and one
which crashed presumably at San Diego, date not given)

139 *

2. HUDSON V (LONG RANGE) off Contract A-1749

211 AT DESTINATION

(173 in U.K.

38 at Debert)

1 at Montreal

1 at Montreal en route Debert

6 under repair

219 **

3. HUDSON III (LONG RANGE) off Contract A-68

208 AT DESTINATION (U.K)

4 at Gander

1 at Dartmouth

3 at Montreal

1 at LaGuardia Field

19 for U.S.A.A.C. Familiarization Program

1 at San Diego

237 ***

4. HUDSON III-A off Lease-Lend Contract DAW535 AC-5

11 AT DESTINATION (Debert)

20 Diverted to U. S. Navy

3 at Montreal

7 at Sacramento, Cal.

16 at Bangor, Me.

7 at Tampa, Fla.

6 at New Orleans

1 at Scott Field, Ill.

29 at Muroc, Cal.

14 at Ogden, Utah

1 at Rochester, N. Y.

1 at Syracuse, N. Y.

1 at Patterson Field

1 en route Bolling Field

3 at Dallas

1 at Birmingham

1 at Atlanta

2 at Macon, Ga.

1 at Jackson, Miss.

1 at Las Vegas, Nev.

4 at Yuma, Ariz.

107 at Phoenix, Ariz.

238 ****

5. CATALINAS off Contracts A-2587, F-210, A-37, AUS-58, CAN-78

115 AT DESTINATION (88 in U.S.

9 in Singapore

18 in Australia)

9 at Dartmouth

23 at Elizabeth City, N. C.

6 at Pensacola, Fla. (diverted to U. S. Navy)

153

* No indication that last 4 have left factory.

** Excluding six which crashed - two in the United States, four after leaving.

*** Excluding ten which crashed - three in the United States, three in Canada,
and four en route U. S. (See NOTE)

**** Excluding one which crashed while still in the United States.

NOTE: Two of the crashes in the United States have been written off by a contractual
amendment reducing the contract, and hereafter the crashes on this contract will be
counted eight instead of ten.

January 5, 1942

Mr. Livoey

Mr. Dietrich

Will you please send the following cable to the American Embassy in London:

"From the Secretary of the Treasury for Casaday.

The Treasury has agreed to buy a further \$20,000,000 of gold from the Government of Russia on the same basis as that mentioned in our No. 4550 of October 16, 1941. The representative of the British Treasury in Washington has been informed about this matter.

The Department would appreciate it if the Embassy would inform Ambassador Winant about the foregoing matter."

Exch. Stabilization Fund

C
O
P
Y

January 5, 1942.

FEDERAL RESERVE BANK OF NEW YORK
NEW YORK, NEW YORK.

ATTENTION: MR. D. J. CAMERON

IN ACCORDANCE WITH ARRANGEMENTS MADE WITH THE
AMBASSADOR OF THE UNION OF SOVIET SOCIALIST REPUBLICS, THE
TREASURY DEPARTMENT HAS PURCHASED APPROXIMATELY 802,000
FINE TROY OUNCES OF GOLD FOR DELIVERY AT THE UNITED STATES
MINT AT SAN FRANCISCO OR TO THE UNITED STATES ASSAY OFFICE
AT NEW YORK WITHIN 180 DAYS FROM JANUARY 3, 1942. UNDER
THESE ARRANGEMENTS YOU ARE HEREBY AUTHORIZED AND DIRECTED
TO CHARGE TODAY THE ACCOUNT ON YOUR BOOKS DESIGNATED
"SECRETARY OF THE TREASURY, SPECIAL ACCOUNT" WITH
\$20,000,000 AND CREDIT THIS AMOUNT ON YOUR BOOKS, AS AN
ADVANCE PAYMENT AGAINST THE ABOVE-MENTIONED GOLD, TO THE
ACCOUNT OF THE STATE BANK OF THE U.S.S.R.

SATAB.

/s/ H. Morgenthau, Jr.

SECRETARY OF THE TREASURY.

FD:EB:nrd - 1/3/42.

FEDERAL RESERVE BANK
OF NEW YORK

January 5, 1942.

S i r : Attention: Mr. Frank Dietrich

Receipt is acknowledged of your telegram of today advising that in accordance with arrangements made with the Ambassador of the Union of Soviet Socialist Republics, the Treasury Department had purchased approximately 502,000 fine troy ounces of gold for delivery to the United States Mint at San Francisco or to the United States Assay Office at New York within one hundred eighty days from January 3, 1942. The telegram also authorized and directed us to charge the account on our books designated "Secretary of the Treasury, Special Account" with \$20,000,000 today and credit that amount on our books, as an advance payment against the above mentioned gold, to the account of the State Bank of the U.S.S.R..

We now wish to inform you that pursuant to the above mentioned authorization we, as fiscal agent of the United States, debited the "Secretary of the Treasury - Special Account" on our books with \$20,000,000 today. A like amount was credited by us to the account of the State Bank of the U.S.S.R. today.

Federal Reserve Bank of New York 2

1/5/42

In accordance with the request telephoned by
Mr. Dietrich, a cablegram reading as follows, was dispatched
today to the State Bank of the U.S.S.R., Oulianovsk, U.S.S.R.

"We have credited your account today
\$20,000,000 by order of the Secretary
of the Treasury of the United States."

Respectfully,

(Signed) D. J. Cameron,
Manager, Foreign Department.

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

Copy:lc:1/6/42

Treasury Department
Division of Monetary Research

208

Date January 6, 1942 19

To: Secretary Morgenthau

Appended is a cable from Ambassador Gauss
and a digest.

It is not important at this stage. We are
studying the whole matter intensively and it will
be brought to your attention as soon as it has
reached a stage of greater maturity.

H.D.W.

MR. WHITE
Branch 2058 - 214½

TREASURY DEPARTMENT

209

INTER OFFICE COMMUNICATION

DATE January 5, 1942

TO Mr. White

FROM Mr. Friedman

Subject: Digest of cable from Ambassador Gauss commenting on Chinese loan proposals.

1. The morale of the people has undoubtedly been affected by the initial Japanese successes.
2. The proposed loan was described by General Chiang as a political measure.
3. Difficulty is made by the absence of any definite proposals as to the use of the loan aside from the suggestion of support for domestic bond issue intended to slow up inflation. However, Congress might be asked for the necessary authorization while the actual issuance of the loan might await the presentation and consideration of proposals definitely indicating the use to be made thereof.
4. Ch. \$10 billion should be the maximum. It is the Ambassador's feeling that requirements would be satisfied by a loan not exceeding this amount, while larger credits would be misleading and would be an invitation to attempts to misuse the funds.

PARAPHRASE OF TELEGRAM RECEIVED

210

FROM: American Embassy, Chungking, China.

DATE: December 31, 1941, 5 p.m.

NO.: 549.

In regard to my telegram No. 548, 6 p.m., dated the 30th of December.

My comments are as follows:

The morale of the people, including the upper classes, have undoubtedly been affected by the initial Japanese successes which Japan is exploiting in radio propaganda which is directed toward China at the same time that Japanese forces here in China are taking the offensive. How the Army has been affected remains to be seen. Chinese resistance to the new Japanese drive against Shanghai is being watched by us with considerable uneasiness.

The proposed loan was described by General Chiang as a political measure. We of course have known from the inside that before December 7 China was proposing to ask for this loan from the U.S., while at the same time it was giving no realistic consideration to the drastic domestic measures necessary to cope with the worsening economic situation. Now, however, the problem assumes a full political character.

Difficulty is made by the absence of any definite proposals as to the use of the Anglo-American loan, aside from the suggestion of support for a domestic bond issue intended to slow inflation up. However, I venture the suggestion that Congress might be asked to authorize the Executive Branch of our Government to grant loans or credit stock in a (1) to a specified amount.

- 2 -

If an immediate measure of this kind were taken to bolster up the situation in China and to indicate support of the Generalissimo as the leader of the policy of resistance, the actual issuance of the loan or granting of credits might await the presentation and consideration of proposals definitely indicating the use to be made thereof.

It is quite clear here that only scant consideration has been given to the advice and recommendations of the Government's financial experts and advisers. Possibly they could work out proposals permitting sane and helpful use of the financial support which China is asking.

In the light of information here it appears that perhaps two billion to four billion Chinese dollars might be attracted by a domestic bond issue, the actual amount largely depending on whether the issue is distributed primarily among the public rather than in the Government banks. There might be grants of loans up to an amount of a billion Chinese dollars (backed or supported by foreign credits) to encourage domestic production independent of imports. To provide for the psychological or political factors or for other legitimate demand, this total of five billion Chinese dollars might be doubled. Even so, however, the total would not be more than ten billion Chinese dollars whereas the Generalissimo is asking the British and ourselves for an amount equivalent to twenty billion Chinese dollars. It is my feeling that requirements would be satisfied by a loan not exceeding this amount, while larger credits would be misleading and would be an invitation to attempts to misuse the funds.

GAUSS

Copy:hmd:1/3/42

TREASURY DEPARTMENT

212

INTER OFFICE COMMUNICATION

DATE JANUARY 5, 1942

TO Mr. White

FROM Mr. Friedman

Subject: Digest of cable received from Mr. A. M. Fox regarding loan to China.

1. Fox supports request for loan on the grounds that it would have both beneficial political and economic results. A loan, he says, might make all the difference between a Chinese defeatist victory and the neutralization of the defeatists.
2. It would be desirable to use the loan as an occasion for insisting on strengthening and improving the Central Bank and the Chinese banking system but the political effects of the loan could be reinforced by not requiring any specific guarantees.
3. Fox suggests uses to which the loan could be put:
 - (a) To retard the inflationary spiral by guaranteeing an issue of Government bonds to absorb currency and make it unnecessary for the future that the Government of China issue more currency to cover its budgetary deficit.
 - (b) To insure the maintenance of an inflow of imports by promoting trade with India and with Russia.
 - (c) The financing of loans, if possible, for the promotion of internal small scale production and for agricultural production.
4. It might be desirable to link the Stabilization Board with the loan if this were possible since it might be easier for the Board than for the Chinese Government itself to secure confidence.
5. The Board has received the scheme submitted by the Ministry of Finance which proposes that its remaining United States dollars and sterling assets be used as a guarantee fund for an issue of Chinese Government bonds. Fox objects to this proposal.

SUMMARY OF TELEGRAM RECEIVED

From: American Embassy, Chungking, China

Date: January 3, 1942, 10 a.m.

No.: 11

NY-1. The following is in strict confidence for the Secretary of the Treasury from Mr. W. Samuel Fox:

I. (a) In Yunnanfu and Chungking I find a great deal of talk of a loan to China by Great Britain and the United States. I am informed that the subject has already been raised with each of the Governments by the Generalissimo. In Chinese Government circles the talk is of a loan by Britain of one hundred million pounds and a loan of the United States amounting to five hundred million United States dollars.

(b) For some time prior to the outbreak of the war I have felt that a new loan to China was needed due to the extreme gravity of the internal economic situation here. My feeling has been reinforced since December 8 in view of (1) the effect on Chinese political opinion of the initial Japanese successes; and (2) the perceptible strengthening of defeatist elements in Chinese Government circles; and (3) the probable effect of temporary Japanese successes in southeast Asia in the near future. In this situation in order to keep China sound as an anti-axis power

-2-

power a substantial loan (the bigger the better) would be invaluable. An argument in favor of making the loan as big as possible is the very fact that the larger portion of such a loan could not be used.

(C) The internal economic effects of such a loan would be beneficial, after the first psychological effects have worn off, although because of the physical difficulties in the importing of goods they might not be commensurate with its size. The fact that the political advantages would be very great is of more importance. A loan might make all the difference between a Chinese defeatist victory (lukewarm as they are) and the neutralization of the defeatists. The actual outlay would be much smaller than the nominal amount of the loan, as already indicated. It would be desirable to use the loan as an occasion for insisting on strengthening and improving the Central Bank and the Chinese banking system, but the political effects of the loan could be reinforced by not requiring any specific guarantees.

(3) The following uses could be made of the loan:

(1) To retard the inflationary spiral by guaranteeing an attractive issue of Government bonds to absorb fapi and make it unnecessary for the future that the Government of China issue more currency to cover its budgetary deficit;

(2) To

(2) To insure the maintenance of an inflow of imports by promoting trade with India (as long as the Burma Road remains open) and with Russia. I am not in a position to evaluate from a political standpoint the aspects of financing trade with Russia but certainly there would be an accrual of economic advantages;

(3) the financing of loans, if possible, for the promotion of the internal small scale production which is greatly needed and for agricultural production. Retardation of rise in prices would be aided by the effects of both (2) and (3) in increasing the supply of goods; and perhaps (4) the provision of foreign exchange backing for the note issue which would temporarily affect beneficially internal confidence in (?) (?). If it were possible to link the Stabilization Board in some way with the loan it might be desirable to do so because, if for no other reason, it might be easier for the Board than for the Chinese Government itself to secure confidence.

(C) The Board has received a scheme submitted by the Ministry of Finance which proposes that its remaining U.S. dollar and sterling assets be used as a guarantee fund for the issue of Chinese Government bonds on the lines of I (D). I see three objections to this: 1. The amount involved would not be sufficient to contribute substantially to the absorption of fapi; 2. taking into consideration the terms of agreements instituting the

fund

fund, there is some doubt as to the legality of the suggested procedure; 3. The Board would be deprived of its function of providing foreign exchange for imports. (This function must be performed so long as imports are possible.)

II. On December 31 immediately upon my return from Kuning I prepared the above except for a few modifications. I was brought up to date yesterday morning by Ambassador House regarding the steps taken so far by the Embassy with respect to a loan to China. The suggestions made by Siemeyer to the Government of China interested me and the comments of the Ambassador who appeared to be especially (?) by his suggestion that Congress not immediately impressed me. As yet I have not talked with any British or Chinese official concerning a loan to China.

HAIBS

(*) Apparent omissions.

OUTGOING CABLEGRAM

JANUARY 5, 1942

Stabilization Board of China

Chungking

No. 1

AS. I Refer your message received through State Department Total disbursements from United States Dollar - Chinese Yuan Stabilization Fund of China, Special Account up to and including December 6, 1941 were \$13,590,190.99 Disbursements since that date \$77.00 Balance \$0,790,221.99 as at the close of business January 3, 1942.

AS. II Have not yet effected payments cable of December 4 from Hong Kong No. 41 as word No. 4 mutilated Please repeat that word if possible.

FEDERAL RESERVE BANK OF NEW YORK

copy:1/7/42

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218

P A R A P H R A S E

(CONFIDENTIAL)

A strictly confidential telegram of January 5, 1942 from the American Consul at Kunming reads substantially as follows:

The Assistant Manager of the Kunming Office of the Fooching Company has told the Consulate that in the bombing at Rangoon 2,000 drums of tung oil were completely destroyed, and that as a consequence there have been diverted to Ehamo for storage, pending developments, 1,000 tons of oil en route to Rangoon. Oil stocks in Kunming are reported to be low. Shipment of commodities handled by Fooching and Fooming to Burma, which are said to be small, have been suspended.

Copy:bj:1-9-42

ALH

BROWN

Reykjavik

Dated January 5, 1942

Rec'd 8:40 a.m., 6th

Secretary of State,

Washington.

URGENT

9. January 5, 8 p.m.

Following the failure of the Althing to adopt last autumn the Government's proposals in connection with the cost of living, a number of strikes are now in progress here involving important industries.

The Premier tells me that he considers the peak of Iceland's war time prosperity has been reached and that coming years can only herald if they do not actually witness a decline in export prices. He is, therefore, prepared to try again to solve the problem by legislation, and this time the Independent Party is on his side, Mr. Olaf Urthors having confessed to him that he made a mistake last fall. It is not yet clear whether the Socialist Party will adhere to the program, which the other two parties can carry through, since together they compose a majority in the country. Party meetings are taking place tonight and Premier expects to pass a law tomorrow fixing prices and wages on the present basis, which allow for automatic raises in keeping with the cost of living index, and providing for compulsory arbitration in cases of manifest inequalities. The Foreign Minister may resign if his Socialist Party will not allow of his adherence, and in any case the Premier expects the strikes to continue for some time. The new law would be a provisional one to go into effect immediately subject to ratification by the Althing when it meets in the middle of February.

WSE
Copy:hmd:1/8/42

VA CYRAGE

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220

PLAIN

Stockholm

Dated January 5, 1942

Rec'd 1:29 a.m., 6th

Secretary of State,

Washington.

22, fifth.

Swedish Italian trade agreement for 1942 concluded in Rome and provides for automatic renewal if not denounced. The value of commodity exchange during 1942 somewhat increased due mainly to higher prices. At the same time payment agreement of December 23, 1940, has been extended to apply during 1942. The 1941 total trade between the two countries reached about 130 million crowns.

INFORM COMMERCE

JOHNSON

KLP

sh:copy 1-6-42

TREASURY DEPARTMENT

INTER-OFFICE COMMUNICATION

DATE January 5, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	£73,000
Purchased from commercial concerns	£21,000

Open market sterling remained at 4.03-3/4. The only reported transaction consisted of £10,000 purchased from a commercial concern.

The Canadian dollar discount narrowed further to close at 13-5/8%. It will be recalled that a current low of 14-5/8% was reached on December 30.

The Argentine free peso advanced 10 points to a final quotation of .2355. The Venezuelan bolivar also improved 10 points to .2675.

The Cuban peso was quoted at par, as against the former prevailing level of 1/8% premium.

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

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

In further execution of the Bank of Sweden's order to sell 250,000 Argentine pesos, the Federal Reserve Bank of New York sold 50,000 pesos in New York at .2355. There are 100,000 pesos still to be sold under this order.

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

In accordance with General License No. 70, and a Treasury license issued under the Gold Reserve Act, the Federal Reserve Bank of New York effected three transfers of gold, with a total value of \$17,528,000, from the Bank of Portugal's Gold Account G to the ordinary account of the Bank of Portugal. These transfers exhaust the gold held in the 'G' account, which has been the property of the Portuguese Government.

The Federal Reserve Bank of New York reported that the Bank of Mexico made two shipments of gold with a combined value of \$2,588,000 from Mexico to the Federal, to be earmarked for its account.

-2-

The State Department forwarded a cable to us reporting that Mocatta and Goldsmid, London, shipped \$39,000 in gold from England to the Banque Belge pour l'Etranger, New York, for sale to the New York Assay Office.

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.

CONFIDENTIAL



BRITISH EMBASSY
WASHINGTON, D.C.

5th January, 1942.

PERSONAL & SECRET.

Dear Mr. Secretary,

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

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

Halifax

The Honourable

Henry Morgenthau, Jr.

United States Treasury,

Washington, D.C.

COPY NO. _____

MOIST SECRET

(U.S. SECRET).

AFTEL NO. 3.

Information received up to 7 A.M. 3rd January 1942.

(1) MILITARY.Libya.

After a bayonet attack by moonlight on the night 1st-2nd, South African troops, supported by tanks, captured Bardia. The enemy surrendered unconditionally and are believed to number over 3,000, including General Schmidt. 1,000 of our own troops have been rescued. Our casualties only 75 during night attack and believed total very slight. R.N. and S.A.F. support successful. In the forward area, our troops are maintaining their pressure on the enemy's position and are continuing to harass his left flank. South of Cyrene, our mopping up troops found ten enemy tanks in good condition.

Malaya.

Encounters with the enemy are taking place at Kuantan. In East Malaya, our forces were engaged with the enemy throughout the 1st in the area 20 miles South of Ipoh. Considerable numbers of small enemy troop carrying craft have entered the Perak and Bernam Rivers from the sea, steps are being taken to meet this new threat.

Borneo.

A detachment of an Indian Army Punjabi Regiment from Kuching has now reached Sanggau, 70 miles to the Southwest, where they have been placed temporarily under Dutch command. The Japanese have occupied the undefended island of Labuan off North Borneo.

Indo China.

Reference yesterday's summary, Paragraph 4, this force is estimated at one division.

Russia.

In the Moscow sector, the Russians are maintaining their pressure and are forcing back the Germans towards Sojalak. In the Crimea, the Russians are continuing their attacks against strong German opposition.

(2) AIR OPERATIONS.Eastern Front.

2nd. Fighters, sent to attack barges and to reconnoitre the French coast, destroyed two enemy floatplanes and a fighter. A Spitfire and a Hurricane are missing.

2nd/3rd. 102 aircraft were sent out: Brest - 30, St. Nazaire - 27, Sea mining - 36, and leaflets (Northern France) - 9. One Hampden crashed on return. Preliminary reports indicate that little could be seen owing to thick cloud.

MEDITERRANEAN.Libya.

31st December. Bombers attacked motor transport east of El Agheila, destroying a petrol lorry and two other lorries, damaging about 60 others and inflicting heavy casualties on personnel.

31st December/1st January. Six Wellingtons bombed Fas

SI All.

Regraded Unclassified

Page 2.

1st. - Blenheims attacked Bardia for over four hours in support of our ground operations. Three other Blenheim squadrons bombed widely dispersed motor transport South East of Jedabya, blowing up an ammunition truck and starting fires. Kittyhawk fighters intercepted 16 German dive bombers escorted by six German fighters over Jedabya and forced them to jettison their bombs. Four dive bombers and one fighter were destroyed and six of the remainder were either probably destroyed or damaged. One Kittyhawk is missing.

1st/2nd. Four Albacores, one of which is missing, were sent to lay mines in Zouara Harbour. Blenheims hit a small steamer at Buerat El Hsun and started fires in barracks and a mechanical transport Park.

Malta.

1st/2nd. 13 aircraft dropped rocket bombs (device (?to) increase velocity), causing some damage and a number of casualties.

MALAYA.

31st December/1st January. Singapore was attacked by over 30 aircraft, which caused slight civilian damage.

1st and 2nd. Three Dutch Glenn Martins sighted four launches, each towing from two to five small craft, in the Bernam Estuary. Two of the aircraft were lost, and two Blenheims sent later to attack the launches are missing. Two Catalinas attacked an enemy aerodrome, hitting the runway and setting fire to two aircraft. Enemy aircraft attacked and rendered temporarily unserviceable Tengah aerodrome Singapore. Two of our aircraft were destroyed and two others damaged. Port Swettenham was attacked several times and a rubber warehouse set on fire.

MOST SECRET

(U.S. SECRET).

CEPTEL NO. 4.

Information received up to 11 A.M. 4th January 1942.

1. NAVAL.

Two small British merchant vessels in coastal convoy were sunk by mine yesterday off Harwich. The British tanker reported on 1st as torpedoed has now sunk.

2. MILITARY.Libya.

The fall of Bardia resulted in the capture of about 5,000 prisoners and the liberation of some 1,150 of our own men including 650 New Zealanders. Only two officers were found the remainder having been previously evacuated by the enemy by sea. Our casualties for the whole operation were about 60 killed and 300 wounded. In the forward area there have been three minor engagements resulting in the destruction of five more enemy tanks and some mechanical transport. Ground patrols operating to the west have destroyed a total of 29 enemy aircraft on the ground at two landing grounds in the Nofilia area between El Agheila and Sirte.

Malaya.

Patrol activity is reported in the area north and east of Kuantan aerodrome. The enemy are being harassed by our artillery. Three attacks on our forces in the Kampar area were repulsed. Enemy casualties are estimated at 4 - 500 killed. The enemy are developing their threat from the Perak and Bernam Rivers. An attempted landing at Kuala Selangor was repulsed, one small steamer was set on fire and four barges sunk. The remainder of the force withdrew to the north.

Russia.

The Russians are continuing to advance south-west of Moscow. They are also now exerting pressure in the Kursk-Kharkov area.

3. AIR OPERATIONS. Western Front.

2nd/3rd. 40 tons of high explosive were dropped at Brest and 16 tons at St. Nazaire. 8 R.C.A.F., 14 R.A.A.F. and 5 R.N.Z.A.F. aircraft took part operations were spoilt by heavy cloud and were not very satisfactory. The mine laying aircraft carried out their task successfully.

3rd. Spitfires damaged a guardship off Dieppe and reported hitting alcohol storage cisterns in Northern France.

3rd/4th. 18 aircraft were sent to Brest where clouds prevented observation, and 10 were sea-landing. 2 are missing.

MEDITERRANEAN.

Libya.

1st/2nd. Wellingtons destroyed some mechanical transport west of El Aghella.

2nd. During fighter sweeps south of Jadabya, Hurricanes engaged 6 enemy fighters damaging 4 of them. 2 Hurricanes are missing.

2nd/3rd. Wellingtons started a large fire at Tripoli.

Italy.

2nd/3rd. 3 Wellingtons dropped bombs on Naples railway station and near the Air Frame Works causing fires.

Malta.

2nd/3rd. For nine hours a total of 26 single aircraft dropped many bombs around Luqa aerodrome, demolishing buildings and causing a number of casualties. 3 Wellingtons were destroyed on the ground. On 3rd, 8 bombers and fighters attacked Luqa and two other aerodromes all of which were badly cratered, and 3 more Wellingtons were destroyed. 3 enemy aircraft were shot down, a third was probably destroyed by fighters and a fourth damaged by anti-aircraft fire.

FAR EAST. Malaya.

2nd. Our fighters provided maximum cover over the reinforcement convoy. Two aircraft were lost but one pilot was rescued.

2nd/3rd. Enemy aircraft attacked Tengah aerodrome, Singapore, where several buildings were damaged and a direct hit was obtained on a bombproof operations room. No service damage was caused at Singapore itself. One enemy aircraft crashed out of seven which attacked Tanjong Malim. Throughout the 3rd, the enemy maintained fighter patrols over Kuala Selangor and machine gunned movements of our troops.

4. Although the French aircraft industry working for Germany is still mainly producing French types, orders were placed on first July with factories in the occupied zone for 2,060 German type aircraft for delivery between October 1941 and July 1944. About 3/5ths are reconnaissance types including one type for aircraft carriers. The remainder are troop carrying, transport and some trainers. There is no evidence that any aircraft under these orders have yet been delivered.

RESTRICTED

G-2/2657-220; No. 591 M.I.D., T.D. 11:00 A.M., January 5, 1942

SITUATION REPORTI. Pacific Theater.

Philippines: Enemy ground attacks in the north on Sunday morning were repulsed. No serious damage or casualties resulted from the three-hour hostile air raid on Corregidor and other points during the 4th. Of the 52 Japanese planes which attacked Corregidor on that date, 4 were destroyed by antiaircraft fire, and 4 were damaged.

Hawaii: No further reports of hostile action.

Malaya: British have withdrawn south of the Perak River, following Japanese penetration of the Perak and Bernam Rivers. The situation in the east is unchanged.

Burma: Eight Japanese planes were reported destroyed in attacks on Moulmein (west coast of lower Burma).

British Borneo: Japanese have made a landing at Weston (northeast coast of Brunei Bay).

China: Situation unchanged in the Changsha area.

West Coast: No further reports.

II. Eastern Theater.

Situation on the Russian front remains unchanged. The Russians claim the capture of Borovsk (10 miles north of Maloyaroslavets) and to be firing on Mozhaisk. (No situation map will be issued today).

III. Western Theater.

Air: The Germans report that they have bombed the Shetland Islands and the Faeroes. No British activity is reported.

IV. Middle Eastern Theater.

Ground: With the fall of Bardia accomplished, British are now increasing pressure on the Salum-Halfaya sector, where an intense air and artillery bombardment is in progress. Prisoners taken in the Bardia operation now total 7,500. Of this number, approximately 1,000 are Germans.

There are no major operations in progress in the Agedabia area. Numerous minor engagements by the mobile forces have been reported.

Air: The German Air Force and the R.A.F. have been active in the harassment of rear areas and supply routes in the Agedabia area. The German Air Force has been particularly active in the bombings of Malta. The R.A.F. has increased its activities over Sicily.

RESTRICTED

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Tuesday, January 6, 1942.
7/5/42

Press Service
No. 29-42

The Secretary of the Treasury announced last evening that the tenders for \$150,000,000, or thereabouts, of 71-day Treasury bills, to be dated January 7, 1942, and to mature March 19, 1942, which were offered on January 2, were opened at the Federal Reserve Banks on January 5.

The details of this issue are as follows:

Total applied for - \$351,600,000
Total accepted - 150,230,000

Range of accepted bids: (Excepting two tenders totaling
\$640,000)

High	- 99.952	Equivalent rate approximately	0.243 percent
Low	- 99.934	" " " "	0.335 "
Average			
Price	- 99.940	" " " "	0.304 "

(12 percent of the amount bid for at the low price was accepted)

-oOo-

January 6, 1942
9:30 a.m.

GROUP MEETING

Present: Mr. Blough
Mr. Paul
Mr. Foley
Mr. Thompson
Mr. Buffington
Mr. Viner
Mr. Sullivan
Mr. Schwarz
Mr. Graves
Mr. White
Mr. Gaston
Mr. Bell
Mrs. Klotz

H.M.JR: This thing is pretty good. What he doesn't say, of course, is, the man that I talked to, that I was the third person that he had done this thing to. Three times was too much. Did I tell you that?

MR. THOMPSON: No.

H.M.JR: Is that Riley? Is that the man that was in Farm Credit?

MR. THOMPSON: No, I don't think so.

MR. GASTON: No. He was on the Post before he went to the Times Herald.

H.M.JR: Well, that is lots better.

MR. THOMPSON: I think that is.

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H.M.JR: We can forget it now. Thank you. That is lots better. No, what happened, I remembered afterward when I called, they said, "Well, that is the third time he has done it." He had done it once to Henderson and once to somebody else, on other matters. They said, "We think the man is a mental case."

MR. THOMPSON: The man said he had tried to get Reynolds, and couldn't get anybody to listen to him, and he thought if he would come to you he would really get some aid.

H.M.JR: Of course the thing that got me excited was here a man called up under the guise of OPM and then proceeds to try to sell me something, working for the Government.

MR. THOMPSON: And he had been told by Fitzgerald that that was something you had no interest in whatever.

H.M.JR: I didn't know that.

MR. THOMPSON: He had talked to him in the morning and wanted to talk to you.

H.M.JR: I didn't know that. Well, thank you very much. Did you have any inquiries from anybody else on that, Chick?

MR. SCHWARZ: Not a line.

H.M.JR: What else?

MR. THOMPSON: Mr. Duffus is having quite a time getting movies. One a day just about exhausts the supply and he says if you would let him run them every other day, he thinks that would be adequate for their movie requirements downstairs, and would enable him to get pictures more easily.

H.M.JR: Every other day, but not Sunday.

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MR. THOMPSON: Not Sunday, no.

H.M.JR: That means what?

MR. THOMPSON: Three days a week.

H.M.JR: Mondays, Wednesdays, and Fridays?

MR. THOMPSON: Well, or Tuesdays, Thursdays, and Saturdays.

H.M.JR: That is all right. They are running out of movies, are they?

MR. THOMPSON: Yes, he is having quite a time.

MR. GASTON: The theaters here run them for a week at a time. Can everybody see them on one day, or would they like a two-day run on one picture?

MR. THOMPSON: I think they all get in on one day.

H.M.JR: Yes, that would be better for him, because they are running behind on the customers' things.

MR. THOMPSON: Yes, Murray is a little behind.

H.M.JR: Anything else?

MR. THOMPSON: That is all.

MR. BEIL: I have nothing.

H.M.JR: I would like to talk - where is Dave Morris?

MR. BEIL: He is down with Patchelder being brought up to date on this agent situation, and they are going to go to conference at nine forty-five with the Investment Bankers' Association, so he asked to be excused.

H.M.JR: And Buffington?

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MR. BELL: Buffington is going down there in a few minutes.

H.M.JR: On this Investment Bankers?

MR. BELL: They want to be made an agent for the bonds.

H.M.JR: George, I called up Bell this morning, and I thought that on this question of agencies, that I would let Dave Morris handle it.

BUFFINGTON: That is fine with me.

H.M.JR: I thought that you were pretty well loaded up, aren't you?

MR. BUFFINGTON: Yes, I am, but I wanted to do it if I could help Mr. Bell, but --

H.M.JR: Well, I called him up this morning, and said to give this to Dave Morris.

MR. BUFFINGTON: Fine.

H.M.JR: Because I am going to push quite hard and -- there is no conflict, is there?

MR. BUFFINGTON: Conflict?

H.M.JR: With you?

MR. BELL: Overlapping. You would be using the same agents that we will, probably, in some cases, but we can iron that out.

MR. BUFFINGTON: Yes, but I don't think there is anything serious.

H.M.JR: Well, the point is that I wanted - you (Bell) have already done it? You have already got Dave Morris on it?

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MR. BELL: Oh, yes, I called him right away when you called me.

H.M.JR: Well, right after this I wanted to talk financing with you. What are you doing right after this meeting?

MR. BELL: Well, I would like to go to the Federal Reserve Board and work out a statement that you might want to give out after this budget message, but I can do that later.

H.M.JR: Supposing you stay here and talk with me right after this meeting?

MR. BELL: All right.

H.M.JR: We will have who, Henry Murphy come in?

MR. BELL: Where is George, is he sick?

H.M.JR: He is sick.

MR. BELL: Yes.

H.M.JR: Can Dave come up a little bit?

MR. BELL: Could you make it, say, ten thirty or ten fifteen?

H.M.JR: I can make it ten thirty.

MR. BELL: That would be a little better.

H.M.JR: Ten thirty.

MR. BELL: They will be able to finish their conference by that time.

MR. BUFFINGTON: Pardon me, that meeting has been postponed because that man Beard's train was late, so the meeting is going to be at ten thirty, instead of nine forty-five.

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MR. BELL: Then right after this would be better.

H.M.JR: What is Dave doing in the meantime?

MR. BELL: He is being brought up to date. He is getting the background.

H.M.JR: I see, going to school.

MR. BELL: Going to school, yes.

H.M.JR: Then we will start right after this meeting. Harry?

MR. WHITE: The Argentine Minister was in yesterday, and we told him we would be prepared to consider any modifications of the past arrangement which had already been consummated, so he may come back with some suggested changes of that agreement to make it fit what he regards as the changed situation.

Portugal has requested again permission to buy ten tons of silver. They asked the State Department, and the State Department has referred it to us. It will be a matter that will be taken up with the Foreign Funds, and treated as a Foreign Funds matter. There is some question as to whether they need that silver for the purposes which they are telling us, so it may be that Foreign Funds may turn them down, but in view of the state of the silver market from the Treasury point of view, that wouldn't be an undesirable thing in any case.

MR. BELL: Will they leave the silver here?

MR. WHITE: What is that? We are not buying any.

MR. BELL: I say would they leave it here?

MR. VINER: No, they want it for coinage, I suppose.

MR. WHITE: Yes, but the amount is pretty large. The British turned down their navicert on an amount

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similarly. They say the British will give them a navicert now. We have some doubts about that too, but in any case it is going to be treated as a Foreign Funds matter, just as though silver were any other merchandise, copper or anything else, rather than as a monetary consideration. I have this memo from you with respect to Lazard Freres. I suppose we will discuss it at some other time. It is not only Lazard Freres, it is apparently Morgan and Company too.

H.M.JR: Well look, it will take Bell a couple of minutes to go into it, and I would like to talk with you and Foley right after this meeting, you see. I want to talk to you and Foley right after this meeting.

MR. WHITE: I had asked Soong to see whether he could get any information through his sources on Taylor and Frese, and he said he would try, and he sent a telegram to Chungking, and he received a telegram dated the fourth of January, that was yesterday, informing him that unfortunately Taylor and Frese are in Hongkong.

H.M.JR: I see.

MR. BELL: Didn't get out?

MR. WHITE: I don't know what the source of their information is, but that is the last information that we have. If possible, I would very much like if you could save fifteen minutes between - before twelve o'clock to tentatively go over a resolution --

H.M.JR: I have got five people coming in.

MR. WHITE: Well then, would this meet with your approval? Secretary Hull asked whether he couldn't see a draft of that resolution in the early afternoon. I said that I was in grave doubts whether we could get any clearance here. He said could he see it as a tentative document, without getting clearance here?

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H.M.JR: Sure.

MR. WHITE: O.K. That is all.

H.M.JR: Chick?

MR. SCHWARZ: Paramount News is checking on that playback technique and has promised to let me know as soon as possible today. I will check with you. That is all.

H.M.JR: O.K. You might give them the idea - they may not - instead of my sitting there looking into the air, have an actor dressed as a workman, get an actual workman and have him sit at a table and let him talk with me. I mean, I will be talking this thing to an actual workman.

MR. SCHWARZ: Good.

H.M.JR: They can get one right out of the studio and let the fellow sit down in his overalls and I will talk to him.

MR. SCHWARZ: They will have some there all right.

H.M.JR: Sure. I mean, there is a thought.

MR. SCHWARZ: I will pass it on.

H.M.JR: Just so that he and I sit at a table and I will talk to this workman.

Dr. Viner? Will you sit in on the financing, please?

Harold?

MR. GRAVES: Dan and I think I had best go to that Board of Trade meeting.

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H.M.JR: You think you should?

MR. GRAVES: Yes.

H.M.JR: All right.

MR. GRAVES: That is the Hughes letter. I will go to see him if there is any comeback.

H.M.JR: All right.

MR. GRAVES: Senator O'Mahoney called me yesterday, saying he had had a letter from a little boy in Wyoming who proposes this idea for the Defense Savings Stamp on here. He simply wanted you to autograph that if you would, and he is going to have General Walker autograph it.

I have turned this matter over to Stodgill. He is going to give us a report on this thing you have just given me.

H.M.JR: One second, Harold, come over here with me a minute.

(Discussion off the record).

MR. GRAVES: About the motors for the equipment, offset presses at the Bureau of Engraving, Mr. Mack immediately got a high priority for that equipment, and it has been forwarded to the contractor, and Mr. Hall has given me a memorandum yesterday saying that they have called on the contractor to tell them when delivery will now be expected, but he asked me to remind you that this has no bearing on the production of bonds, that this equipment is for other processes.

H.M.JR: Well, it is right in the row where they are printing bonds.

MR. GRAVES: This is for offset presses.

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MR. BELL: There is no bottleneck there.

H.M.JR: Well, would you, when you leave the room, call up Hall and ask him if he couldn't - if the situation has improved any on that International Business Machines, see, today?

MR. GRAVES: He has already given me a report about that.

H.M.JR: We fell off in production, what was it, forty or sixty thousand, due to International Business Machines.

MR. GRAVES: He said that deliveries yesterday were four hundred forty-five thousand. Is today Tuesday?

H.M.JR: Yes.

MR. GRAVES: Four hundred fifty thousand today, and will drop tomorrow to three hundred seventy-five thousand, due to lack of assemblies from IBM.

H.M.JR: Well, will you have him fix up a telegram for me in which I want - to Mr. Watson, saying that our production for Monday and Tuesday and Wednesday would have been so much if he had taken care of it, but due to the fact that he isn't taking care of it, each day we are losing so much production. What is he going to do about it?

MR. GRAVES: All right, sir. Incidentally, Mr. Hall says that the local IBM people were delighted that you sent that telegram.

H.M.JR: Well, I would like to send this kind of a telegram to Watson today and if they could get it to me not later than eleven thirty, see, that our production for Monday, Tuesday, and Wednesday was scheduled for so much. It is so much, due solely to the fact that the IBM is falling down. "Mr. Watson,

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what are you going to do about it? We all would like to know."

MR. GRAVES: As a matter of fact, as I understand it, Dan --

H.M.JR: Just put that in. "We all would like to know."

MR. GRAVES: Are you serious about that?

H.M.JR: Definitely. It will get a little smile out of him. I don't want him to think I am too tense.

MR. GRAVES: As I understand it, Dan, if Al had been getting these assemblies as needed, he would then have been able to work Sunday, so we lose a whole day's production.

H.M.JR: Well, put it right - then go back to Sunday, you see. Would you mind doing this for me?

MR. GRAVES: No.

H.M.JR: Then go back to Sunday, that our production for Sunday, Monday, and Tuesday would have been so much - was scheduled for so much. Now, we can only produce so much because IBM has fallen down. Now, what are you going to - you see, I sent him one telegram yesterday, and I got an immediate answer that he would get on it.

MR. GRAVES: Yes, sir.

H.M.JR: And you say the local people liked it?

MR. GRAVES: Mr. Hall says that they were very glad that you sent that. They doubted whether they were getting a hundred per cent cooperation from them.

H.M.JR: Well, let's put it right on the line. We lost so much production, whatever it is, Saturday,

- 12 -

Sunday, Monday, and Tuesday, or whenever we began to lose, see, and sign it, "We all would like to know."

MR. GRAVES: Yes, sir. That is all I have.

H.M.JR: Thank you. Roy?

MR. BLOUGH: I have the beginnings of something on a hundred per cent, if you are interested.

H.M.JR: Right.

MR. BLOUGH: I also have an old memorandum which was sent you, but I don't know whether you read it or not, on the hundred per cent.

H.M.JR: Don't ask.

MRS. KLOTZ: That is good, "Don't ask."

MR. PAUL: On that six per cent, we would like to be sure what you meant. We have got three interpretations of it there.

H.M.JR: Well, that gives me three outs. Two outs. I have got to give him one of them. I meant one of the three.

MR. PAUL: Do you have any time this afternoon for a brief conference in which we could pick up any odds and ends?

H.M.JR: You see my trouble is I have got a dentist appointment at four o'clock.

MR. PAUL: I can sympathize with you there.

H.M.JR: Mr. Bell is coming in at three. I don't know what for.

MR. BELL: You can postpone that if you want to. After all, I have got to write a speech for tonight.

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H.M.JR: Aren't you ready?

MR. BELL: Well, we can tell you something.

H.M.JR: What was it about, Dan?

MR. BELL: Agents.

H.M.JR: Agents?

MR. BELL: Yes, the thing we have been talking about.

H.M.JR: Well, let Dave Morris come in and tell me about it.

MR. BELL: He isn't any more ready than I am. We can tell you what has been done, and what we plan to do.

H.M.JR: Can't Dave take the whole idea off your shoulders?

MR. BELL: Yes, but I would like to sit in on it when we have a conference.

MR. GRAVES: You had asked me to sit in on that meeting too, and I would very much like to, but we are having our hearings before the House Committee on Appropriations this afternoon at two.

H.M.JR: I want to see somebody at three o'clock. I don't care who it is.

MR. BELL: See the tax people.

MR. BUFFINGTON: I would like to put in a bid for three o'clock.

H.M.JR: I want to hear about the agents at three o'clock. I am not going to get --

MR. PAUL: We would like --

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H.M.JR: Three fifteen for you.

MR. PAUL: We would like to see you sometime, even if you don't want to hear it.

H.M.JR: You can come in at three five, three ten.

MR. BELL: And sit outside too, a little while.

H.M.JR: Three ten.

MR. PAUL: All right.

MR. BUFFINGTON: Three fifteen for me? (Laughter).

MR. BELL: You are coming in at three, aren't you?

H.M.JR: You (Buffington) can ride over to the dentist's with me.

MR. WHITE: You can even sit in the chair (laughter).

H.M.JR: Do you know what they charge for those two wisdom teeth? Seventy-five dollars.

MR. KLOTZ: Is that cheap?

H.M.JR: Very cheap. Henry's was three times as much for one wisdom tooth.

MR. SULLIVAN: That is practically nothing. I know.

H.M.JR: Well, in New York they charged, I think it was two or two hundred and fifty for that, and this man, with two teeth and all the after treatment, seventy-five dollars.

MR. SULLIVAN: He is in tax trouble, I will bet you.

H.M.JR: No, they are nice fellows.

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MR. BELL: Twenty-five dollars, I think, is the price in Washington.

MRS. KLOTZ: Sure. You are not getting anything for nothing.

MR. SULLIVAN: Impacted wisdom tooth?

H.M.JR: Two of them.

MR. BELL: You ought to get two cheaper than one.

H.M.JR: And the after treatment?

MR. BELL: Yes, that is the after treatment.

MRS. KLOTZ: Yes, they have got to treat you afterward.

MR. WHITE: (Singing) I can get it for you wholesale. (Laughter)

H.M.JR: How far were we?

MR. BUFFINGTON: I have two or three questions on the Disney picture I wanted to take up with you if I could when I ride over to the dentist's with you.

H.M.JR: Yes. You can stand there while he fusses with my teeth.

MR. BUFFINGTON: All right.

MRS. KLOTZ: Poor dentist.

H.M.JR: I will get rid of you.

MR. SULLIVAN: He will have a tough time trying to answer when his mouth is full of instruments, George.

H.M.JR: Two kicks in the shin means no.

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MR. BELL: You had better turn it around or he will have sore shins (laughter).

H.M.JR: That is very good, Dan. That is worthy of Harry at his worst. All right, got any ideas, John? That is very good. We will give it to Disney as a suggestion.

MR. SULLIVAN: I am going up this morning to see Doughton and George about Friday morning.

H.M.JR: Good. Everything else all right?

MR. SULLIVAN: Yes, sir.

MR. FOLEY: I have nothing.

H.M.JR: Herbert?

MR. GASTON: No.

H.M.JR: Now, can I have five minutes with Herbert and with Foley and White and then I will be ready for you (Bell) on financing.

MR. BELL: O.K.

H.M.JR: And George, if I get time this morning before the dentist, be ready and I will send for you.

1/6/43



More Appeals Boards

Efficiency Rating Appeals boards have been completed to serve in these agencies:

Federal Communications Commission, St. Elizabeths Hospital, Social Security Board (Baltimore), Social Security Board (Washington), U. S. Housing Authority, Public Roads Administration, Works Projects Administration, Department of the Interior, Immigration and Naturalization, Department of Justice, Maritime Commission, National Gallery of Art, National Labor Relations Board, Navy Department, Post Office Department, Department of State, and Treasury Department.

Here are the lineups by agencies:

FEDERAL COMMUNICATIONS COMMISSION

Martha G. Townsend, chairman; O. J. Barnett, alternate chairman; Benedict P. Gaitano, department member; Russ H. Hyde, department alternate member; John E. Beadie, employe member; Harry Teonyon, employe alternate member.

ST. ELIZABETHS HOSPITAL

Board A—Leroy W. Valentini, chairman; Evelyn A. Crowwell, alternate chairman; Dr. Ernest A. Rik, recruitment member; Walter E. Knowles, department alternate member; Dr. Morris Wechslerman, employe member; Beaula Teter, employe alternate member.

Board B—Leroy W. Valentini, chairman; Evelyn A. Crowwell, alternate chairman; Beaula W. Coney, department member; Beaula W. Coney, department alternate member; Lawrence H. Taylor, employe member; Felix A. Cooper, employe alternate member.

Board C—Leroy W. Valentini, chairman; Evelyn A. Crowwell, alternate chairman; Samuel E. Wilson, department member; Arthur L. Deming, department alternate member; William F. Holmes, employe member; William H. Myster, employe alternate member.

SOCIAL SECURITY (BALTIMORE)

Processing Section—Leroy W. Valentini, chairman; Evelyn A. Crowwell, alternate chairman; Lewis Shaid, department member; L. L. Smithhouse, department alternate member; David Livingston, employe member; Harold Kaarna, employe alternate member.

Wage Records Section—Leroy W. Valentini, chairman; Evelyn A. Crowwell, alternate chairman; J. A. Smith, department member; W. E. Taylor, department alternate member; George Beale, employe member; Milton H. Davis, employe alternate member.

Registration Section—Leroy W. Valentini, chairman; Evelyn A. Crowwell, alternate chairman; L. G. Caruso, department member; Tom L. Smith, department alternate member; Clarence P. Paine, employe member; John T. Murray, employe alternate member.

General Office Section—Leroy W. Valentini, chairman; Evelyn A. Crowwell, alternate chairman; D. H. McClure, department member; Carl Hunter, department alternate member; Warren, department alternate member; Walter M. Marston, employe alternate member.

SOCIAL SECURITY (WASHINGTON)

Leroy W. Valentini, chairman; Evelyn A. Crowwell, alternate chairman; Arthur G. Thomas, department member; Marvin Keller, department alternate member.

NATIONAL GALLERY OF ART

Thomas A. Flynn Jr., chairman; Roger C. Power, alternate chairman; Stanley P. Keaton, department member; Charles Seymour, department alternate member; Charles N. Walston, employe member; Leonard Morye, employe alternate member.

NATIONAL LABOR RELATIONS BOARD

Thomas A. Flynn Jr., chairman; Roger C. Power, alternate chairman; Robert H. Watts, department member; G. L. Fairman, department alternate member; David Reis, employe member; Daniel Chegt, employe alternate member.

NAVY DEPARTMENT

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POST OFFICE DEPARTMENT

Leroy W. Valentini, chairman; Evelyn A. Crowwell, alternate chairman; Robert A. Regard, department member; Harry E. Stone, department alternate member; A. E. Blasingham, employe member; William A. Hill, employe alternate member.

DEPARTMENT OF STATE

James J. Brown, chairman; Hans C. Cox, alternate chairman; John G. Ross, department member; Paul H. Alling, department alternate member; Rosemary S. Davarport, employe member; John O. Hill, employe alternate member.

TREASURY DEPARTMENT

Martha G. Townsend, chairman; O. J. Barnett, alternate member; Oliver W. Stratton, department member; Stephen F. Gerardi, department alternate member; John T. Birch, employe member; Irving A. Lehman, employe alternate member.

THE HOUSING CALL

Office of the Secretary of the Treasury offers some additional facts concerning the case of M. W. Scheffer, the young man whose ambition was to interest the Secretary in his father's housing plans. It appears, says Treasury, that Mr. Scheffer had talked to the Department earlier and that he had been told that matters respecting housing are outside the jurisdiction of Treasury and for that reason the Secretary would not take time to discuss items foreign to Treasury activities.

Mr. Scheffer failed to accept this as final, Treasury says, and in the end reached the Secretary at his home when his call was put through via Treasury. It may have been a sort of comedy of errors or coincidence, but the Secretary immediately prior to Mr. Scheffer's call had been in phone conversation with OPM on vital matters. The call had become disconnected. The Secretary had assumed that Mr. Scheffer's call was a resumption of the disconnected call.

We can understand that this confusion was most unfortunate and perhaps annoying. On the other hand, we believe that the Secretary would be the last to want to cause any injury or injustice to anyone.

In view of what has gone before, we are of the belief that an adjustment can and will come about.

January 6, 1942
10:15, a.m.

RE FINANCING

Present: Mr. Bell
Mr. Murphy
Mr. Hadley
Mr. Lindow
Mr. Viner

MR. BELL: Dave Morris had some of those people in and I excused him. Did you have that press conference?

H.M.JR: Yes. It is in the paper. What they wrote is all right.

MR. BELL: I see. You (Hadley) did tell me that the Tribune commented and didn't see why we postponed it.

H.M.JR: It is in the paper somewhere.

MR. BELL: Well, don't look now.

H.M.JR: What did the Tribune say?

MR. HADLEY: In their editorial comment they wondered why we postponed it until next week. They said it was sort of squeezing it close to the date.

H.M.JR: Yes.

MR. BELL: Well, Henry has a new table showing the distribution of these securities as of November 30. Fifty-five per cent of them are held by commercial banks. Thirty-seven per cent are held by mutual insurance and all other investors. Eight per cent is held by the Federal Reserve Banks. Piser

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at the Federal Reserve Board has been figuring on a note, and he has got some prices there on the note up to five years, up to December, 1946. You said, however, that you didn't want to issue anything of less than five years if you could help it. We have got plenty to do in the next five years, without putting anything else in there. We have all been thinking about a short bond in the '48 - '50 area, but we can't very well price it yet until we see what effect the budget message has on the market.

H.M.JR: What about reopening that '48 - '50?

MR. BELL: Well, that has got a pretty heavy premium on it now. It is a hundred and one, twenty-three thirty-seconds. Of course the budget message and the weight of this one may bring that way down toward a hundred and one. We could do that or we could put a new one in there.

H.M.JR: I don't see why we can't - let's say it stays where it is, and we ask them to put up 25 cents or 50 cents.

MR. BELL: You could do that too. Of course you won't know that until Saturday, just where this thing is going to sell. We thought maybe we ought to have a hedge --

H.M.JR: Do I have to be here Saturday? I mean, I could talk to you on the phone.

MR. BELL: Yes, you could do that. You will be in New York or at the farm?

H.M.JR: I hope to go to the farm. I could use two days. The President will be up there.

MR. BELL: Well, we can handle it over the phone if you are willing to do that.

H.M.JR: Well, let me just ask you this. This is what I wanted to get. Morris asked whether he could

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go to New York tomorrow.

MR. BELL: Yes.

H.M.JR: Well, I don't know what he wants to go for, but I told him it would have to fit in with this financing.

MR. BELL: Well, there isn't much that we can do on the financing tomorrow. I think Thursday and Friday will be our days for concentration.

H.M.JR: Do you want him to go to New York tomorrow?

MR. BELL: I told him I thought he could go.

H.M.JR: What would he do up there?

MR. BELL: Oh, I don't know. I think it is something personal, not official. At least I didn't get it that way. I think that Bob Rouse ought to talk to the market Friday morning.

H.M.JR: Do you need any Federal Reserve meeting?

MR. BELL: No, I thought we would do it over the telephone and our conferences here with the Board and let them consult the open market members outside of Washington. Ronald said he thought that would probably be better, but I should think Bob Rouse ought to begin Friday morning to talk with the market, and give us the result of his talks after lunch Friday and Saturday morning we can make up our minds. We would like to have a hedge, or at least we are thinking about it now.

That sixty-six million dollar issue is selling at just a slight premium of four to five thirty-seconds. We think there is no right value on that, isn't that right?

MR. MURPHY: I think that the market thinks that.

MR. BELL: So that if we add some more to it and

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make it to the point where it is a right value, and get a little higher price on it. Now, four to five would just be a hedge, and that is all. It wouldn't be any inducement to take it unless the bank wanted that very short security. It is only a year.

H.M.JR: How much would I have to pay for a five-year note?

MR. HADLEY: One and a half per cent.

H.M.JR: As much as that?

MR. HADLEY: Yes.

H.M.JR: I didn't realize short money was that high.

MR. HADLEY: It went up very sharply.

MR. BELL: Your one per cents of March 15, '46 are selling on a one hundred six basis. That is the longest one we have got on a note.

H.M.JR: Well, gentlemen, we would fill that '48-'50 area sooner or later, wouldn't we?

MR. BELL: Well, I am not so sure we would.

H.M.JR: I thought you were going to fill up all those issues. Gee, I didn't know that short money - it jumped a half a per cent, didn't it? I didn't realize that.

MR. BELL: Your bills have gone up three tenths, almost.

H.M.JR: Yes. Well, there is your old Federal Reserve working on their excess reserves. That is just what is happening now.

MR. MURPHY: The New York banks haven't added anything to their portfolios since June 1, and they were the

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heart of the short-term market.

H.M.JR: The what?

MR. MURPHY: Heart.

H.M.JR: Well, I would hate to borrow five years and pay one and a half for it. Has the '48-'50 field -- has that gone up much?

MR. HADLEY: Yes, that has too. That has gone up about a quarter of a per cent.

H.M.JR: I mean, it would cost me that much more?

MR. HADLEY: It would cost you two per cent for a '48-'50.

H.M.JR: Let me see the book on the '48-'50. Is this it?

MR. LINDOW: Yes, this is it. This is your monthly series. You get some perspective back to the issuance, you see.

H.M.JR: This is the price?

MR. LINDOW: The price is this bar here. This is the yield.

H.M.JR: Well, the price hasn't - the interest rate has gone down.

MR. BELL: What is that date where the peak is? Right here. It is the middle of '41.

MR. LINDOW: Yes, about the middle.

MR. BELL: You see, since the middle it has been pretty --

MR. MURPHY: You notice it got up to a hundred and three and a quarter. It is down now to a little over

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a hundred one and a half. We are just about back to where we were when we put it out. The premium now is just about the same as it was then.

MR. BELL: Yes.

H.M.JR: What are the arguments against using this issue?

MR. BELL: I think the only argument at this point - I think Hadley probably has another one - is that it is a little rich. If you put on a premium that will solve that. The other thing is, it is a question of whether you want two billion dollars in a two-year call period. I don't think I mind that.

H.M.JR: What do you think about that, Jake?

MR. VINER: I would be --

H.M.JR: You will be advising the Treasury then, I won't.

MR. VINER: I have to get oriented. I don't really feel I have the judgment yet on it.

H.M.JR: All right.

MR. VINER: I would rather wait for the next financing, by which time I will be educated.

MR. BELL: I think Hadley feels that the reopening of the last issue of '67-'72 had a greater adverse effect on the market than if we had had a new issue in the same area, don't you?

MR. HADLEY: Yes. I was very much in favor of reopening issues until I saw our experience on the last one, and even before the war started, I think that the '67's fell off farther than they would have if we had put out a new issue. It is one of those things that you can't prove except by hindsight.

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MR. BELL: And I don't see why it should be, but -- they have been thinking a little about it, Sproul and Rouse, but they have talked to no one outside. The Board is thinking about it, and Piser is preparing a memorandum today for the Board.

H.M.JR: Let me just put it this way. How much money are we going to have to raise in February, cash?

MR. BELL: Well, the last estimate I had was a billion and a half. Now, these savings bonds - if they keep on the way they are, we will cut that down some. Of course our expenditures by that time may increase due to this war effort.

H.M.JR: Well, not in February, Dan.

MR. BELL: Well, we are borrowing in February for March and April.

H.M.JR: They won't show up by then. You take Mr. Keller, for instance, of Chrysler, who got that truck order, he said it would take him until the 15th of April to retool, and he wouldn't get started until the 15th of April, that he was going to work day and night getting his factory in shape. Now, he has got his order and if that is indicative - so I don't think any of these people can put their factories in order under three months. He first talked June, and then he said the 15th of April.

MR. BELL: Well, I was thinking of some of the things that they could buy and spend money for quickly, such as supplies of a small type, food and things that they could shove to these bases for shipment and so forth.

H.M.JR: Well, I think Wickard has done that up to the hilt, and then the other thing --

MR. BELL: Well, not for the Army and Navy, has he?

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H.M.JR: Well, yes, but they won't --

MR. BELL: You see, they are enlisting people pretty fast. That probably wouldn't increase it materially each month.

H.M.JR: No.

MR. VINER: That wouldn't amount to -- it wouldn't amount to -- certainly not over a hundred million a month.

H.M.JR: Exactly what I was going to say. I would say a hundred million a month up to April or May.

MR. VINER: Oh, on the increased enlistment and so on, that would be up to the end of the summer. The new draft won't - they won't even begin to register until the first of February.

H.M.JR: February 16th, isn't it?

MR. VINER: Well --

MR. BELL: Some time in February.

H.M.JR: Well, let me come back. Let's say that you needed how much in February?

MR. BELL: A billion and a half is my estimate.

H.M.JR: From now?

MR. BELL: Well, I haven't any reason --

H.M.JR: What is our working balance, Dan?

MR. BELL: Two billion five. It is higher than we anticipated because of the hundred million dollars more in tax notes than our estimates, and two hundred more in savings bonds.

January 6, 1942
10:31 a.m.

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HMJr: Put up the red light for me. Hello.

Operator: Sproul and Rouse.

Allan
Sproul: Good morning, Mr. Secretary.

HMJr: Good morning, gentlemen. How are you?

S: Fine, thank you.

HMJr: We've got just a few Treasury people here, and we were talking about this refunding for next week.

S: Yes.

HMJr: And I wondered if you had any bright ideas.

S: No, no bright ideas. It seems to call for just ordinary ideas. In other words, it seemed to us that.....

HMJr: Don't be too modest.

S: (Laughs) It seemed to us that the place in the market was anything up to ten years, but the strongest part of the market recently and now has been out about eight or ten years, and that on the other hand the larger part of the holders of the maturing obligations are banks and related financing institutions, and that it calls for probably a bond out in the forty-eight to fifty area, with - in our thinking - notes in the - perhaps in around four years to top off the offering and to meet the demands of all the holders of the maturing issues and to best blanket the market at this time.

HMJr: One note?

S: What?

HMJr: One note?

S: Yeah.

HMJr: For a billion dollars?

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- S: Oh, no, I say a bond - a two per cent bond out in the forty-eight, fifty area to carry the major part of the load, and a note to top it off to take care of all possible holders of the maturing obligations and all parts of the market that might be interested.
- HMJr: Oh, listen, fellow, we're in a wholesale business. We don't want to give two issues for a billion dollars.
- S: Well, I think you'd - you can still do that in the wholesale business.
- HMJr: No. No. That doesn't appeal to me.
- S: Well, if you want to work on just one issue, I think it ought to be out in the eight to ten year area.
- HMJr: Well, do you want to reopen that forty-eight, fifty-two?
- S: That's a possibility, yes.
- HMJr: Charge a little premium? Hello.
- S: But that's a possibility. I think a new bond would go better.
- HMJr: Reopening that old one last time wasn't too happy, was it?
- S: Well, it was all right, but it wasn't a howling success.
- HMJr: No.
- S: I think a new bond would go better this time.
- HMJr: Well, then, what are you going to do a month from now for cash?
- S: Well, there I think that a month from now operation solves the whole manner of financing this program. I think that means a strapping of the long-term market by a special issue, plus the speed-up on savings bonds and....
- HMJr: Would a billion dollars of a note - is that too much?

S: I think it is. The note market's been pretty thin, and isn't very robust now.

HMJr: How about two notes, six months apart?

S: Well, I don't think that would really answer the question. They wouldn't - they'd both be in the same area of the market where the demand hasn't been so great.

HMJr: I see. Well, I think we'll all have to do a little more thinking.

S: Well, that's how I feel. You might want to see what Mr. Rouse has to say on it.

HMJr: Okay, I'll gladly listen.

Robert Rouse: Well, I'd like just to add this, that - and I think it goes for Allen, too - that pending the annual message today and the Budget speech tomorrow, we haven't wanted to bring down our ideas to a genuine conclusion.

HMJr: I see.

R: We're right with you as far as doing the billion one is concerned. We think it's important to do the billion one - the whole refunding - but as to the refinement of whether it should be a note of three years or four years, or a bond of seven years or nine years, we haven't really gotten down to cases on it. We're looking at them all, but we think we - just as you're delaying the thing until next Monday - that it's wise to give the market a chance to see what - to digest those two things.

HMJr: Okay. All right. Thank you.

R: Thank you, sir.

S: All right. Good-bye.

HMJr: Good-bye.

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H.M.JR: No one ever tells me. How many tax notes did we sell in December?

MR. BELL: Three hundred forty-one million. We estimated two hundred fifty.

H.M.JR: What would you think we would have to borrow in February?

MR. BELL: Well, it would be over a billion, and it might go to a billion and a half.

H.M.JR: How about - how much are our notes each week now?

MR. BELL: Our bills are a hundred and fifty. The next week will be the last.

H.M.JR: The next week will be the last of that cycle?

MR. BELL: Yes, and then we begin to roll over.

H.M.JR: At what rate?

MR. BELL: A hundred and fifty. We have got three issues in there in the cycle of two hundred million.

H.M.JR: Where does that go? Well, Dan --

MR. BELL: That is the latter part of January.

MR. HADLEY: February.

H.M.JR: Have one of these boys put up a red light for me when you reach the end of the cycle, because I may want to drop to a hundred million. Put up a red light for me.

(The Secretary held a telephone conversation with Mr. Sproul and Mr. Rouse as follows):

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H.M.JR: All right, gents, we will keep at this thing.

MR. BELL: On the Treasury bills?

H.M.JR: Yes.

MR. BELL: We have the one on the 14th. January 14 would be the last hundred and fifty million dollar issue, which is the one that would be announced Monday. We have three issues of two hundred million each, which would be February 18, February 25, and March 4. Now, on March 16, 17, 18, and 19, we will pay off a hundred and fifty million of these bills out of tax receipts and pick them up later on if you want the money.

H.M.JR: Well, will this group study for me, please, whether we should continue the bills at a hundred and fifty or at a hundred, or what we should do with the bills when this cycle is finished, and make me a recommendation?

MR. BELL: My recommendation right now is that you continue.

H.M.JR: Oh, you are a prejudiced party.

MR. BELL: No, I am not. I think we ought to keep that money. I think we ought to keep that volume of bills in the market because we are going to take out six hundred and - maybe six hundred and fifty million of them.

H.M.JR: Could I ask - talk to you fellows again Thursday? Could I have a recommendation?

MR. BELL: Yes.

H.M.JR: Thursday? Thank you.

January 6, 1942
10:51 a.m.

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HMJr: Hello.

Operator: Will you talk to Mr. Doughton?

HMJr: Yes. Hello.

Operator: Go ahead.

HMJr: Hello.

Robert
Doughton: Hello.

HMJr: Good morning.

D: Good morning. How are you, Henry?

HMJr: Oh, I'm alive.

D: Well, you talk like you're very much alive.

HMJr: Yeah.

D: Hope you had a good rest and a holiday vacation,
and you're feeling fine for the New Year and every-
thing will go with you in the very best of shape.

HMJr: Well, the same to you and many of them.

D: I thank you, Henry. What I called you about, I
think some months ago, the staff of our committee -
the chief of the staff and I called on the Bureau
of Internal Revenue for certain information the
law provided that we could have, and you took it
up with me and wanted that to be routed through
your office.

HMJr: Yeah.

D: And not go direct.

HMJr: Yes.

D: And I did that.

HMJr: Yes.

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- D: And now the complaint from some members of the staff that your committee is that that's not working. They say they call for information they need in their studies and information they're entitled to, and that it hangs up two or three weeks in Sullivan's office and they don't get it promptly and consequently they can't go on with their work.
- HMJr: Well, of course, Bob, that isn't what they asked for. What they asked for was that they be given all information. Hello.
- D: I understand.
- HMJr: I mean, that they were to have all information, all memoranda, everything.
- D: Well, of course, that would be a pretty big order.
- HMJr: Well, I think it is, and I think it's too big and I don't think you'd want that.
- D: Well, I - of course, I don't know any reason they should want it all unless.....
- HMJr: Now, I tell you what I'd like.....
- D: On the other hand, I don't any reason why they should be denied anything they want, why it ain't just as important to them as it is to your staff.
- HMJr: I agree with you there.
- D: Yes.
- HMJr: Now, I tell you what I'd like you to do. Send me down copies of the requests that they've made which have been hanging fire in Sullivan's office for two or three weeks. I'd like to go into that myself.
- D: I'll send you down copies of the requests they've made, because I want - we want to get these matters all straight. I'm awfully anxious - I'm terribly anxious, if that could be a proper word to use, for our staffs to work together in harmonious cooperation.
- HMJr: Well, I.....

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- HMJr: Well, I.....

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- D: I'm afraid there's nothing of that kind going on. I asked Sam if there's any cooperation, and he'd say, "Well, we've been invited down there for some time next week, but it don't seem that they're working together at all in any way."
- HMJr: Well, I sent Sullivan up on the Hill this morning to see you.
- D: I haven't seen him.
- HMJr: Well, he was supposed to go up there this morning.
- D: Yes.
- HMJr: We were going to ask you and Walter George if it would be all right to get together Friday.
- D: It would suit me.
- HMJr: Well, I don't know where he was or what he's been doing, but I asked him to go up to see you.
- D: Yeah. Well, I'll have that sent down to you the information you - and mark it personal for you - and have it sent down by messenger.
- HMJr: Will you? And I'll look into it and I'll give you an answer right away.
- D: That'll be fine. If there's no just cause for the complaint, why then it shouldn't have been made; if there is, why I think you ought to correct it.
- HMJr: Well, you call me up any time you want, and I'll do the best I can.
- D: Well, I'm sure of that. That's the reason I tried to be perfectly frank with you. We don't always perfectly agree - you don't expect we would - but we can understand each other and respect each other's views and do our best to work together in perfect harmony.
- HMJr: We always can, because our country comes first for both of us.
- D: That's the way it is with me, absolutely; and I'd

like to - some of these days when we have a little time - before we get started on our regular work program, maybe I'll wander on down and talk with you a little.

HMJr: Well, I asked Sullivan to go up there this morning, and I don't know why he didn't.

D: Well, probably he'll come in later. He hasn't - I didn't know he was coming. I hadn't heard of it before. He hasn't been here.

HMJr: Okay.

D: All right.

HMJr: Thank you.

D: Be glad to see him. Thank you. All right.

HMJr: Thank you.

January 6, 1942
11:45 a.m.

HMJr: Hello.

Speaker
Rayburn: Henry.

HMJr: Yes, sir.

R: Where is Walt Disney? Is he there?

HMJr: Well, he may be here or he may - I had a couple of step seats, that's all I had, so I gave him those.

R: Oh.

HMJr: Why?

R: Well, I had just this minute - well, if he's got a step seat, that's as good as I can get him now.

HMJr: That's as - well, I had a step seat.

R: Well, all right, then, Henry.

HMJr: But that's all I could give, so I imagine he's gone.

R: Well, all right, then.

HMJr: Is - that's all you had?

R: He can - yes, he gets in on that.

HMJr: He gets in on that.

R: Well, that'll be fine.

HMJr: Well.....

R: I'm sorry I was a little late, but.....

HMJr: Well, it's nice of you to remember me, Sam.

R: All right, fine.

HMJr: You're always kind.

January 6, 1942
3:15 p.m.

DEFENSE SAVINGS BONDS

Present: Mr. Morris
Mr. Patchelder
Mr. Bell
Mr. Murphy
Mr. Ruffington
Mr. Viner
Mrs. Klotz
Mr. Hall

H.M.JR: Where is Harold Graves?

MR. BELL: He couldn't come, you know. He had another conference.

H.M.JR: I have given you (Morris) a new job, young fellow.

MR. MORRIS: Yes, sir.

H.M.JR: And this is your baby, with Mr. Bell and me. I expect lots of outlets. It is his sole responsibility now.

MR. BELL: Well, primarily, but I want to pretty well coordinate - we have got about ten people working on different angles of this thing.

H.M.JR: All right, let's have it.

MR. BELL: And every angle has got to be hung together.

H.M.JR: Shoot, Mr. Bell, shoot.

MR. BELL: As to the agencies that we have qualified

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to issue Series E Bonds, we have thirteen thousand six hundred and eighty-eight banks.

H.M.JR: How many?

MR. BELL: Thirteen thousand six hundred and eighty-eight out of about fifteen thousand banks.

H.M.JR: Yes.

MR. BELL: Building and loan associations, we have two thousand and sixty-four. Credit unions, we have one thousand three hundred sixty-eight, and there are twenty-eight others.

(The Secretary left the conference temporarily and returned).

MR. BELL: Of those agencies I just mentioned, largely banking in character, there are seventeen thousand one hundred forty-eight. We have got sixteen thousand eight hundred eighty-three post offices, which makes a total of thirty-four thousand eight hundred eighty-three agencies selling bonds as of January 3, 1942.

Now, there are other things in the mill which will increase those agencies substantially. One is this payroll allotment plan of the corporations. You know you sent out a wire on that December 27. No corporations have yet been designated, but the Federal Reserve Banks are communicating with those corporations and telling them under what conditions they can be designated.

We have had some inquiry, particularly from the State of Illinois, that it is adopting the payroll deduction plan, and that it would facilitate their problem if they could be designated an agent.

H.M.JR: Who?

MR. BELL: The State of Illinois, the Treasurer of

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the State of Illinois, so we are going into that and that probably will be done within the next few days. Other states can do likewise, and when we get that designated, we will send it out to other administrators and say they can do the same thing. That brings in the state employees. The New York Stock Exchange has been down to see us and they have a stock clearing corporation which has five hundred fifty-eight members and fourteen hundred offices in three hundred forty-four cities in forty-four states. They want to be designated an agent, and we have got that under consideration and we will have the answer in a few minutes.

H.M.JR: Well Dan, you came to me and first said you wanted to handle it yourself and then you said you are too busy, and this man here is too busy. Inside of the Treasury I want to be able to buzz for one fellow when I want a radio hookup. I want some fellow that is going to devote his time to this thing.

MR. BELL: All right.

H.M.JR: Now, see, for you and me, because I want to be able to buzz and say I want this, I want that. I think we have got to get more outlets. I know we have got to get more outlets. Now, how do you want to do it?

MR. BELL: Well, Morris is all right with me.

H.M.JR: Oh.

MR. BELL: Morris is all right with me.

H.M.JR: Well, it is only after you just - you know, you said you were too busy.

MR. BELL: When did I say that? I said yesterday that I thought the thing was growing so fast and I thought it tied in with Buffington's work, and I thought if he didn't have too much, he might take this on, because Mr. Batchelder is now on this foreign depositary work most all of his time.

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H.M.JR: I don't want George to do it.

MR. BELL: Well, I would just as soon have Dave.

H.M.JR: I don't want George to do this.

MR. BELL: I just thought it tied in with his work, but Dave can handle it too, just as well. Either one is all right with me.

H.M.JR: Well, they can talk to each other --

MR. BELL: No, this arrangement is all right with me.

H.M.JR: I am pinning more and more on George, and he is loaded up, and I don't think you (Morris) are, are you?

MR. MORRIS: Well, I thought I was pretty busy.

H.M.JR: Well, I don't think he is busy enough. I want him to have definite responsibilities and let's see what he can do with it. I don't know the machinery. You will have to go to school on that.

MR. MORRIS: Depending on how they work it here, I think that in any of these things there ought to be somebody that could practically be full-time as a helper to me on this kind of a thing.

H.M.JR: That is all right, get two helpers, three helpers, five helpers, I don't care, but if I get an idea in the middle of the night and I want to call you up at seven in the morning, I want somebody on this thing, because I know we have got to have more outlets.

I know a lot of these corporations without payroll deduction plans have to be designated, and it has to be made easy for people to get these bonds, so they don't sit around and wait a month for them.

- 5 -

MR. MORRIS: I would be glad to take over the general thing, but I think I would like to have at least somebody to help, because in any of these things you need a helper.

H.M.JR: Get a helper.

MR. BELL: Do you think you could use the helpers that are around? After all, we have got to keep this thing so that the public debt service knows about it, Mr. Batchelder knows about it and Mr. Graves knows about it.

MR. MORRIS: I don't want to change any mechanism, but I have got to have somebody that can work with me, and then keep the mechanics working, but I know enough of this kind of a thing that you have got to have one fellow who can do the coordinating with the designated agencies, and then leave them alone.

H.M.JR: Can you get somebody?

MR. MORRIS: I will get it.

H.M.JR: Get somebody fresh. Don't give somebody else more work, you see.

MR. MORRIS: No.

H.M.JR: Dave.

MR. MORRIS: That is what I wanted to clear with you right at the beginning, because I think it will have to be somebody else, and not load up some of the present group. We will all have plenty to do.

H.M.JR: Bring in somebody entirely fresh, will you? Does it take a salesman?

MR. MORRIS: I would like to look at the problem a little bit first.

- 6 -

H.M.JR: All right, because believe me, the automobile companies have got plenty of people that are out of work at the top.

(Mr. Hall entered the conference).

H.M.JR: Hall, have you seen this? Sit down. That is the answer. Well, Dan, let's stop it here, you see, and your job (Morris) is to keep Bell happy, keep Harold Graves happy, Batchelder happy, and last but not least, me. I am easy.

MR. BELL: Turn it around, and it will be all right.

H.M.JR: No, no, Bell and Graves and Batchelder and me, and get as much help as you need to keep it going, and this fellow (Buffington) here, too.

MR. BUFFINGTON: I would like to work with you on it.

H.M.JR: No, but see - the point is, I want to push like hell for more outlets.

MR. BELL: You see the reason I mentioned all these people involved, now Harold Graves' administrators in the field are doing some of this job with the corporations. Now, if we do it from Washington, we are going to cross wires, if Dave is going out to the corporations. He ought to do it through an administrator, see, in order to keep them in line.

H.M.JR: Well, I am going on the assumption that Dave has got the administrative ability to know how to do it, and take one more thing off you and me.

MR. BELL: Well, I think he has, too.

H.M.JR: And it is up to him just the way I said, to keep you, Graves, and Batchelder, and George Buffington, and me happy, and get one, two, or three, or four people. I don't care how many. It is a hell

of a big job. And don't forget this, Ronald Ransom has offered his services time and again, particularly on Defense Bonds, to help. He said, "Call on me any time that you want to." Ronald Ransom. He says, "I would like to help." He is a good man. He says, "I am particularly interested in Defense Savings Bonds and any time you want anything, I will help." So don't overlook it. He is a good man.

Gentlemen, the Argentine is waiting without.

C
O
P
Y

January 6, 1942.

My dear Senator:

After careful investigation of a number of persons suggested as possible appointees as Defense Savings Chairman and Administrator for Delaware, we have tentatively selected Mr. Henry T. Bush, President of the Farmers Bank of Delaware, as Chairman, and Mr. Donald P. Ross, Vice President of the Wilmington Trust Company, as Administrator.

I feel that we have two very strong men in Mr. Bush and Mr. Ross. The two men complement each other and have worked together on past civic campaigns. Both will be willing to serve without pay and to accept appointment provided the appointment is made jointly.

Sincerely,

(Signed) H. MORGENTHAU, JR.

Honorable James H. Hughes,
United States Senate,
Washington, D. C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 6, 1942

TO Secretary Morgenthau

FROM Prepared by Mr. Tickton in response
to your request to Mr. Hase

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; (2) a table summarizing the unfilled requests for Savings Bonds at the Federal Reserve Banks and at the Post Office last night; (3) a table comparing such unfilled requests daily for the past week and (4) a table showing daily deliveries of savings bonds by the Bureau of Engraving and Printing.

2. Despite record production of savings bonds at the Bureau of Engraving and Printing, the shortage of savings bonds in the field grows day by day. The Federal Reserve Bank of Chicago told us on the phone this morning that sales of the bank and its consignment agents are averaging better than 30,000 pieces a day. The Chicago bank handles about 10 percent of the dollar volume of savings bonds sold in the country each month so that a projection on this basis would indicate daily sales of approximately 300,000 pieces. This compares with 445,000 pieces delivered by the Bureau yesterday.

3. Deliveries of savings bonds will decline today and tomorrow we are advised, because of the shortage of punch card assemblies. Daily production of 500,000 pieces, however, is expected to be reached by Thursday or Friday.

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	75.0	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	23.7	43.3	32.2	78.1	67.5
8	23.4	42.7	33.0	77.4	66.8
9	23.1	43.2	33.0	76.9	66.3
10	23.3	43.2	33.3	76.4	65.8
11	23.3	43.2	34.0	76.8	66.8
12	23.6	43.6	35.2	76.1	71.1
13	24.4	42.0	34.6	78.5	73.2
14	24.4	42.0	36.0	87.9	75.2
15	24.1	40.7	38.0	95.5	71.5
16	24.1	39.8	37.6	101.0	79.4
17	24.1	38.6	36.4	99.8	105.9
18	23.7	37.1	34.9	96.5	105.5
19	23.6	35.7	33.5	96.3	104.1
20	23.1	36.0	33.2	85.7	102.7
21	22.6	38.4	32.2	85.7	102.7
22	22.5	37.9	30.1	92.6	99.7
23	22.7	39.3	29.7	91.5	98.4
24	27.8	40.5	28.9	89.6	97.0
25	27.0	43.1	29.8	89.8	97.0
26	26.6	41.7	27.4	86.4	93.5
27	26.4	40.4	27.8	87.4	96.4
28	24.1	43.0	29.3	89.4	95.4
29	23.7	43.2	27.6	89.4	96.3
30	23.7	43.6	28.3	89.4	96.3
31	23.6	43.7	27.9	89.5	96.3
1942					
Jan.					
1	35.7	46.1	28.2	90.1	97.0
2	40.3	45.4	28.5	93.6	100.3
3	43.2	44.2	28.3	97.1	103.7
4	43.2	44.9	28.3	97.1	103.7
5	43.1	43.5	27.1	98.8	105.2

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

Agents' requests for savings bonds unfilled at
the close of business, January 5, 1942

(In thousands)

	Denomination					Total
	\$25	\$50	\$100	\$500	\$1,000	
Federal Reserve Banks						
Boston	52	23	29	3	-	107
New York	-	54	56	-	-	110
Philadelphia	10	13	21	-	-	44
Cleveland	-	9	7	-	-	16
Richmond	-	15	15	4	-	34
Atlanta	3	9	8	-	-	20
Chicago	116	72	77	11	-	276
St. Louis	3	5	8	-	-	16
Minneapolis	-	12	1	-	-	13
Kansas City	40	21	22	4	-	87
Dallas	20	-	-	-	2	22
San Francisco	31	12	24	-	-	67
Post Offices	<u>95</u>	<u>178</u>	<u>170</u>	<u>-</u>	<u>-</u>	<u>443</u>
Total	<u>370</u>	<u>423</u>	<u>438</u>	<u>22</u>	<u>2</u>	<u>1,255</u>

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

Agents' requests for savings bonds unfilled at
the close of business, December 29, 1941
to date

(In thousands)

	Dec. 29	Dec. 30	Dec. 31	Jan. 2	Jan. 3	Jan. 5
Federal Reserve Banks						
Boston	89	93	103	57	100	107
New York	75	93	94	60	70	110
Philadelphia	2	4	4	38	39	44
Cleveland	22	16	16	8	16	16
Richmond	25	24	24	24	29	34
Atlanta	-	6	6	20	29	20
Chicago	199	232	268	250	228	276
St. Louis	18	17	17	7	13	16
Minneapolis	2	5	5	16	22	13
Kansas City	64	76	68	89	70	87
Dallas	12	17	3	11	15	22
San Francisco	19	34	34	26	13	67
Post Offices	<u>400</u>	<u>302</u>	<u>187</u>	<u>385</u>	<u>527</u>	<u>443</u>
Total	927	919	829	991	1,171	1,255

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

U. S. Savings Bonds - Series E

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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
2	240	20	60	25	25	370
3	330	-	40	25	25	420
4	-	-	-	-	-	-
5	245	75	75	25	25	445

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

TREASURY DEPARTMENT

CONFIDENTIAL
278

INTER OFFICE COMMUNICATION

DATE January 6, 1942

TO Secretary Morgenthau

FROM Prepared by Mr. Tickton in response
to your request to Mr. Haas

1. Attached to this memorandum are tables showing (1) the number of agents qualified to issue Defense Savings Bonds, Series E, at the close of business on January 3 classified by type of agent, and (2) the number of such agents on selected dates since last May. The tables have been prepared from information submitted by the Federal Reserve Banks and the Post Office Department, and, in accordance with your request, will be brought up to date as of the close of business each week.
2. On January 3 there were 17,148 agents other than post offices qualified to issue Series E Savings Bonds, an increase of 1,915 agents over the number qualified on November 30, 1941. More than one-half of this increase was accounted for by the qualification during December of 980 building and loan associations and credit unions as issuing agents.
3. According to information telegraphed on January 3, no corporations had yet qualified to issue Series E Savings Bonds on payroll allotment plans in accordance with the instructions contained in your telegram of December 27 to the Federal Reserve Banks.
4. On January 3 there were 13,688 banks which had qualified as issuing agents for Series E Bonds. There are approximately 15,000 banks in the country so that on Saturday approximately 91 percent of these institutions had qualified as Savings Bonds issuing agents.

Number of agents qualified to issue Series E
Savings Bonds, May 7, 1941
to date

Type of Agent	: May 7, : 1941	: July 31, : 1941	: Sept. 30, : 1941	: Nov. 30, : 1941	: Jan. 3, : 1942
Banks	7,676	9,996	11,571	12,746	13,688
Building and loan associations	739	1,380	1,481	1,729	2,064
Credit unions	8	197	389	723	1,368
Other corporations <u>1/</u>	-	-	-	-	-
All others	<u>7</u>	<u>21</u>	<u>27</u>	<u>35</u>	<u>28</u>
Total other than post offices	8,430	11,594	13,468	15,233	17,148
Post Offices	<u>15,812</u>	<u>16,231</u>	<u>16,429</u>	<u>16,614</u>	<u>16,883</u>
Grand Total	<u><u>24,242</u></u>	<u><u>27,825</u></u>	<u><u>29,897</u></u>	<u><u>31,847</u></u>	<u><u>34,031</u></u>

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

January 6, 1942.

1/ In accordance with telegram of December 27, 1941.

CONFIDENTIAL

Classification of the number of agents qualified to issue
Series E Savings Bonds, on January 3, 1942

	: : Banks: : : : :	: Building: : and : Loan : Associa- : tions :	: Credit : Unions	: Other : Corpora- : tions 1/ :	: All : Others : 2/ :	: : Total
Corporations and Associations						
Federal Reserve District of						
Boston	828	178	129	-	11	1,146
New York	1,171	230	272	-	-	1,673
Philadelphia	812	86	54	-	-	952
Cleveland	1,140	308	192	-	1	1,641
Richmond	1,007	146	77	-	1	1,231
Atlanta	950	114	111	-	-	1,175
Chicago	2,232	383	80	-	4	2,699
St. Louis	1,238	113	37	-	-	1,388
Minneapolis	1,274	52	36	-	2	1,364
Kansas City	1,683	156	96	-	6	1,941
Dallas	812	88	120	-	-	1,020
San Francisco	<u>541</u>	<u>210</u>	<u>164</u>	<u>-</u>	<u>3</u>	<u>918</u>
Sub-total	13,688	2,064	1,368	-	28	17,148
Post offices	-	-	-	-	-	<u>16,883</u>
Grand Total	<u>13,688</u>	<u>2,064</u>	<u>1,368</u>	<u>-</u>	<u>28</u>	<u>34,031</u>

Office of the Secretary of the Treasury, Division of Research and Statistics.
1/ in accordance with telegram of December 27, 1941.
2/ Except post offices.

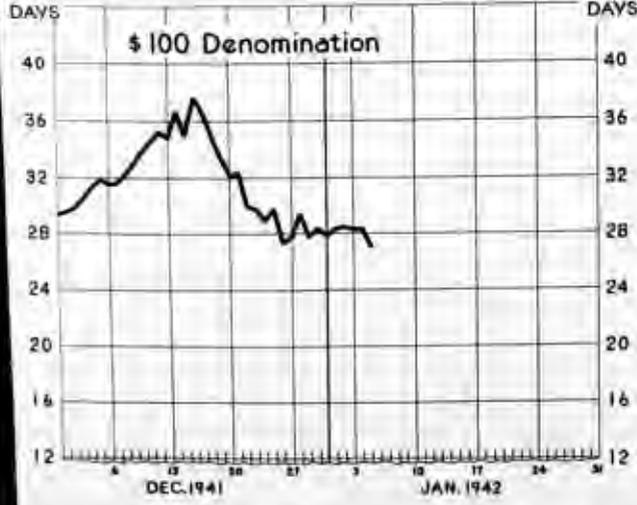
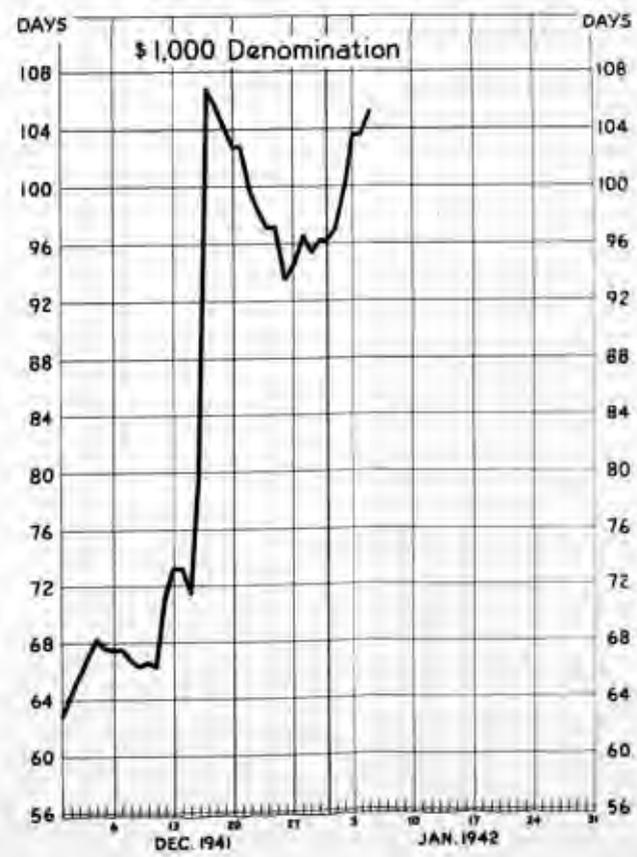
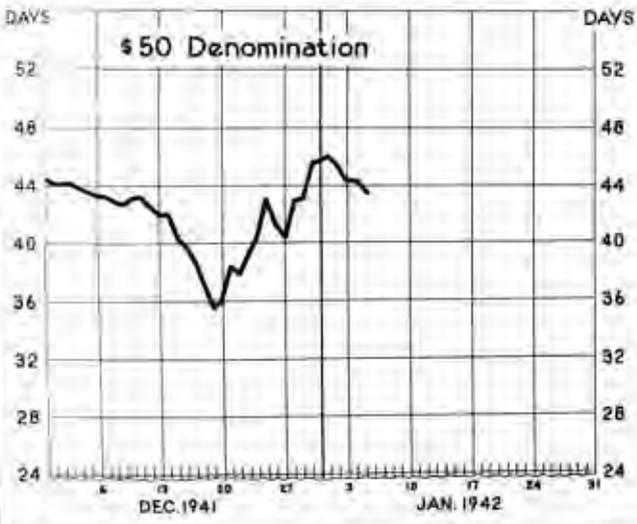
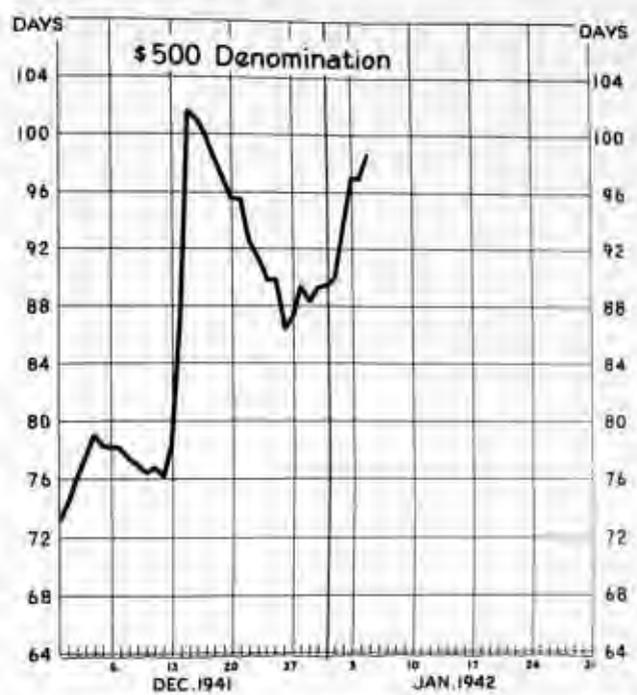
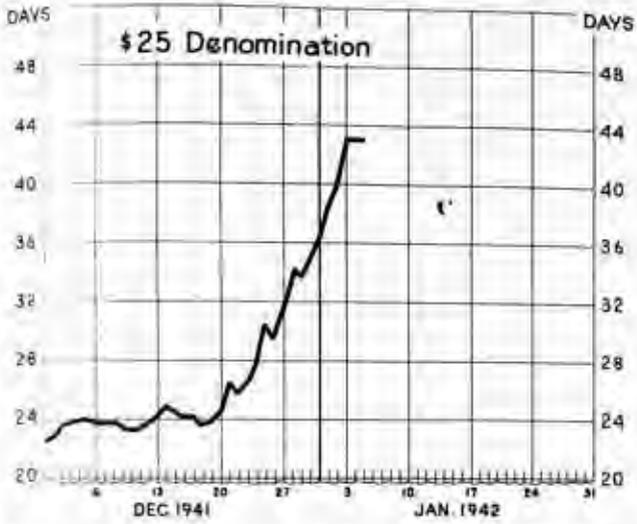
January 6, 1942.

Regraded Unclassified

Presented daily to Army & other select com. which was presented 1-6-42

NUMBER OF DAYS SUPPLY OF SERIES E SAVINGS BONDS ON HAND DECEMBER 1 TO DATE

Based on Sales of \$300 Millions per Month



UNITED STATES SAVINGS BONDS

Daily Sales - January, 1942
On Basis of Issue Price

(In thousands of dollars)

Date	Post Office Bond Sales Series E	Bank Bond Sales				All Bond Sales			
		Series E	Series F	Series G	Total	Series E	Series F	Series G	Total
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
3	4,457	9,557	1,278	5,453	16,289	14,015	1,278	5,453	20,747
5	9,684	26,724	3,240	13,704	43,668	36,408	3,240	13,704	53,352
Total	\$ 22,926	\$ 57,246	\$ 8,539	\$ 34,541	\$100,326	\$ 80,171	\$ 8,539	\$ 34,541	\$123,252

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

January 6, 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

Comparative Statement of Sales During
First Four Business Days of January, 1942 and December and November, 1941
(November 1-5, December 1-4, January 1-5)
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	\$ 22,926	\$ 8,126	\$ 6,631	\$ 14,800	\$ 1,495	182.1%	22.5%
Series E - Banks	57,246	13,266	9,682	43,980	3,584	331.5	37.0
Series E - Total	80,171	21,392	16,313	58,779	5,079	274.8	31.1
Series F - Banks	8,539	3,552	3,491	4,987	61	140.4	1.7
Series G - Banks	34,541	25,789	24,291	8,752	1,498	33.9	6.2
Total	<u>\$123,252</u>	<u>\$ 50,733</u>	<u>\$ 44,096</u>	<u>\$ 72,519</u>	<u>\$ 6,637</u>	<u>142.9%</u>	<u>15.1%</u>

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

January 6, 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.

Issues for refunding January 15, 1942

Treasury

1-3/4% Treasury Notes, Series A-1942, - - - - - \$426,349,500
dated June 15, 1937, due March 15, 1942

Federal Farm Mortgage Corporation

3% Bonds of 1942-47 - - - - - \$236,476,200 ✓
dated January 15, 1935, due January 15, 1947
callable on and after January 15, 1942.

2-3/4% bonds of 1942-47 - - - - - \$103,147,500
dated March 1, 1935, due March 1, 1947
callable on and after March 1, 1942.

Reconstruction Finance Corporation

7/8% Notes, Series E - - - - - \$310,090,000 ✓
dated February 15, 1939, due January 15, 1942.

\$1,076,063,200

JAN 6 1942

Dear Mr. Berlin,

I have received the manuscript of your song, "I Paid My Income Tax Today", and the deed of gift transferring the song to me, as Secretary of the Treasury.

I accept, with sincerest thanks, your generous gift. The composition is splendid, and I feel that it will do a great deal to help in the important job we have of making people conscious, and gladly so, of their responsibility in the matter of meeting the cost of our fight for civilization.

The Legal Division has been requested to proceed at once to copyright the song, as suggested in your letter.

I am looking forward to seeing you on your next trip to Washington.

Very truly yours,

(Signed) E. Hergesothas, Jr.]

Secretary of the Treasury.

Mr. Irving Berlin,
Irving Berlin, Inc.,
799 Seventh Avenue,
New York, New York.

m. m. c.

JAG:fsq
1/6/42

IRVING BERLIN

286

January 2, 1942.

Dear Mr. Morgenthau:-

Enclosed is the Deed of Gift of my song "I Paid My Tax Today". I also enclose the manuscript.

Mr. Gilbert, our attorney, suggests that the manuscript be deposited in the Copyright Office, copyrighted in your name as an Unpublished Work. Later on when the work is printed and published, it is then copyrighted as a Published Work and it will also be in your name. Mr. Gilbert tells me that he explained to your Legal Department how International Copyright is to be secured. I think they know all about it and if not, let them communicate with Mr. Gilbert.

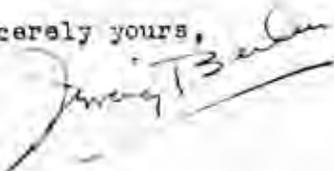
Many thanks for your letter of December 30th. It makes me happy to know you and your Staff like the "Tax" song so much. I am really pleased with it myself and hope it lives up to our expectations and does some good.

I spoke to Mr. Kuhn today regarding getting the song ready - orchestration, plates and so forth; also I explained about the record. We will, no doubt, tell you of our conversation.

I am off for Hollywood but expect to return in about a month. I will come on to Washington then to see Mr. Kuhn and hope I can also say "Hello" to you.

With my best wishes for a very Happy New Year, I am

Sincerely yours,



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

Enc. 2
HFB

CLASS E emp. No. 280297

Copyright Office
Of the United States of America
THE LIBRARY OF CONGRESS
 * * * WASHINGTON * * *

Certificate of Copyright Registration

This is to certify, in conformity with section 55 of the Act to Amend and Consolidate the Acts respecting Copyright, approved March 4, 1909, as amended by the Act approved March 2, 1913, that ONE copy of the musical composition

named herein, not reproduced for sale, has been deposited in this Office, under the provisions of the Act of 1909, and that registration of a claim to copyright for the first term of twenty-eight years has been duly made in the name of

Henry Donoghue, Jr.

United States Treasury

Washington, D. C.

Title: I Paid My Income Tax Early.

Composed and Sung by Irving Berlin, of United States.

Copy received Jan. 11, 1912

Entry: Class E emp. No. 280297

(SEAL)

C. C. Bowie
 Register of Copyrights

January 6, 1942.

MEMORANDUM FOR THE SECRETARY'S FILES

Conference in Secretary Morgenthau's Office
January 6, 1942
3:30 P.M.

Present: Secretary Morgenthau
Mr. Espil, Argentine Ambassador
to the United States
Mr. Irigoyen, Financial Counselor
Mr. White

The Ambassador requested the interview.

The Ambassador stated that he wanted to introduce Mr. Irigoyen who was the Under Secretary of Finance and who was here to discuss possible monetary arrangements. Mr. Irigoyen stated that Argentina had not taken advantage of the stabilization arrangement which was prepared a year ago. Mr. Irigoyen stated that he was carrying on discussions with Mr. White, looking toward a modification of the stabilization agreement to fit their present needs.

Mr. Irigoyen stated that he was contented with the progress of the discussions and that he was happy to return to his country to report the progress which had been made in these discussions. He stated that somebody from Argentina would return to continue them. Whether it would be himself or someone else, he was not certain.

The Ambassador and Mr. Irigoyen both said that they would very much like to have Dr. White visit Argentina when he was down in South America. The Secretary replied that he thought it would be a very good idea and he would be glad to have Mr. White go, and he suggested that Mr. White go for a brief visit. The Argentinians expressed their pleasure at the Secretary's decision.

January 6, 1942
3:47 p.m.

Admiral
Land: Hello, Mr. Secretary.

HMJr: How are you?

L: This is Jerry Land.

HMJr: Good morning - good afternoon.

L: I have your letter about these two British ship-
yards, and Sir Frederick Phillips - his conver-
sation with you.

HMJr: Oh, yes.

L: That, to my mind, is a little bit of a touchy thing.
We have been negotiating with the shipping mason
here to take those over at a nominal rental of a
dollar a year to carry this thing on.

HMJr: Yeah.

L: Now, if it's taken out any other way, it's a question
of high policy and I can easily see that there's
another angle to it; but I wondered how far you
thought that the Commission ought to go without
getting a little more positive directive either
from you or from the Chief.

HMJr: Well, Jerry, I never bother the President on these
things. He's told me to keep these fellows supplied
with dollars.

L: Yeah.

HMJr: And on account of losing Malaya - that's their chief
source of dollars - it's putting an awful crimp into
them.

L: Yeah.

HMJr: And one of the ways to keep up their morale is to
see they have enough dollars.

L: Yeah.

HMJr: Now, in the letter, I told you they need the dollars.

- 2 -

L: Yeah, I get that all right.

HMJr: Now, I'm not telling you how much to pay.

L: No, we know pretty much what that is.

HMJr: That's your job; but if you could see your way clear to buying them, it would help them, and I'm willing to go on record publicly and privately that they need the dollars.

L: Well, I'm sure of that. The only thing is, if they're going to have any repercussions, do you think - a la buying the ships - you see, that's been up, too, several times, and it's a sort of a gentlemen's agreement in high places - not only about these, but also about some Canadian ships.

HMJr: Well, that I don't know.

L: Well, the thing is - as I say, it's just a little bit touchy if we're to go ahead, unless we've got some.....

HMJr: Well, why don't you fix up a deal and get it all fixed up and then tell the President about it before you sign?

L: Well, that's what I thought.

HMJr: It's all right, and you can.....

L: But I can say, as far as you're concerned on the dollar side of it, it meets your approval.

HMJr: Yes. You can put in that you're doing it at my request; due to this Far Eastern situation, they're running into a shortage of dollars.

L: Okay. Thank you very much.

HMJr: Is that enough?

L: Yes, that's okay.

HMJr: Thank you.

L: Thanks.

MEMORANDUM

January 6, 1942.

TO: The Secretary
FROM: Mr. Sullivan

Today I saw Senator George and Congressman Doughton and they accepted the invitation to meet with you Friday morning, January 9th at 9:15. Senator George intends to bring one Republican senator and will notify me of his selection. Mr. Doughton intends to bring Congressman Treadway and Mr. Stam.

JLS

January 6, 1942

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: 100 percent tax on profits above 6 percent of invested capital.

A tax of 100 percent of profits above 6 percent return on invested capital would produce different amounts of revenue under different interpretations of how the tax was to be imposed.

(1) The interpretation giving the maximum revenue would be to impose an excess profits tax of 100 percent of profits above a 6 percent return on invested capital before applying the present corporation normal and surtaxes. The 100 percent tax would be deducted in arriving at normal tax net income in the same manner as under existing law. The net return after taxes would, in effect, be limited to 4.14 percent of invested capital. Using this method, it is estimated that at levels of income for calendar year 1942 the gross revenue from corporations would be increased \$4,500 million.

(2) A second interpretation resulting in somewhat less revenue would be to apply present taxes and after their deduction allow 6 percent net return on invested capital, taking 100 percent of any remaining income. This seems the most likely interpretation. The amount of revenue from this source is still to be computed. 1/

1/ The estimating section misunderstood the request (or it was not made clear) and did not supply the desired estimate. Computation of this estimate will require further work.

- 2 -

(3) A third interpretation would be to leave free from all taxes incomes up to 6 percent of invested capital, taking in taxes 100 percent of income above 6 percent. This interpretation would reduce the taxes of most corporations. Using this interpretation, it is estimated that at 1942 income levels the gross revenue from corporations would be increased \$2,550 million.

The above figures are gross. The net revenue increase would be substantially less because of the effect of the tax on dividends distributed and personal income taxes on such dividends.

RB

To: Secretary Morgenthau
 From: Joseph Gaer

Subject: Resume of work in
 progress as of
 January 6, 1942

I thought you might wish to have a notation on the work as it stacks up in my office to date. For the past three months I have devoted myself almost exclusively to the book and shall not now deviate until it is ready for the printer. But up to that time, and since, the following work was done:

Expedition - 1913: This manuscript has been transcribed and I have prepared a tentative "Preface", so that should you at any time decide to have the report printed, it will be ready for you.

Research and Index for Biography: I have made several trips, interviewed a number of people, and assembled a vast amount of base material which I am using for the draft. I shall still have to make a few trips to see some people in Albany, Poughkeepsie and New York but the major part of the investigation is now done. I also prepared an Index of Press References to the Morgenthau Family, which I use in my present work and which should serve later as a valuable item for deposit in the Library of Congress. The Index now contains New York Times references but I shall add the most important articles about the Morgenthau Family in all publications.

Work on Biography: So far, a tentative outline has been prepared and a file organized paralleling this outline as a guide in drafting the book. I have also gathered rough notes in no particular order but on practically all the sections of the book, totalling about 100,000 words. I have completed the preliminary draft of Part II (which you now have) and Parts I, III and IV are now in progress in similar form.

Material for Library: The procedure for depositing your father's and your own material in the Document Division of the Library of Congress has been worked out. I have arranged for an office in the Library of Congress to receive methodically the papers when they are ready to be deposited there. I have assisted your father in setting up the office in New York where all his materials will be sifted and arranged before they are shipped to Washington, and am keeping in touch with his office to guide them in their work. Your own letters and documents up to 1933 are now well organized but I shall not release them nor even index them until I am through with the book.

Father-Son Letters:

I segregated all the letters from your father to you and from you to your father and these have been copied in strict chronology. I have instructed Mr. Lask, who is working for your father, to segregate all father-son communications as he goes through your father's files. Then this collection of letters will be complete. If they are ever properly edited, annotated and published, they would constitute, to my way of thinking, a most extraordinary human document.

Secretaries of the Treasury:

Our files now contain all the required data for this proposed book, along with a list of illustrations and where they are available. This book can be completed within a month — when and if you wish to have it completed.

OFFICE OF LEND-LEASE ADMINISTRATION
FIVE-FIFTEEN 22d STREET NW.
WASHINGTON, D. C.

296

E. R. Stettinius, Jr.
Administrator

January 6, 1942

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

Dear Henry,

I am enclosing herewith for your information copy of a letter I sent yesterday to Mr. J. B. Carswell, Director General, Canadian Department of Munitions and Supplies, prepared after studying the report you had made on the Canadian dollar position.

You will note that although we tell Mr. Carswell that the dollar position does not seem stringent enough to justify Lend-Lease operations at this time, we stand ready to reconsider if their position should become more stringent than anticipated.

With best wishes,

Sincerely yours,

E. R. Stettinius, Jr.

January 3, 1942

C O S Y

Dear Mr. Carswell:

As you know, Secretary Morgenthau has made a survey of Canada's dollar exchange situation. From this survey, I gather that as of December 31, 1941, Canada's holdings of gold and available dollar balances amounted to \$15,000,000. Between now and the end of 1942, these holdings are estimated to dwindle from a high of \$22,000,000 to a low of \$9,000,000, based on the assumption that Mr. Philip Young's ruling stands.

I wish to assure you that Mr. Young's ruling that Lend-Lease funds will not be used to purchase finished materials in Canada for Lend-Lease to Britain is tentative, and, if Canada's dollar position should become more stringent than anticipated, this ruling will be reconsidered, or I will be glad to discuss or suggest other ways of meeting the situation. You may rest assured that every reasonable effort will be taken to prevent a stringent dollar situation from interfering with our joint efforts.

Sincerely yours,

Lend-Lease Administrator

John B. Carswell, Esq.,
Director General,
Canadian Department of
Munitions and Supplies,
2205 - 45th Street, N.W.,
Washington, D. C.

RECEIVED
JAN 10 1942

→ Lindford over phone

1125 and. 298

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM Treasury Department 299

BUREAU Defense Savings Staff

CHG. APPROPRIATION Expenses of Loans

U. S. GOVERNMENT PRINTING OFFICE 10-1720

January 6, 1942.

Thomas J. Watson,
President, International Business
Machines Corporation, Inc.,
300 Madison Avenue,
New York City.

With reference to my telegram of yesterday, this is to advise you that our daily production of defense bonds has been or will be as follows for the days indicated: January four, nothing; January fifth, 445,000 units; January sixth, 450,000 units; and January seventh, 375,000 units. Stop. Total for four days 1,270,000 units. Stop. If we had been supplied with assemblies by your company our production for the same four-days would have been 500,000 units per day, a total of 2,000,000 units. Stop. In other words, we have lost production of 730,000 units in this four-day period due to lack of assemblies. Stop. The experience of this four-day period is only an example of the difficulty which has been created for us by the limited deliveries from your plant. Stop. In this connection I repeat that you must make arrangements to deliver assemblies in unbroken sequence. Stop. The situation is grave and must be corrected at once. Stop. Please advise immediately by wire what we can expect you to do. Stop. We-all want to know at once.

HERBERT MOOREHEAD, JR.,
Secretary of the Treasury.

THANK YOU

WV125 169/163

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300

HO NEWYORK NY JAN 6 1942 136P

HONORABLE HENRY MORGENTHAU JR

SECRETARY OF THE TREASURY WASHDC

1942 JAN 6 PM 2 23

YOUR TELEGRAM SIXTH RECEIVED. 520,000 CARDS LEFT OUR
FACTORY BY TRUCKS LAST NIGHT FOR DELIVERY TODAY AND
MORE THAN 500,000 ARE LEAVING TONIGHT BY TRUCKS FOR
DELIVERY TOMORROW. HAVE ISSUED ORDERS TO STEP
OUR PRODUCTION UP TO 750,000 AS SOON AS PHYSICALLY
POSSIBLE. HIGHEST MAXIMUM REQUIREMENTS GIVEN US BY
YOUR DEPARTMENT 600,000. WE ARE WORKING 24 HOURS
A DAY, 7 DAYS A WEEK. WE WOULD HAVE BEEN AHEAD OF
YOUR SCHEDULE IF WE HAD RECEIVED A HIGHER SCHEDULE
FROM YOU AT THE BEGINNING. I UNDERSTAND YOUR MR
GRAVES AGREED WITH OUR WASHINGTON MANAGER,
MR. LAMOTTE ON CHRISTMAS EVE TO A SCHEDULE OF
400,000 DAILY, TO BE INCREASED TO 470,000 AS SOON
AS NEW PRESSES WERE DELIVERED TO US. PLEASE HAVE
YOUR REPRESENTATIVES GIVE US THE
HIGHEST ESTIMATE OF THEIR DAILY REQUIREMENTS AND WE
WILL ASK FOR PRIORITY ON ADDITIONAL MACHINERY
TO MEET YOUR SCHEDULE. DEEPLY REGRET THAT THERE
HAS BEEN ANY DELAY BUT AM DELIGHTED THAT CAUSE IS
UNEXPECTEDLY LARGE DEMAND FOR BONDS

THOMAS J WATSON.

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January 6, 1942.

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Gaston

Elmer Irey is conferring with John Pehle and Mr. Gass of Harry White's office on the lines of investigation to be pursued with respect to the persons and corporations mentioned in Mr. White's memorandum, which you discussed with Mr. White, Mr. Foley and me today.

We are not at present investigating Lazard Freres and Company. A preliminary report on Otto Jeidels, dated October 3, was transmitted to me October 10 and on the submission sheet you wrote "Wind up this investigation. H. M. Jr." On the final report, dated November 10, you wrote: "Memo for Gaston & Irey: Any information we have collected on Otto Jeidels I would like turned over to J. E. Hoover with the request that he continue this investigation and give me a report from time to time. H. M. Jr." with a postscript: "Gaston. Please see note on Page 2 for Pehle." Mr. Pehle wrote you a memorandum covering the matter to which you referred. On November 24 I wrote to Mr. Hoover, forwarding your request, and all our reports on Jeidels were simultaneously delivered to Mr. Hoover by Mr. Woolf. We have not yet had a report from Mr. Hoover on the matter.



WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

January 6, 1942.

PERSONAL

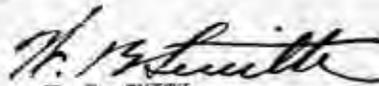
MEMORANDUM FOR MR. MORGENTHAU:

Last Sunday after returning from inspection of units of the 212th Coast Artillery (Antiaircraft), I informed the Chief of Staff of your comments with regard to this organization and of my own opinion which coincided with yours. He directed an immediate inspection by The Inspector General of the Army which was made Sunday morning and Sunday afternoon and continued the following day. Instructions to The Inspector General were given orally but were sufficiently comprehensive. As a result of this inspection the following measures have been taken:

The 71st Coast Artillery (Antiaircraft), an outstanding regular regiment, is en route to Washington and will complete the movement January 7. This regiment replaces the 212th which will be transferred to Norfolk. The 212th Coast Artillery has been reinforced by the assignment of additional officer personnel to include a new regimental commander and three new battalion commanders.

Actual construction on tent floors and frames for troops now sheltered in tents has begun. The construction engineer officer on General Jarman's staff has arrived in Washington to push construction to house the new regiment, and living conditions which were found to be objectionable will be greatly improved by the end of this week. The Brigade Commander, General Van Volkenburgh, will remain in Washington until the new regiment has completed its installation and until living conditions are entirely satisfactory. By satisfactory I mean that they will be made a model of field conditions for the Coast Artillery regiment.

The Inspector General will continue to make inspections of the housing and training of the 71st Coast Artillery and will keep the undersigned informed as to existing conditions and the progress being made.



W. B. SMITH,
Colonel, General Staff,
Secretary, General Staff.

HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

JANUARY 6, 1942

2144

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be published or given out until delivery of the President's message to the Congress HAS BEGUN.

Release expected about 12:30 P. M., E. S. T., January 6, 1942.

CAUTION: Extreme care must be exercised to avoid premature publication.

STEPHEN EARLT
Secretary to the President

MR. VICE PRESIDENT, MR. SPEAKER, MEMBERS OF THE SENATE AND
OF THE HOUSE OF REPRESENTATIVES:

In fulfilling my duty to report upon the state of the Union, I am proud to say to you that the spirit of the American people was never higher than it is today -- the Union was never more closely knit together -- this country was never more deeply determined to face the solemn tasks before it.

The response of the American people has been instantaneous. It will be sustained until our security is assured.

Exactly one year ago today I said to this Congress: "When the dictators are ready to make war upon us, they will not wait for an act of war on our part They -- not we -- will choose the time and the place and the method of their attack".

We now know their choice of the time: a peaceful Sunday morning -- December 7th, 1941.

We know their choice of the place: an American outpost in the Pacific.

We know their choice of the method: the method of Hitler himself.

Japan's scheme of conquest goes back half a century. It was not merely a policy of seeking living room: it was a plan which included the subjugation of all the peoples in the Far East and in the islands of the Pacific, and the domination of that ocean by Japanese military and naval control of the western coasts of North, Central and South America.

The development of this ambitious conspiracy was marked by the war against China in 1894; the subsequent occupation of Korea; the war against Russia in 1904; the illegal fortification of the so-called Pacific Islands following 1900; the seizure of Manchuria in 1931; and the invasion of China in 1937.

Regraded Unclassified

- 2 -

A similar policy of criminal conquest was adopted by Italy. The Fascists first revealed their imperial designs in Libya and Tripoli. In 1935 they seized Abyssinia. Their goal was the domination of all North Africa, Egypt, parts of France, and the entire Mediterranean world.

But the dreams of empire of the Japanese and Fascist leaders were modest in comparison with the gargantuan aspirations of Hitler and his Nazis. Even before they came to power in 1933, their plans for conquest had been drawn. Those plans provided for ultimate domination, not of any one section of the world, but of the whole earth and all the oceans on it.

With Hitler's formation of the Berlin-Rome-Tokyo alliance, all these plans of conquest became a single plan. Under this, in addition to her own schemes of conquest, Japan's role was to cut off our supply of weapons of war to Britain, Russia and China -- weapons which increasingly were speeding the day of Hitler's doom. The act of Japan at Pearl Harbor was intended to stun us -- to terrify us to such an extent that we would divert our industrial and military strength to the Pacific area, or even to our own continental defense.

The plan failed in its purpose. We have not been stunned. We have not been terrified or confused. This re-assembling of the Seventy-Seventh Congress is proof of that; for the mood of quiet, grim resolution which here prevails, bodes ill for those who conspired and collaborated to murder world peace.

That mood is stronger than any mere desire for revenge. It expresses the will of the American people to make very certain that the world will never so suffer again.

Admittedly, we have been faced with hard choices. It was bitter, for example, not to be able to relieve the heroic and historic defenders of Wake Island. It was bitter for us not to be able to land a million men and a thousand ships in the Philippine Islands.

But this adds only to our determination to see to it that the Stars and Stripes will fly again over Wake and Guam; and that the brave people of the Philippines will be rid of Japanese imperialism; and will live in freedom, security and independence.

Powerful and offensive actions must and will be taken in proper time. The consolidation of the United Nations' total war effort against our common enemies is being achieved.

That is the purpose of conferences which have been held during the past two weeks in Washington, in Moscow and in Chungking. That is the primary objective of the declaration of solidarity signed in Washington on January 1, 1942 by twenty-six nations united against the Axis powers.

Difficult choices may have to be made in the months to come. We will not shrink from such decisions. We and those united with us will make these decisions with courage and determination.

- 3 -

Plans have been laid here and in the other capitals for coordinated and cooperative action by all the United Nations -- military action and economic action. Already we have established unified command of land, sea, and air forces in the southwestern Pacific theatre of war. There will be a continuation of conferences and consultations among military staffs, so that the plans and operations of each will fit into a general strategy designed to crush the enemy. We shall not fight isolated wars -- each nation going its own way. These twenty-six nations are united -- not in spirit and determination alone, but in the broad conduct of the war in all its phases.

For the first time since the Japanese and the Fascists and the Nazis started along their blood-stained course of conquest they now face the fact that superior forces are assembling against them. Gone forever are the days when the aggressors could attack and destroy their victims one by one without unity of resistance. We of the United Nations will so dispose our forces that we can strike at the common enemy wherever the greatest damage can be done.

The militarists in Berlin and Tokyo started this war. But the massed, angered forces of common humanity will finish it.

Destruction of the material and spiritual centers of civilization -- this has been and still is the purpose of Hitler and his Italian and Japanese chessmen. They would wreck the power of the British Commonwealth and Russia and China and the Netherlands -- and then combine all their forces to achieve their ultimate goal, the conquest of the United States.

They know that victory for us means victory for freedom.

They know that victory for us means victory for the institution of democracy -- the ideal of the family, the simple principles of common decency and humanity.

They know that victory for us means victory for religion.

And they could not tolerate that. The world is too small to provide adequate "living room" for both Hitler and God. In proof of that, the Nazis have now announced their plan for enforcing their new German, pagan religion throughout the world -- the plan by which the Holy Bible and the Cross of Mercy would be displaced by "Mein Kampf" and the Swastika and the naked sword.

Our own objectives are clear; the objective of smashing the militarism imposed by war lords upon their enslaved peoples -- the objective of liberating the subjugated nations -- the objective of establishing and securing freedom of speech, freedom of religion, freedom from want and freedom from fear everywhere in the world.

We shall not stop short of those objectives -- nor shall we be satisfied merely to gain them and then call it a day. I know that I speak for the American people -- and I have good reason to believe I speak also for all the other peoples who fight with us -- when I say that this time we are determined not only to win the war, but also to maintain the security of the peace which will follow.

- 4 -

But modern methods of warfare make it a task, not only of shooting and fighting, but an even more urgent one of working and producing.

Victory requires the actual weapons of war and the means of transporting them to a dozen points of combat.

It will not be sufficient for us and the other United Nations to produce a slightly superior supply of munitions to that of Germany, Japan, Italy and the stolen industries in the countries which they have overrun.

The superiority of the United Nations in munitions and ships must be overwhelming -- so overwhelming that the Axis nations can never hope to catch up with it. In order to attain this overwhelming superiority the United States must build planes and tanks and guns and ships to the utmost limit of our national capacity. We have the ability and capacity to produce arms not only for our own forces, but also for the armies, navies and air forces fighting on our side.

And our overwhelming superiority of armament must be adequate to put weapons of war at the proper time into the hands of those men in the conquered nations, who stand ready to seize the first opportunity to revolt against their German and Japanese oppressors, and against the traitors in their own ranks, known by the already infamous name of "Quislings". As we get guns to the patriots in those lands, they too will fire shots heard 'round the world.

This production of ours in the United States must be raised far above its present levels, even though it will mean the dislocation of the lives and occupations of millions of our own people. We must raise our sights all along the production line. Let no man say it cannot be done. It must be done -- and we have undertaken to do it.

I have just sent a letter of directive to the appropriate departments and agencies of our Government, ordering that immediate steps be taken:

1. To increase our production rate of airplanes so rapidly that in this year, 1942, we shall produce 50,000 planes, 10,000 more than the goal set a year and a half ago. This includes 45,000 combat planes -- bombers, dive-bombers, pursuit planes. The rate of increase will be continued, so that next year, 1943, we shall produce 125,000 airplanes, including 100,000 combat planes.
2. To increase our production rate of tanks so rapidly that in this year, 1942, we shall produce 45,000 tanks; and to continue that increase so that next year, 1943, we shall produce 75,000 tanks.
3. To increase our production rate of anti-aircraft guns so rapidly that in this year, 1942, we shall produce 20,000 of them; and to continue that increase so that next year, 1943, we shall produce 35,000 anti-aircraft guns.

- 3 -

e. To increase our production rate of merchant ships so rapidly that in this year, 1942, we shall build 8,000,000 deadweight tons as compared with a 1941 production of 1,100,000. We shall continue that increase so that next year, 1943, we shall build 10,000,000 tons.

These figures and similar figures for a multitude of other implements of war will give the Japanese and Nazis a little idea of just what they accomplished in the attack on Pearl Harbor.

Our task is hard -- our task is unprecedented -- and the time is short. We must strain every existing armament-producing facility to the utmost. We must convert every available plant and tool to war production. That goes all the way from the greatest plants to the smallest -- from the huge automobile industry to the village grain shop.

Production for war is based on men and women -- the human hands and brains which collectively we call Labor. Our workers stand ready to work long hours; to turn out more in a day's work; to keep the wheels turning and the fires burning twenty-four hours a day, and seven days a week. They realize well that on the speed and efficiency of their work depend the lives of their sons and their brothers on the fighting fronts.

Production for war is based on metals and raw materials -- steel, copper, rubber, aluminum, zinc, tin. Greater and greater quantities of them will have to be diverted to war purposes. Civilian use of them will have to be cut further and still further -- and, in many cases, completely eliminated.

War costs money. So far, we have hardly even begun to pay for it. We have devoted only 10% of our national income to national defense. As will appear in my Budget Message tomorrow, our war program for the coming fiscal year will cost fifty-six billion dollars or, in other words, more than one-half of the estimated annual national income. This means taxes and bonds and bonds and taxes. It means cutting luxuries and other non-essentials. In a word, it means an "all-out" war by individual effort and family effort in a united country.

Only this all-out scale of production will hasten the ultimate all-out victory. Speed will count. Lost ground can always be regained -- lost time never. Speed will save lives; speed will save this nation which is in peril; speed will save our freedom and civilization -- and speed has never been an American characteristic.

As the United States goes into its full stride, we must always be on guard against misconceptions which will arise naturally or which will be planted among us by our enemies.

We must guard against complacency. We must not underestimate the enemy. He is powerful and cunning -- and cruel and ruthless. He will stop at nothing which gives him a chance to kill and to destroy. He has trained his people to believe that their highest perfection is achieved by waging war. For many years he has prepared for this very conflict -- planning, plotting, training, arming, fighting. We have already tasted defeat. We may suffer further setbacks. We must face the fact of a hard war, a long war, a bloody war, a costly war.

- 6 -

We must, on the other hand, guard against defeatism. That has been one of the chief weapons of Hitler's propaganda machine -- used time and again with deadly results. It will not be used successfully on the American people.

We must guard against divisions among ourselves and among all the other United Nations. We must be particularly vigilant against racial discrimination in any of its ugly forms. Hitler will try again to breed mistrust and suspicion between one individual and another, one group and another, one race and another, one government and another. He will try to use the same technique of falsehood and rumor-mongering with which he divided France from Britain. He is trying to do this with us even now. But he will find a unity of will and purpose against his, which will persevere until the destruction of all his black designs upon the freedom and safety of the people of the world.

We cannot wage this war in a defensive spirit. As our power and our resources are fully mobilized, we shall carry the attack against the enemy -- we shall hit him and hit him again wherever and whenever we can reach him.

We must keep him far from our shores, for we intend to bring this battle to him on his own home grounds.

American armed forces must be used at any place in all the world where it seems advisable to engage the forces of the enemy. In some cases these operations will be defensive, in order to protect key positions. In other cases, these operations will be offensive, in order to strike at the common enemy, with a view to his complete encirclement and eventual total defeat.

American armed forces will operate at many points in the Far East.

American armed forces will be on all the oceans -- helping to guard the essential communications which are vital to the United Nations.

American land and air and sea forces will take stations in the British Isles -- which constitute an essential fortress in this world struggle.

American armed forces will help to protect this Hemisphere -- and also bases outside this Hemisphere, which could be used for an attack on the Americas.

If any of our enemies, from Europe or from Asia, attempt long-range raids by "suicide" squadrons of bombing planes, they will do so only in the hope of terrorizing our people and disrupting our morale. Our people are not afraid of that. We know that we may have to pay a heavy price for freedom. We will pay this price with a will. Whatever the price, it is a thousand times worth it. No matter what our enemies, in their desperation may attempt to do to us -- we will say, as the people of London have said, "We can take it". And what's more, we can give it back -- and we will give it back -- with compound interest.

When our enemies challenged our country to stand up and fight, they challenged each and every one of us. And each and every one of us has accepted the challenge -- for himself and for the nation.

- 7 -

There were only some four hundred United States Marines who in the heroic and historic defense of Wake Island inflicted such great losses on the enemy. Some of those men were killed in action; and others are now prisoners of war. When the survivors of that great fight are liberated and restored to their homes, they will learn that a hundred and thirty million of their fellow citizens have been inspired to render their own full share of service and sacrifice.

Our men on the fighting fronts have already proved that Americans today are just as rugged and just as tough as any of the heroes whose exploits we celebrate on the Fourth of July.

Many people ask, "When will this war end?" There is only one answer to that. It will end just as soon as we make it end, by our combined efforts, our combined strength, our combined determination to fight through and work through until the end — the end of militarism in Germany and Italy and Japan. Most certainly we shall not settle for less.

That is the spirit in which discussions have been conducted during the visit of the British Prime Minister to Washington. Mr. Churchill and I understand each other, our motives and our purposes. Together, during the past two weeks, we have faced squarely the major military and economic problems of this greatest world war.

All in our nation have been cheered by Mr. Churchill's visit. We have been deeply stirred by his great message to us. We wish him a safe return to his home. He is welcome in our midst, now and in days to come.

We are fighting on the same side with the British people, who fought alone for long, terrible months, and withstood the enemy with fortitude and tenacity and skill.

We are fighting on the same side with the Russian people who have seen the Nazi hordes swarm up to the very gates of Moscow, and who with almost superhuman will and courage have forced the invaders back into retreat.

We are fighting on the same side as the brave people of China who for four and a half long years have withstood bombs and starvation and have whipped the invaders time and again in spite of superior Japanese equipment and arms.

We are fighting on the same side as the indomitable Dutch.

We are fighting on the same side as all the other governments in exile, whom Hitler and all his armies and all his Gestapo have not been able to conquer.

But we of the United Nations are not making all this sacrifice of human effort and human lives to return to the kind of world we had after the last world war.

We are fighting today for security, for progress and for peace, not only for ourselves, but for all men, not only for one generation but for all generations. We are fighting to cleanse the world of ancient evils, ancient ills.

- 8 -

Our enemies are guided by brutal cynicism, by unholy contempt for the human race. We are inspired by a faith which goes back through all the years to the first chapter of the Book of Genesis: "God created man in His own image".

We on our side are striving to be true to that divine heritage. We are fighting, as our fathers have fought, to uphold the doctrine that all men are equal in the sight of God. Those on the other side are striving to destroy this deep belief and to create a world in their own image - - a world of tyranny and cruelty and serfdom.

That is the conflict that day and night now pervades our lives. No compromise can end that conflict. There never has been - - there never can be - - successful compromise between good and evil. Only total victory can reward the champions of tolerance, and decency, and freedom, and faith.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE

JANUARY 6, 1942

January 6, 1942

Secretary Morgenthau announced today that the Treasury has purchased an additional 20 million dollars of gold from the Union of Soviet Socialist Republics. The gold is to be delivered within 180 days from January 3, the date of the purchase agreement.

The new transaction follows two ^{similar} ~~old~~ purchases of last year, one for 10 million dollars and another for 30 million dollars. Delivery of gold against the first purchase, made August 13 on a 90-day basis, was completed on October 25. The second arrangement, consummated on October 10, called for delivery of the gold within 180 days, by April 8, 1942. Two-thirds of the gold involved in this transaction already has been delivered.

Dollar assets made available by the gold transactions are being used by the Soviet Union to purchase goods and services in the United States in addition to materials being obtained under the terms of the lend-lease arrangement.

O.K.
H. M. Jr.

(Original returned to Mr.
Schwarz 1:30 p.m., 1/6/42)



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

January 8, 1942

MEMORANDUM TO THE SECRETARY:

In response to your request for information as to pending difficult purchases for the Russians, there are two which fall in this category.

First, we have a requisition for an aluminum rolling mill, comprising all equipment necessary to operate this plant. The requisition specifies delivery in ten to twelve months and the supplier has advised that it will require fourteen months to manufacture this equipment. We have arranged with the supplier to discuss this afternoon the matter of reducing this time through sub-contracting and will report the progress to you.

We also have a requisition for two gasoline distilling plants, each capable of producing 6,000 barrels daily. The requisition specifies Houdrey plants and the use of the Houdrey distillation process requires royalty payments of \$150 for each of the first 20,000 barrels produced, \$125 for the next 20,000, \$100 for the following 20,000, and \$75 per barrel for all production in excess of these amounts. This matter is now being inquired into to determine why it is necessary to look only to Houdrey equipment. You will be promptly advised as to the developments in this regard.

Clifton E. Mack
Clifton E. Mack
Director of Procurement

FOR DEFENSE





313

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

January 6, 1942 *M*

OFFICE OF THE DIRECTOR

MEMORANDUM TO THE SECRETARY:

Supplementing my memorandum to you this morning relative to difficult purchases for the Russians, there have been additional developments this afternoon as the result of conference with the representatives of the supplier who is to furnish the aluminum rolling mill.

The requisition specified delivery in ten to twelve months and the supplier had stipulated fourteen months to complete, pointing out that similar contracts with the Defense Plant Corporation are on the basis of sixteen months and another plant for Brazil is scheduled for eighteen months completion.

This afternoon, however, it was agreed that the plant will be delivered complete within twelve months. It was further agreed that the foundation drawings for the building, representing a building of 1380' x 215', also the foundation plans for all equipment, will be completed within two weeks, which will permit U.S.S.R. to immediately begin construction. The shipments on the machinery will begin in six months and will be continuous permitting complete erection of the mill shortly after the last delivery is received.

It was arranged that the supplier will subcontract all possible and we propose to follow through to see that it is done.

Efforts are being continued to further reduce the time of completion of this plant.

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

FOR DEFENSE



Treasury Department
Division of Monetary Research

314

Date January 6, 1942 19

To: Secretary Morgenthau

Appended are two telegrams, one from Bermuda and one from Cuba, raising the question of the desirability of altering our procedure in order to permit residents of foreign countries to purchase Defense Bonds.

I am bringing this to the attention of Mr. Bell and suggesting that he might want a Treasury group to pass on the matter.

H.D.W.

MR. WHITE
Branch 2058 - 214½

315

COPY FOR: *mt White*

- Distributed to:
- Secretary
 - Mr. Bell
 - Mr. Bernstein
 - Mr. Feis
 - Mr. Foley
 - Mr. Gaston
 - Mr. Knoke
 - Mr. Livesey
 - Mr. Pehle
 - Mr. White
 - Mr. Timmons
 - Mr. Morris
 - Mr. Luxford
 - Mr. F.E. Fox

From: ~~Mr. Cochran~~ *mt. Jones*
mt. Kuhn
mt. Hefflinger

P
IDEPARTMENT OF STATE
WashingtonIn reply refer to
FD

December 31, 1941

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses copies of an unnumbered telegram, dated December 30, 1941, from the American Consulate, Bermuda, concerning purchase of defense bonds.

The Secretary of State would appreciate being advised as to the reply to be made to the Consulate concerning the telegram under reference.

Enclosure:

From Consulate, Bermuda,
December 30, 1941.

chi copy
1-7-42

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P
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LM

PLAIN

Bermuda

Dated December 30, 1941

Rec'd 12:39 p.m.

Secretary of State,
Washington.

December 30, noon.

Consulate receiving many inquiries American citizen
army navy base workers who desire purchase defense bonds
in Bermuda. Treasury might consider feasibility base
Post Offices here. Should appreciate comments.

BHXK

DD



chicory
1-3-42

C
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YDEPARTMENT OF STATE
WASHINGTONIn reply refer to
FD 811.51/4110

January 2, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses a copy of despatch no. 52, dated December 12, 1941, from the American Consulate, Nuevitas, Cuba, concerning the sale abroad of National Defense Bonds.

The Secretary of State would appreciate being advised of the reply made to the despatch under reference.

Enclosure:

From Consulate, Nuevitas,
no. 52, December 12, 1941.

Copy:bj:1-6-42

No. 52

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE

Nuevitas, Cuba, December 12, 1941.

SUBJECT: Sale Abroad of National Defense Bonds.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to address the Department on the advisability of extending the sale of National Defense Bonds of the United States to foreign countries, especially Latin American.

It appears from the enclosure, a Treasury Department announcement, that no deliveries of such bonds will be made abroad. The apparent only class of American citizens in other countries to whom sales may be made are those temporarily residing there, thereby excluding our citizens who are permanently residing abroad as well as those aliens abroad who may wish to contribute to our war effort. Also, the status for this purpose of members of the Foreign Service is not clear, although I have not been able to purchase any such bonds in Cuba. The First National Bank of Boston, Habana branch, having expressed the opinion that it was not possible. I know of at least one other American citizen, permanently residing in Camaguey, Cuba, who likewise has been unable to buy these bonds in Cuba.

- 2 -

The revenue derived from the sale abroad of these bonds might not be impressive, relatively, but the moral advantages believedly would be worthwhile, affording our citizens abroad, as well as sympathetic foreigners, an opportunity to participate tangibly in the war for the defense of democracy.

Advantage might be taken of existing facilities for such distribution in the form of the American and Canadian banks established throughout Latin America, from which area doubtless the greatest response would come.

It is understood that approximately \$250,000 worth of American Liberty Bonds were sold in the city of Camaguey, Cuba, alone in 1917-18 by a single Canadian bank and that about 95 per cent of the purchasers were Cubans. One Cuban bought \$10,000 of these bonds.

One informed banker does not feel that there is an appreciable market for National Defense Bonds now in Camaguey but that the demand therefor will be markedly augmented in 90 days, when there will be much more money in circulation from the new sugar crop and probably more enthusiasm for the war.

Respectfully yours,

Milton Patterson Thompson
American Vice Consul

Enclosure;
As stated.

851
MPT/jc

In quintuplicate to the Department;
Copy for the Embassy, Habana;
Copy for the Consulate General, Habana.

Copy:vw:1-6-42

Geneva, Switzerland

G.I.42

Dear Mr. Secretary,

I am enclosing a copy of a letter I am sending to the Secretary of State.

I hope you and Mrs. Morgenthau and your children are well, and wish you all good things for the year that has just begun.

Sincerely yours,

Royall Tyler

Royall Tyler

Enclosure:

Copy of a letter to the
Secretary of State

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

Geneva, Switzerland

6 January 1942

My dear Mr. Secretary,

I was very much gratified by your letter of October 22.

On December 24, the Legation at Berne sent me the substance of a telegram from you referring to my memorandum and letters, for which I wish to express my sincere thanks. I shall not fail to forward to you anything which may seem to be worth your attention.

I have just spent two weeks in the South of France. Everyone with whom I spoke was openly anti-German. There are still advocates of "collaboration", no doubt, in that region, and I know of a few, personally, but my impression is that they are rare and getting rarer. The entry of the U.S.A. into the war has hastened a process that had been going on for a long time past.

A French official, stationed in Paris, whom I have just seen, says that the Germans, many of whom he has to meet in the discharge of his duties, are down in the mouth, apprehensive about the way things are going in Russia and at sea. They have given up Libya as a bad job. Even the Italians, he says, no longer have hopes of saving anything in Africa. He says the Germans talk of increasing food difficulties. They mop up all the fruit they can get hold of in France, as scurvy is prevalent in their army. I can vouch for it that there is not a lemon to be bought on the Riviera, which grows them, and very few oranges.

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

I get it from all the French sources I have access to that negotiations between Vichy and the Germans are at a dead end, and that the advocates of "collaboration" and "synarchy" do not see any way of starting them up again. The Germans say the Marshal has double-crossed them.

A determined attempt was recently made by the Pucheu faction to turn out of the Cabinet the Minister of Justice, Barthélemy, whom they consider lukewarm about "collaboration" and to replace him by Bergery, former Ambassador to the U.S.S.R., but nothing came of it. Darlan himself is said to be dissatisfied with Bouthillier, the Minister of Finance, and recently offered the job to Farnier, former Governor of the Banque de France. Farnier, however, said that he could only accept on condition that Boissanger, present Governor of the Banque de France, who is a docile instrument of the Germans, is dismissed. So no change was made.

Some months back, Bergery tried to get himself appointed Ambassador to Switzerland, but the Swiss, sounded out on the subject, intimated that they would prefer not to be asked officially for the agrément.

Believe me, my dear Mr. Secretary,

Respectfully yours,

Royall Tyler

January 6, 1942

Mr. Livsey

Mr. Dietrich

Will you please send the following cable to the United States Embassy, Santiago, Chile:

*From the Treasury.

Societe des Mines de Cuivre de Hualtagua sells blister copper at rate of over two and one-half million dollars annually to American Metal, New York, through latter's Chilean subsidiary, Samec. Continuance of these copper shipments for ultimate account Metals Reserve Corporation highly desirable, but consideration must be given to Continental French ownership and control of Societe. We should appreciate receiving report financial status Societe, with specific emphasis on profits accruing from American business, especially period June 1940 to date, and showing also cash resources and where located. In view of strong possibility Societe effects remittances in substantial amounts to Continental France, we should like details such remittances, and should like you to explore possibility of assurances from Societe and Chilean authorities that further such remittances will not be made if we continue to license payments from United States under Executive Order 8389. It has been suggested that any disruption of present remittance arrangements with American Metal might result in Societe's ceasing operations or seeking another market. Your comments on these possibilities and on possibilities of ensuring supply of copper in any event are requested. Please comment also on any unusual arrangements between Societe and Samec or others affecting disposition of copper or mining therefrom.

FD:dm:1/6/42

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

January 6, 1942.

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended December 24, 1941, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.

FEDERAL RESERVE BANK

OF NEW YORK

January 2, 1942

CONFIDENTIALDear Mr. Secretary: Attention: Mr. S. L. White

I am enclosing our compilation for the week ended December 24, 1941, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Sincerely yours,

/s/ L. S. Knobel

L. S. Knobel
Vice President.

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

Enclosure

Copy:vw:1-9-42

STATEMENTS OF BRITISH AND FOREIGN ACCOUNTS
(In Billions of Pounds)

Week Ended December 24, 1941

31
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)								REST OF WORLD							
	DEBITS				CREDITS				Net Incr. (+) or Decr. (-) in Balance	DEBITS			CREDITS			Net Incr. (+) or Decr. (-) in Balance
	Total Debits	Gov't Expendi- tures (a)	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Other Credits (c)	Total Debits		Gov't Expendi- tures (d)	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits		
First year of war (8/29/39-8/28/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	52.0	420.1	+ 35.0	866.3(e)	416.6(e)	449.7	1,095.3(e)	900.2	195.1(e)	+229.0	
War period through December, 1940	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1	
Second year of war (8/29/40-8/21/41)**	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1	
1941																
Aug. 28 - Oct. 1	140.9	105.9	35.0	176.2	20.1	2.0	154.1	+ 35.3	0.3	-	0.3	0.5	-	0.5	+ 0.2	
Oct. 2 - Oct. 29	109.0	77.3	31.7	150.9	0.8	-	150.1	+ 41.9	0.3	-	0.3	0.3	-	0.3	-	
Oct. 30 - Dec. 3	156.1	111.6	44.5	134.6	-	1.0	133.6	- 21.5	16.1	-	16.1	0.4	-	0.4	- 15.7	
Dec. 4 - Dec. 31																
1942																
Jan. 3	39.2	32.1	7.1	67.6	-	-	67.6	+ 28.4	0.2	-	0.2	0.1	-	0.1	- 0.1	
10	29.5	22.6	6.9	8.0	-	-	8.0	- 21.5	0.2	-	0.2	0.1	-	0.1	- 0.1	
17	17.8	11.2	6.6	18.7	-	-	18.7	+ 0.9	(g)	-	(g)	(g)	-	(g)	(g)	
24	18.7	14.2	4.5	6.8	-	-	6.8	- 11.6	10.1	-	0.1	0.1	-	0.1	-	

United States Expenditures Since Outbreak of War
Total (through June 19, 1940) \$19.6 billion

England (through June 19, 1940) 27.6 million
England (since June 19, 1940) 41.8 million

after monthly breakdown see tabulations prior to April 23, 1941.
after monthly breakdown see tabulations prior to October 8, 1941.
(See attached sheet for other footnotes)

Information from British Purchasing Commission to
Head of Office for Foreign Account

Week ended December 24, 1941
Commission from July 4, 1940 162.7

million
million

- (a) Includes payments for account of British Purchasing Commission, British Air Commission, British Supply Board, Ministry of Supply, Tanker Control, and Ministry of Shipping.
- (b) Includes figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of war securities through December, 1940 amounted to \$324 million.
- (c) Includes about \$55 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the reestablishing of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.
- (d) Includes payments for account of French Air Commission and French Purchasing Commission.
- (e) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.

PERIOD	BANK OF CANADA (and Canadian Government)									DISCOUNTING BANK OF CANADA						
	DEBITS				CREDITS					DEBITS				CREDITS		
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C			Net Incr. (-) or Decr. (-) in Balance	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
					For Own A/C	For French A/C	Other Credits									
First year of war (8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	35.1	30.8	6.1	+ 4.8
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	60.4	50.3	10.3	+ 4.5
Second year of war (8/29/40-8/27/41)**	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.2	55.5	61.2	68.8	18.3	+ 9.0
Aug. 28 - Oct. 1, 1941	23.1	-	23.1	52.2	21.2	-	-	21.0	+ 29.1	10.7	0.5	10.2	2.8	2.1	0.7	+ 7.8
Oct. 2 - Oct. 29, 1941	37.4	-	37.4	19.7	11.9	-	-	7.8	- 17.7	8.2	3.5	2.7	8.0	5.9	2.1	+ 0.2
Oct. 30 - Dec. 3, 1941	52.8	0.2	52.7	32.5	19.3	-	-	13.2	- 20.5	10.3	6.9	3.4	11.6	9.0	2.6	+ 3.3
Dec. 4 - Dec. 31, 1941																
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Weekly Average of Total Debits Since Outbreak of War

through December 24, 1941 \$ 7.7 million

* For monthly breakdown see tabulations prior to April 23, 1941.

** For monthly breakdown see tabulations prior to October 8, 1941.

AF

GRAY

Chungking via N. R.

Dated January 6, 1942

Rec'd 3:14 a.m.; 7th

Secretary of State,
Washington.

18, January 6, noon.

FOLLOWING FROM FOX FOR SECRETARY OF THE TREASURY.

"TF 10. Am renumbering cables beginning with December 9; TFS of December 9 is one; TFT of December 12 is two; cable dealing with summary of board operations and position is three; TPU dealing with departure for Kunming, et cetera is four; TPV from Adler is five; TFW dealing with Press is six; cable from board to Federal Reserve Bank TFX is seven; TFY dealing with Kunming is eight and TFZ concerning loan is nine."

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SAFE HAND

BRITISH EMBASSY,

WASHINGTON, D.C.,

No. W. T. 1065/1/42

6th January, 1942.

Dear Mr. Dietrich,

I enclose a copy of a notice issued by the Trading With the Enemy Branch in London with regard to Lithuania, Latvia and Estonia and the application of the Trading With the Enemy Act to those countries. I have also sent copies to Dr. Livesey and Mr. Pehle.

Yours sincerely,

(Sgd) W. Ritchie.

Mr. Frank Dietrich,
Room 279, U.S. Treasury Department,
Washington, D.C.

WR:TMI

Copy:hmd:1/8/42

CONFIDENTIALLITHUANIA, LATVIA, ESTHONIA

The Trading with the Enemy Branch draw the attention of bankers to the fact that the following territories:-

Lithuania as from June 24th, 1941,
Latvia as from July 21st, 1941, and
Esthonia as from August 29th, 1941,

became areas in the occupation of Germany on the dates respectively mentioned, with the effect that the provisions of the Trading with the Enemy Act, 1939, apply to commercial and financial relations with persons in those areas, and the Custodian Order should be regarded by bankers as having taken the place of the Treasury Order under Regulation 2A of the Defence (Finance) Regulations as from the dates mentioned. The usual returns should be made to the Custodian of Enemy Property.

(Signed) F. W. McCOMBE

12th December, 1941.

Copy:hmd:1/8/42

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DEPARTMENT OF STATE

WASHINGTON

January 6, 1942

In reply refer to
FF 840.51 Frozen Credits/4866

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. 257 of December 22, 1941 from the American Legation at Managua, and its enclosure with translation, Decree No. 70 published in La Gaceta (Diario Oficial), No. 275 of December 18, concerning the blocking of funds of enemy aliens and Proclaimed List nationals.

Enclosure:

From Managua, no. 257,
December 22, 1941, with
enclosure and translation.

Copy:vw:1-6-42

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Managua, D. N., Nicaragua, December 22, 1941.

No. 257

Subject: Blocking of Funds of Enemy Aliens and Proclaimed
List Nationals.

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Department's circular telegram of December 15, 10 p.m. and to report that Nicaragua, by Decree No. 70 issued December 18, 1941 (copy of which is attached), took full steps to block, in the banking institutions of the Republic, all of the funds and securities belonging to firms or individuals of Germany, Italy and Japan as well as those appearing on the Proclaimed List of the United States. This Decree provides for the establishment of accounts for each of the individuals or firms under the supervision of the Superintendent of Banks who will be authorized to pay checks or drafts against those blocked funds to meet vital and urgent necessities or other expenses regarded as necessary.

This is a decree designed to stop all movement of funds and to control all such funds and securities held by such individuals. It provides restrictions and control measures similar to those described in the Department's mimeographed circular instruction dated September 20, 1941, as being applied to Proclaimed List nationals by the United States Government. That instruction implied that parallel action by the Nicaraguan Government would be favorably regarded.

One feature of the Decree is that it provides for the future when it applies the provisions of the Decree to firms or individuals of those countries who may in the future engage in war with Nicaragua.

It might be noted that the original draft of the Decree did not include Proclaimed List persons or firms but following the suggestion of the Legation the Decree was changed to include firms or individuals, the names of which appear on the List.

Respectfully yours,

Pierre de L. Boal.

Enclosure:

1. Decree No. 70 taken from LA GACETA (Diario Oficial) No. 275 dated December 18, 1941.

Copy to: Division of Commercial Affairs.

711.3 EBL/jwb A true copy of the signed original (JWB)

By: lci
6/42

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Source: Enclosure No. 1 to Despatch 257
of December 22, 1941, from American
Legation, Managua, Nicaragua.

(TRANSLATION)

No. 70
The President of the Republic,
Considering:

That a state of war exists between Nicaragua and Japan, Germany and Italy, and that the national and continental demands the control of funds belonging to entities or persons of such nationalities, in accordance with the provisions of Article 3 of the Legislative Resolution of December 10, 1941,

Decreases:

Article 1. While the state of war between Nicaragua and Japan, Germany and Italy continues all funds and values in the possession of banking institutions of the Republic belonging to Japanese, German or Italian firms or individuals who are on the proclaimed list of the United States of America shall remain blocked.

Article 2. The Superintendency of Banks shall proceed at once to establish a register of accounts existing in banking institutions belonging to firms or individuals referred to in Article 1 of this law.

Pending the drawing up of the Register to which the foregoing article refers and the issuance of provisions suitable to the situation, the Superintendency of Banks may authorize the payment of checks or drafts against the blocked funds, for such amounts as may be indispensable to satisfy urgent vital needs or other duly verified needs which cannot be postponed.

- 2 -

Article 4. The provisions of this Decree shall be applicable also to firms or individuals of countries which may in the future find themselves in a state of war with Nicaragua.

Article 5. This Decree shall begin to govern upon its publication in "La Gaceta" (Diario Oficial).

Given in the Casa Presidencial, Managua, National District, December 16, 1941, A. SOMOZA. The Minister of Treasury and Public Credit, J. R. Sevilla.

TR:FGH:MH

Copy:hmd:1/8/42

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DEPARTMENT OF STATE

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Washington

In reply refer to
FF 840.51 Frozen Credits/4945

January 6, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses herewith a copy of telegram no. 1 from Basel, dated January 3, 1942, for the Treasury Department concerning G. L. Bard and his affidavit required by the Treasury of foreign suppliers of American firms.

Enclosure:

From Basel, no. 1,
January 3, 1942.

eh:copy
1-7-42

WM

Basel

Dated January 3, 1942

Rec'd 1:26 a.m., 5th.

Secretary of State,

Washington.

1, third, 10 a.m.

FOR TREASURY DEPARTMENT.

Foreign Funds Control. Reference my No. 34, September 17, and Treasury's letter October 28 to Chief Division Commercial Affairs State Department. G. L. Bard on December 23 executed at this Consulate affidavit setting forth answers to seven questions required by Treasury of foreign suppliers of American firms. Bard is member of board of directors of Durand and Eugenin's of Basel. Company states affidavit mailed by airmail 29th.

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TREASURY DEPARTMENT

339

INTER-OFFICE COMMUNICATION

DATE January 6, 1942

TO Secretary Morgenthau

FROM Mr. Dietrich

CONFIDENTIAL

Registered sterling transactions of the reporting banks were as follows:

Sold to commercial concerns	\$63,000
Purchased from commercial concerns	\$11,000

Open market sterling was again quoted at 4.03-3/4. The only reported transaction consisted of \$1,000 purchased from a commercial concern.

The Canadian dollar, which closed at a discount of 13-5/8% yesterday, improved to a final quotation of 13-1/4% this afternoon. Today's improvement was attributed to the Post Office's attempt to purchase 200,000 Canadian dollars. It is not known how much the Post Office actually was able to buy.

The Venezuelan Bolivar improved another 10 points to close at .2665.

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

Argentine peso (free)	.3355
Brazilian milreis (free)	.0516
Colombian peso	.5775
Mexican peso	.2065
Uruguayen peso (free)	.5310
Cuban peso	Par

In final execution of the bank of Sweden's order to sell 250,000 Argentine pesos, the Federal Reserve Bank of New York sold 100,000 pesos in New York at .2355 today.

There were no gold transactions consummated by us today.

On January 3, the Treasury agreed to purchase approximately \$21,070,000 in gold from the Government of the U. S. S. R. for delivery within 180 days. An advance of \$20,000,000 was made to the Russians on January 5.

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¢. Andy McFarren's settlement price for foreign silver was also unchanged at 35-1/8¢.

We made no purchases of silver today.

BRITISH EMBASSY
WASHINGTON, D.C.

PERSONAL & SECRET

January 6, 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,

Halifax

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.

MOST SECRET

(U.S. SECRET).

OPTTEL NO. 5.

Information received up to 7 A.M. 5th January, 1942.

1. NAVAL.

During an air raid on Malta on the evening of the 4th, two of H.M. destroyers suffered damage from bomb splinters, which will keep them out of action for a few days. There were also a few casualties.

2. MILITARY.Libya.

Bardia prisoners now estimated at 7,000, including 1,000 Germans.

Malaya.

The threat from Japanese landings in the Perak and Bernam Rivers against our left rear continues. More boats have appeared off Kuala Selangor, where enemy fighter patrols machine gunned all (? movement). Other boats have been seen heading further south. Our troops in the Kampar area disengaged during the night 2nd/3rd without great difficulty. Our withdrawal was closely followed up by armoured vehicles which were engaged successfully.

Russia.

Finland and Leningrad Sectors. No change. Central Sector. The Russian advances in the direction of Rzhev and North West of Kaluga are now taking the form of a wide converging movement on the Vyazma area. South West of Moscow, the Germans have made considerable withdrawals and are now on a line West of Malo Yaroslavets - North of Yukhnov-Suchinitchi-Belev. Strong Russian attacks towards Kursk continue.

Ukraine. The Russians have broken through between Oboyan and Bielgorod. An attack on Kharkov appears probable in the near future. No change in Donets Basin, or along River Dnieper.

Crimoa. Sevastopol has withstood heavy attacks. Successful combined operations have resulted in the capture of March Peninsula.

3. GENERAL.

On 3rd January, the Russian General Staff stated that

- (A) German rearguards in Staritsa area were in disorganised flight and that the Russians expected to reach Rzhev shortly.
- (B) The encirclement of the Germans in Moshaisk area was planned.

Page 2.

- (C) The Russians had reached the Yukhnov-Suchinitchi area.
- (D) A further advance in the Donets Basin and across the river Mius was confidently expected in spite of stout resistance by mixed Axis forces.
- (E) Powerful Axis attacks on Sevastopol had been repulsed with heavy losses and Russian counter attacks had gained ground.
- (F) The area east of Feodosia was now clear of the enemy.

4. AIR OPERATIONS.

Western Front. 4th. Eight Hampdens on roving commissions successfully bombed and machine-gunned factories, trains, built up areas and railway stations in North West Germany. 4th/5th. Nothing of importance by either side.

MEDITERRANEAN.

Libya. 2nd. Between El Agheila and Sirte, Beaufighters destroyed 12 vehicles and damaged 30 others. 2nd/3rd. Two Wellingtons attacked Ras El Ali. 3rd. Four Blenheims bombed Buerat El Haun.

Sicily. 4th. Ten Blenheims attacked enemy aircraft on an aerodrome south east of Trapani. Details not yet reported but the operation is stated to have been very successful.

Malta. Enemy bombers attacked Luqa aerodrome on the 3rd, 20 on the 3rd/4th and two formations, each of 30, on the 4th. One Whitley was destroyed and four Wellingtons, two Marylands and one Whitley damaged. One Junkers 88 was shot down. Wellingtons could not operate during the night owing to damaged runways, but operations were possible on the 4th owing to continuous efforts by ground personnel.

FAR EAST.

Burma. 4th. Rangoon. 30 enemy fighters were engaged by American volunteer pilots. One enemy aircraft reported destroyed and another damaged. Three American aircraft were shot down but the pilots are safe.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

343

DATE JANUARY 6, 1942

to Secretary Morgenthau
from Mr. Kamarck
Subject: Recent American Bombing Attacks on the Japanese
(Information from Military Intelligence)

1. Several American bombers a day are flying to Australia. By now, we probably have around 25 bombers based at Port Darwin, Australia (northern Australia, south and slightly east of the Philippines.)

2. These bombers have carried out several raids already. Around Christmas time, they took off, refueled in the Netherlands Indies en route, bombed Davao harbor (Mindano Island), refueled and bombed-up near Manila and bombed the Japanese in the Lingayen Gulf. Then, the bombers refueled and bombed-up near Manila and bombed the Japanese again at Davao on the way home to Port Darwin, Australia.

3. The latest raid on the Japanese at Davao has not been fully reported to Washington Headquarters, as yet. In this raid, the American bombers from Port Darwin, found a fair-sized Japanese squadron at Davao. The squadron included a battleship, several cruisers, six or seven destroyers, and a whole school of submarines. One destroyer was certainly sunk. Hits were made on some other ships, while the battleship was hit squarely with three 600-pound bombs. Since the battleship is probably of an old type, it is likely to have been damaged badly enough to be out of action for some time.

TREASURY DEPARTMENT

344

INTER OFFICE COMMUNICATION

DATE January 6, 1942

TO Secretary Morgenthau

FROM Mr. Kamarck

Subject: Summary of Military Reports

Far East

British fighters provided maximum cover over a reinforcement convoy going to Malaya. Two aircraft were lost, but one pilot was rescued.

(U.K. Operations Report, January 4, 1942)

(This is the only mention made of this convoy, presumably on its way with reinforcements to Singapore.)

Japanese troops to the strength of about one division and large numbers of horses and horse transport are reported to be moving from Indo-China into Thailand. (Probably the troops are to strike at Burma or to take up defensive positions against thrusts from Burma.)

(U.K. Operations Report, January 2, 1942)

Use of American Planes

Curtiss Kittyhawk fighters intercepted 16 German dive bombers escorted by 6 German fighters over Jedabaya, Libya, and forced them to jettison their bombs. Four dive bombers and one fighter were destroyed, and six of the remainder were either probably destroyed or damaged. One Kittyhawk is missing.

(U.K. Operations Report, January 3, 1942)

Libya

Ground patrols operating to the west, have destroyed a total of 29 enemy aircraft on the ground at two landing grounds in the Nofilia area, between El Agheita and Birte (100 miles to the rear of the main Axis forces.)

(British ground patrols in this campaign, by boldly raiding deep into enemy territory, have destroyed almost as many Axis planes as the R.A.F. has. At least 150 Axis planes have been destroyed in this manner.)

In the fall of Bardia, 1,150 Empire troops were liberated. These included only two officers. The rest of the British officers captured had been previously evacuated by sea (probably to Greece.)

(U.K. Operations Report, January 4, 1942)

French Collaboration with Germany

The French aircraft industry working for Germany, is still mainly producing French types. Orders were placed on the first of July with factories in the occupied zone for 2,000 German-type aircraft for delivery between October 1941 and July 1944. Three-fifths of the total are reconnaissance types, including one type for aircraft carriers. The remainder are troop-carrying transport and some training aircraft. There is no evidence that any aircraft under these orders have yet been delivered.

(The Germans, evidently, have no intention of farming out the production of the crucial combat types, fighters and bombers, outside of Germany. In October, the British informed us that the French had agreed to plan to produce for the Germans 300 airplanes a month by August, 1942.)

(U.K. Operations Report, January 4, 1942)

New Axis Weapon

During the night of January 1/2, thirteen planes dropped rocket bombs on Malta, causing some damage and a number of casualties. (The purpose of these bombs is probably to achieve a greater velocity and hence, penetration, than can be achieved by gravity alone.)

(U.K. Operations Report, January 3, 1942)

RESTRICTED

G-2/2657-220; No. 592 M.I.D., W.D. 11:00 A.M., January 6, 1942

SITUATION REPORTI. Pacific Theater.

Philippines: Fighting continued along all lines with increasing enemy pressure. Yesterday the Bataan-Corregidor area was under hostile air bombardment for four hours. Antiaircraft fire hit at least 7 of the 50 attacking Japanese planes. The Press reports that an enemy destroyer was sunk and three bomb hits were scored on an enemy battleship by American planes attacking Davao Harbor. There was no damage to the American planes. Hawaii: No further reports of hostile activity. China: Conflicting reports. Heavy fighting continues, apparently with some Chinese gains. Malaya: In the west, pressure on the British left flank is increasing. The Press reports that the British have withdrawn to positions farther south. In the east, according to a British communique, British forces have been withdrawn from the Kuantan area. West Coast: No further reports. N.E.I.: Japanese reconnaissance over Dutch territory continues.

II. Eastern Theater.

The Russians claim a continued advance west of Moscow. The German High Command reports the repulse of Soviet forces along the central front.

III. Western Theater.

Air: The Press states that the R.A.F. carried out heavy air raids against Brest and Cherbourg last night. A single German plane dropped bombs along the north coast of England early this morning causing slight damage. Germany claims they damaged 23 ships last night in German bomber attacks on supply lines off the west coast of England.

IV. Middle Eastern Theater.

Ground: Agedabia sector remains relatively quiet. Only minor actions between mobile columns and the air strafing of rear area supply routes are reported. In the Salun-Halfaya area British pressure is increasing through heavy and continuous aerial and artillery bombardment.

Air: R.A.F. activities include the bombing of Greek air and submarine bases. Axis air forces have continued the bombing of Benghazi and Malta.

RESTRICTED